2023

Annual Report 2023

FINCANTIERI

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Letter to shareholders 4

Claudio Graziano
Chairman

Pierroberto Folgiero
Chief Executive Officer and General Manager

To our Shareholders,

The year ended 2023 was the first year of delivery of the 2023-2027 Business Plan, a year marked by the launch of numerous important initiatives and significant results which already allow us to give an initial assessment of progress on the strategic review started in 2022.

Notwithstanding the persistence of a highly volatile macroeconomic environment, characterized by high interest rates and the conflict in Ukraine and the Middle East, the results obtained so far are positive and allow us to look forward with optimism to the year ahead.

The new business cycle opened with marginality clearly improving, with an 80% rise in EBITDA to euro 397 million and an EBITDA margin of 5.2% (3.0% in 2022), above the estimated target for 2023.

The net financial debt has improved, dropping to euro 2,271 million, while the debt/EBITDA ratio, at 5.7x, has halved in comparison to 2022, showing that the deleveraging process has outstripped the trajectory outlined in the Business Plan, as a result of the constant attention given to financial discipline and the consequent optimization of working capital.

Operational management in 2023 has also enabled the restoration of positive cash flow, generating net cash in excess of 200 million.

On the sales side, the value of new orders has increased by almost 24% compared to 2022, thanks above all to the optimal performance obtained in the Defence and Offshore businesses, with growth in volumes and profitability predicted to gain further strong momentum in 2024.

With regard to the Defence sector, the current geopolitical scenario, marked by numerous areas of regional tension with impacts at a global level, together with the growing need to safeguard the integrity of the international energy and communications infrastructure, is leading to a general rethink of the budget devoted to the protection of the maritime domain. An average annual increase of 2.6% in defence spending is therefore predicted up to 2027, with a growing share of investment allocated to naval development and an increase in the demand for both naval vessels and the integration of increasingly advanced technological requirements.

At a global level, there has been a strong increase in demand from South-East Asia and the Middle East, with various expressions of interest in Fincantieri's naval solutions already received.

The underwater segment is also becoming increasingly important for the protection of critical infrastructure, resources and activities. Particularly in the Mediterranean, where intelligence, surveillance, defence and deterrence activities take place, the underwater domain is of fundamental strategic importance and will be the subject of significant development plans at a national and European level. A significant example is the launch of the National Underwater Cluster, in which the Group has taken a leading role as the orchestrator of development programs for the underwater supply chain, also thanks to its ability to create synergies between the defence and civil sectors.

The objective being worked on is an expansion of the range of products offered, moving us from a supplier of submarines alone to a distributor of complete solutions that bring together submarines, autonomous units and surface vessels, with opportunities for cross-fertilization between the numerous branches making up the underwater industry.

This includes the collaboration agreements signed in 2023 and at the start of 2024 with some of the leading companies in the segment, including the Memorandum of Understanding (MoU) signed with Leonardo, which focuses on the joint development of a network of platforms and systems for the surveillance, control and protection of critical infrastructure and underwater maritime areas, also through enhancement of the Italian supply chain and support for SMEs and start-ups that will be called on to contribute to the development of innovative technologies.

At the end of 2023 we also finalized the self-financed acquisition of Remazel Engineering S.p.A., a global leader in the design and supply of highly complex topside equipment for submarines. The aim of the transaction is to allow the Group to bring in-house highly specialized engineering and technological skills, reinforcing its role as a partner of the leading international operators in the field of marine and subsea energy.

In the Offshore market, unprecedented institutional support for green transition policies, simplified authorization processes for wind farms and slowing inflation suggest a significant acceleration of investment in offshore wind from 2028. The expected result is a doubling of the average GW installed per year and the need for an expansion of the supply network, resulting in a growth in demand for specialized CSOV, SOV and cable-laying vessels, with more than 200 ships expected to be ordered by 2030.

These expectations are backed up by the extraordinary acceleration in orders recorded in 2023, up 115.2% compared to 2022, which has allowed our subsidiary VARD, which returned to profit this year, to expand its leadership in the construction of support vessels for the offshore wind segment.

The cruise ship segment also continues to strengthen, with a substantial recovery of the market and the return to global fleet occupancy rates in excess of 100%. Looking forward, the 5.5% yearly average increase in passenger numbers expected until 2030 will produce a gap between demand and supply by 2027. It is therefore expected that this dynamic, together with the entry of new operators into the luxury segment, will lead by 2028 to a total investment of 34 billion by shipowners, 18.6 billion of which will be in Italy, generating a constant flow of new orders from 2024 and allowing our revenue in this business to stabilize at volumes higher than pre-pandemic levels.

The economic-financial data have also improved significantly in the Infrastructure segment, the object of a portfolio derisking operation in 2022, with a growth in revenue and EBITDA.

The results listed so far clearly show that Fincantieri is moving quickly in the direction of the targets set in the 2023-2027 Business Plan, focusing on segments with higher margins and growth potential and with operational management that has resulted in us meeting our profitability targets and exceeding our debt targets for 2023.

This is only the start of the journey. Our competencies, developed over the course of our long history and enriched by a continual and cross-cutting process of innovation, today place us on the front line in terms of the responsibility to respond to epochal challenges in the field of defence, international security and the energy and digital transition. Fincantieri's unique business model, characterized by its presence throughout the entire supply chain and its ample and widely distributed international production capacity, allows us to benefit from economies of scale and scope in all our areas of activity. Our commitment to innovation and digitalization is bringing encouraging results: the new LNG, methanol and hydrogen engines are a reality, as are the data management platforms, predictive maintenance and simulation systems and the use of artificial intelligence for remote guided systems and shipyard digitalization.

At the same time, Fincantieri is offering its services as an enabler of change, innovation and sustainability for the entire high added value shipbuilding industry and the whole supply chain connected to it. We do not want to simply adapt our processes and products to trends or regulations, we want to anticipate them and lead the fight against climate change and for decarbonization in our industry and in neighbouring industries. The Group has recently delivered its first LNG cruise ship, the Sun Princess for the Carnival Group, the technology for which marks a concrete step towards the reduction of environmental impacts and an important stage on the path to a zero emissions ship, a goal which we are confident of meeting in 2035 as the lead company in the sector, well ahead of the 2050 target.

Special thanks to all the people in Fincantieri whose professionalism and deep determination, day after day, contribute to the growth of our Group, innovating and creating products which reflect the highest standards of excellence in shipbuilding worldwide.

Thanks to all our stakeholders for your support, we are convinced that Fincantieri will be able to provide a valuable national contribution, confirming itself as the jewel in the crown of Italian industry and an international reference point in the field of maritime technological innovation.

Claudio Graziano
Chairman

Pierroberto Folgiero
Chief Executive Officer and General Manager

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Parent Company Directors and Officers

Board of Directors

Three-year period 2022-2024

Chairman	Claudio Graziano
Chief Executive Officer and General Manager	Pierroberto Folgiero
Directors	Paolo Amato
	Barbara Debra Contini
	Alberto Dell'Acqua
	Massimo Di Carlo
	Paola Muratorio
	Cristina Scocchia
	Valter Trevisani
	Alice Vatta
Secretary	Alessandra Battaglia

Board of Statutory Auditors

Three-year period 2023-2025

Chairman	Gabriella Chersicla
Standing Auditor	Elena Cussigh
	Antonello Lillo
Alternate Auditor	Ottavio De Marco
	Arianna Pennacchio
	Marco Seracini

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

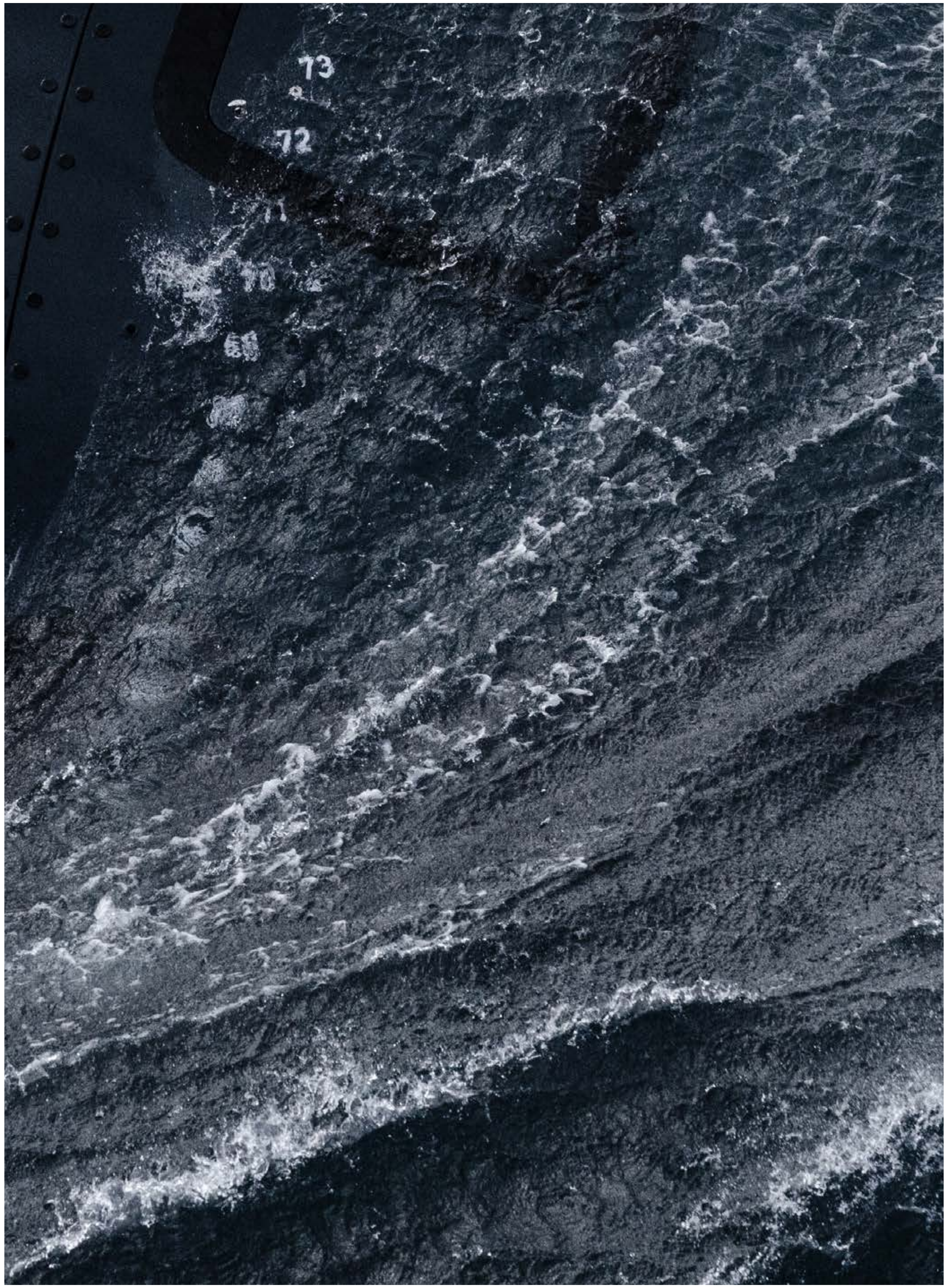
Indipendent auditors

Nine-year period 2020-2028

Deloitte & Touche S.p.A.

For detailed information on the composition and functions of the Board Committees (the Control and Risk Committee, which is also responsible for the functions of the committee responsible for related party transactions 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 associated with related party transactions, the Nomination Committee and the Sustainability Committee) reference should be made to the Report on corporate governance and ownership structure available on the Company website in the "Ethics and Governance - Corporate Governance System - Corporate Governance Reports".

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.



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Vision

Creating a sustainable, high-tech maritime fleet of ships, where new technologies and innovation are integrated seamlessly in order to reduce environmental impact and improve naval system efficiency.

Purpose on Board

We move society forward by crafting, shaping and leading the Green and Digital future of the international shipbuilding industry.
Future on Board: is the signature of the Fincantieri brand. We bring on board a future based on our proven expertise and credibility as a digital design authority and integrator of complex solutions. A future in which the power of our workforce is integrated with technology, big data and artificial intelligence and in which ships, powered by non-polluting fuels and next-generation engines, will have zero impact on the planet.

Values

People

Everything we do focuses on enabling the growth, enhancement and training of people, based on the daily attention that we pay to the quality of our work and our relations with others.

Safety

We ensure high levels of occupational health and safety.

Integrity

We take responsibility for our actions and we put great care into our work, adhering to strict principles of ethics, loyalty and professional fairness.

Customer focus

We meet customer requirements and we rigorously honour our commitments.

Innovation

We aim to continuously improve our products and working methods through technological innovation.

Mission on Board

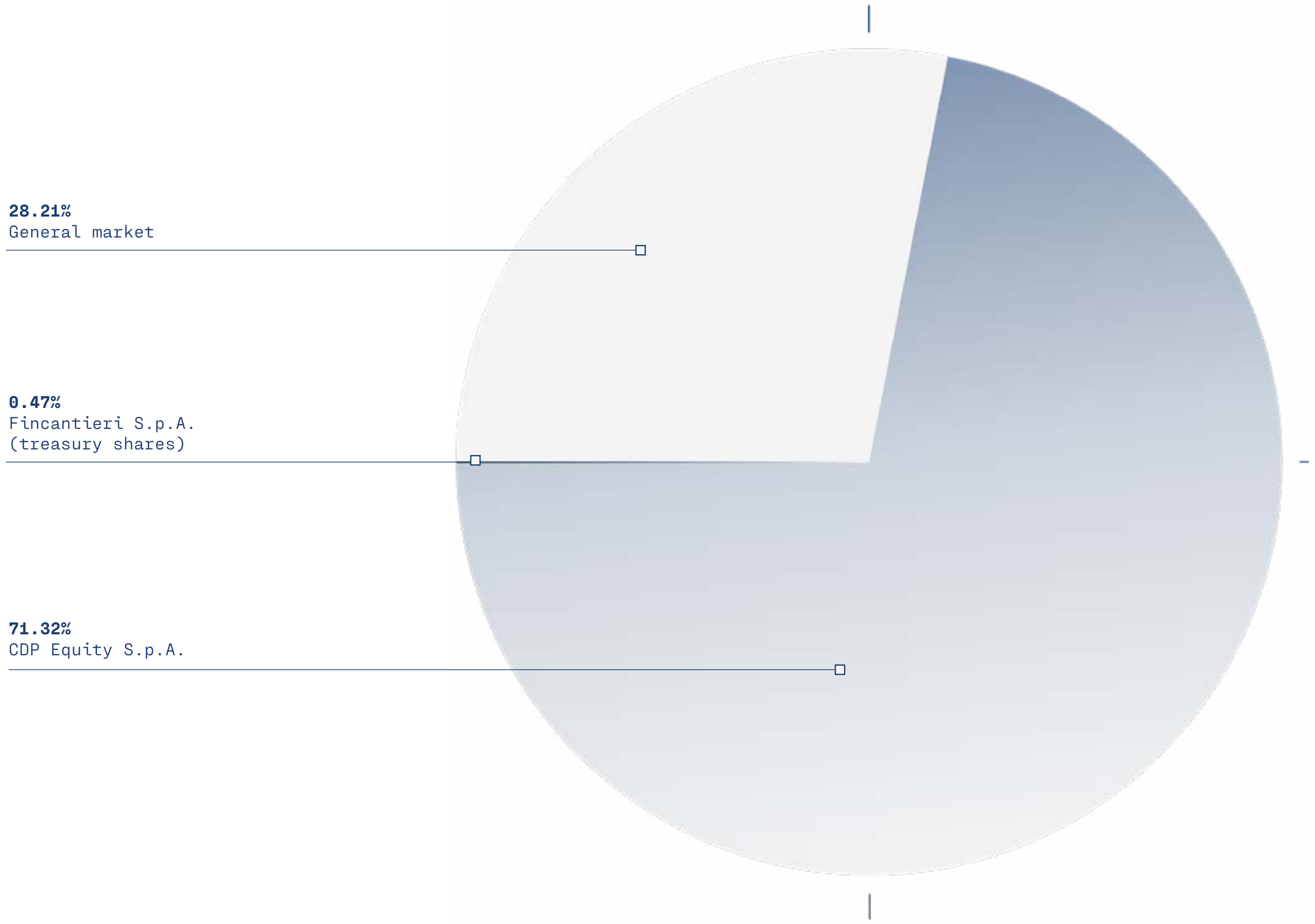
Global leadership in the development and lifecycle management of digital and green ships.
Our every action, project, initiative or decision is based on strict observance of the law, labour protection and protection of the environment, safeguarding the interests of our shareholders, employees, clients,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

Who we are

Fincantieri is one of the 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%, **defence 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, characterized by the ever increasing application of new propulsion technology and new fuels on board, enabling the Group to become a market leader in the design and construction of vessels operating in offshore wind farms. This achievement testifies its commitment and ability to be a **player in the ecological transition,** with a clear sustainability strategy setting out a detailed roadmap to respond to increasingly stringent regulations. The Group also operates in digital and cyber security, 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 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 has more 11,000 employees. The production network stretches **across 18 shipyards on four continents** and employs more than 21,000 direct workers.

71.32% of Fincantieri S.p.A's Share Capital of euro 862,980,725.70 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 remaining Share Capital is distributed between a number of private investors (none of whom hold significant interests of 3% or above) and treasury shares (of around 0.47% of shares representing the Share Capital).

Shareholders



Shipyards and Docks

Europe

Italy

Trieste

Monfalcone

Marghera

Sestri Ponente

Genoa

Riva Trigoso - Muggiano

Ancona

Castellammare di Stabia

Palermo

Norway

Brattwaag

Langsten

Søviknes

Romania

Braila

Tulcea

Asia

Vietnam

Vung Tau

Americas

USA

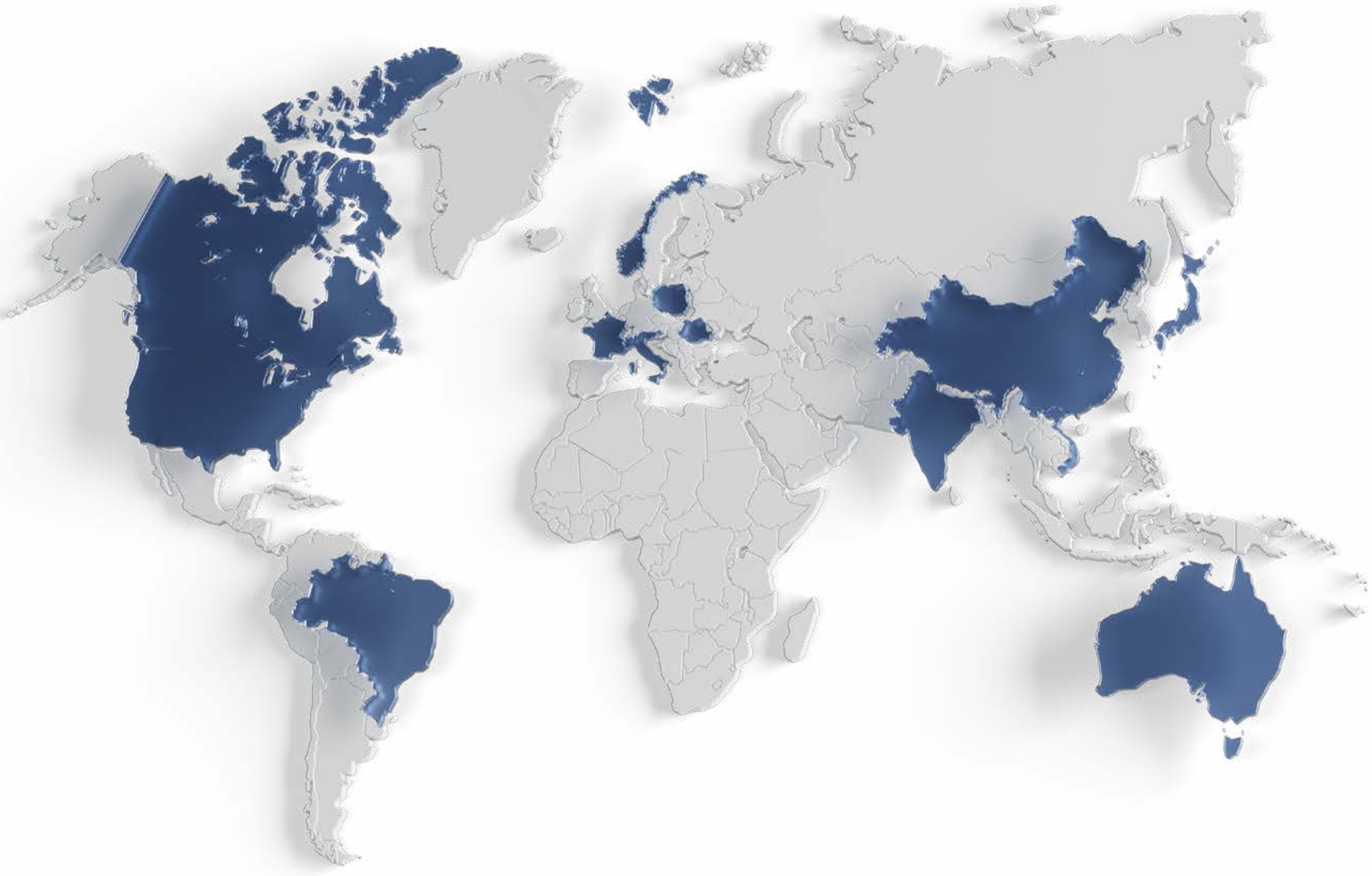
Marinette

Sturgeon Bay

Green Bay

Brazil

Suape



€ 7.7 bln Revenues

+7,000 Ships designed and built

Principal Western **shipbuilder**

+230 Years of history

> 21,000 Employees at 31.12.2023 — **48%** Other countries; **52%** Italy

18 Shipyards

1st Player in diversification and innovation

85 Vessels in order book

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 Infrastrutture Opere Marittime

Fincantieri Infrastrutture Sociali

IDS Ingegneria Dei Sistemi

SOF

Issel Nord

MI

E-Phors

BOP6

HMS IT

S.L.S. - Support Logistic Services

Operae A Marine Interiors Company

MTM

Norway

Vard Group

Vard Design

Vard Electro

Vard Interiors

Seaonics

Romania

Vard Shipyards Romania

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

United Arab Emirates

Fincantieri Naval Services - Sole Proprietorship

Americas

USA

Fincantieri Marine Group

Fincantieri Marine System North America

Fincantieri Services USA

Fincantieri USA

Canada

Vard Marine

Brazil

Vard Promar

Oceania

Australia

Fincantieri Australia

Total backlog **€ 34.8 bln**

Suppliers in Italy alone **+7,000**

4 Continents

Research, development and innovation **€ 152 mln**

Group Overview

The Group operates through the following three segments:

- **Shipbuilding:** encompassing the Cruise Ships, Naval Vessels and the Accommodation Cluster (renamed "Ship Interiors") business areas;
- **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, unmanned vessels, offering innovative products with reduced environmental impact;
- **Equipment, Systems and Infrastructure:** includes the following business areas: i) Electronics Cluster, which focuses on advanced technological solutions, from the design and integration of complex systems (system integration) to telecommunications and critical infrastructure, ii) Mechatronics Cluster, i.e., integration of mechanical components and power electronics in naval and onshore applications and iii) Infrastructure Cluster, which includes the design, construction and installation of steel structures for largescale 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.

It should be noted that the Service and Accommodation Cluster business areas were reallocated from the Equipment, Systems and Services segment to the Shipbuilding segment, as they are largely designed to support shipbuilding activities. Following this reclassification, the Equipment, Systems and Services segment was renamed Equipment, Systems and Infrastructure. The comparative figures at 31 December 2022 have been restated accordingly. In addition, the activities of the Group's Romanian shipyards, previously included in Shipbuilding, were reallocated to Offshore and Specialized vessels from 2023 onwards following the closure of Vard Cruise Ships division.
The structure of the Fincantieri Group and overview of the companies included in its consolidation will now be presented.

Segments	Shipbuilding			Offshore and Specialized Vessels	Equipment, Systems and Infrastructure			Other
Business areas	**Cruise ships**	**Naval vessels**	**Ship Interiors**	**Offshore and Specialized Vessels**	**Electronics cluster**	**Mechatronics cluster**	**Infrastructure cluster**	**Corporate functions**
Product Portfolio	Contemporary Premium Upper Premium Luxury Exploration/Niche Expedition cruise vessels	Aircraft carriers Destroyers Frigates Corvettes Patrol vessels Amphibious ships Logistic support ships Multirole and research vessels Special vessels Submarines Product lifecycle management: - Integrated logistic support - In-service support Training and assistance	Cabins Wet units Public areas Catering Glazing Interior Design	Drilling units Offshore support vessels (AHTS-PSV-OSCV) Special vessels Fishery/Aquaculture Wind offshore	Design and integration of complex systems (system integration) with a focus on automation Cyber security Telecommunications Critical infrastructures	Energy generation/ storage systems: - Electrical, electronic and electromechanical integrated systems Entertainment systems - Stabilization, propulsion, positioning and power generation systems - Steam turbines	Design, construction and assembly of steel structures on large projects such as: - Bridges - Viaducts - Airports - Ports - Maritime/hydraulic works - Large commercial and industrial buildings	Strategic direction and coordination: - Governance, Legal and Corporate Affairs - Accounting and Finance - Human Resources - Information Systems - Research & Innovation - Purchasing
	Ship repairs Refitting Refurbishment Conversions							
Main Subsidiaries/Associates/Joint Ventures	Fincantieri S.p.A. • Monfalcone • Marghera • Sestri Ponente • Cantiere Integrato Navale Riva Trigoso and Muggiano • Ancona • Castellammare di Stabia • Palermo • Arsenale Triestino San Marco • Bacino di Genova CSSC - Fincantieri Cruise Industry Development Ltd. FMSNA Inc. Fincantieri Services Doha LLC Fincantieri Services USA LLC 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. Marine Interiors Cabins S.p.A. Marine Interiors S.p.A. Seanergy a Marine Interiors company S.r.l. MI S.p.A. OPERAE a Marine Interiors Company S.r.l. Fincantieri Naval Services – Sole Proprietorship LLC MTM S.c.a.r.l.		Fincantieri S.p.A. Fincantieri Oil&Gas S.p.A. Vard Group AS • Brattvaag • Langsten • Søviknes Vard Promar SA • Suape Vard Vung Tau Ltd. • Vung Tau Vard Shipyards Romania SA • Tulcea • Braila Vard Interiors AS Vard Design AS Vard Marine Inc.	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. HMS IT S.p.A. S.L.S. - Support Logistic Services S.r.l.	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. BOP6 S.c.a.r.l.	Fincantieri Infrastructure S.p.A. Fincantieri Infrastructure Opere Marittime S.p.A. Fincantieri Infrastructure Florida Inc. Fincantieri Infrastrutture Sociali S.p.A. SOF S.p.A.	Fincantieri S.p.A.

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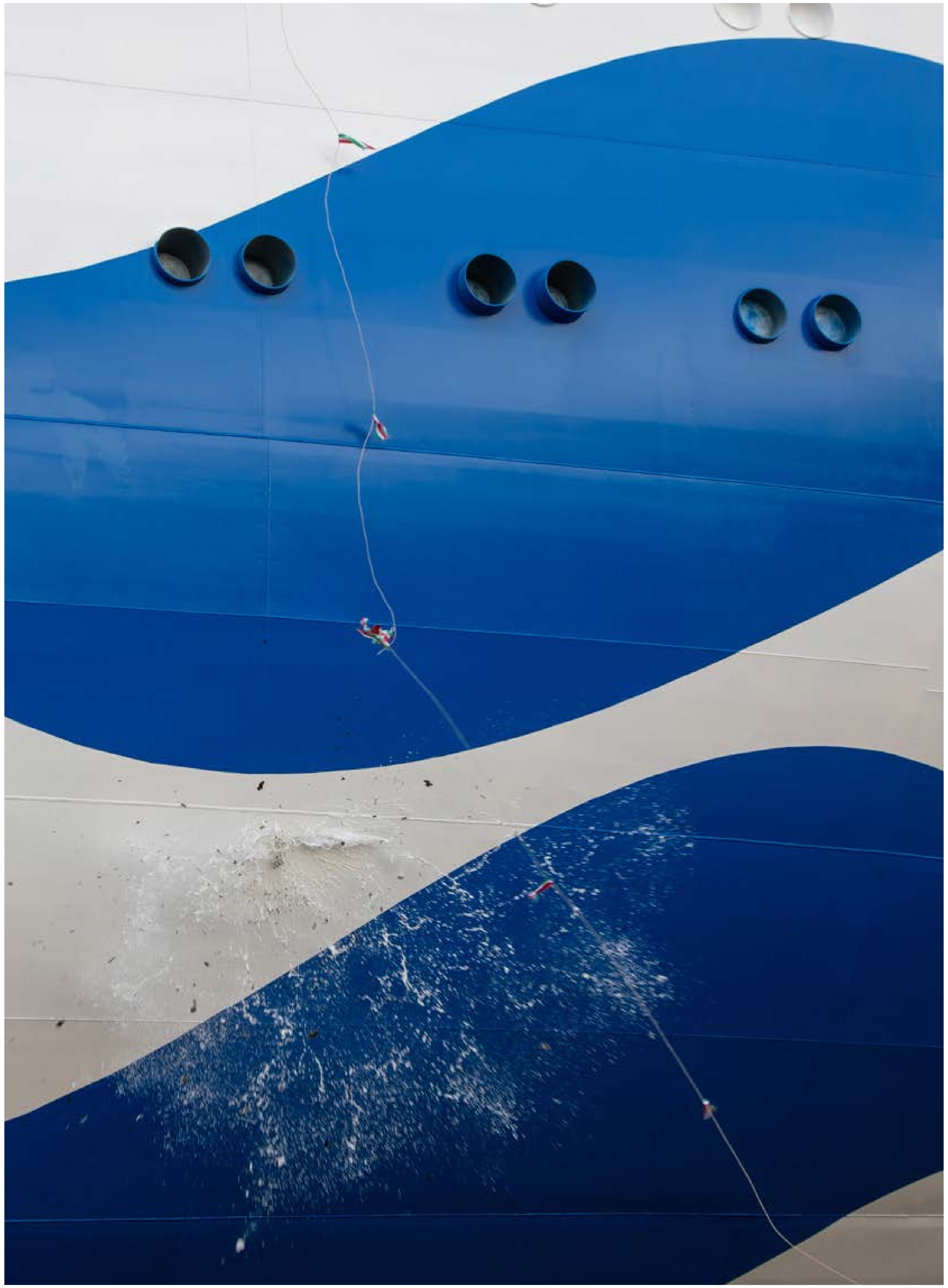
Overview

At the end of 2023, which saw the launch of the new 2023-2027 Business Plan, the Group recorded a clear increase in profitability, with EBITDA at euro 397 million (+80% compared to 2022) and an EBITDA margin of 5.2% (3.0% in 2022), and closed 2023 halving the NFP/EBITDA ratio (5.7x compared to 11.5x in 2022) and generating euro 201 million in cash.
These results were achieved thanks to the solid performance of the Shipbuilding segment, the stabilization of margins in the Infrastructure segment and a strong recovery in the Offshore and Specialized vessels segment.
The year 2023 confirmed expectations of **revenue consolidation** and a marked **improvement in earnings** compared to 2022, thanks to the lower impact of the Infrastructure business and a solid operating performance in the Shipbuilding segment, which also made it possible to recover some of the extra costs that became apparent in the second half of 2022. The Shipbuilding segment achieved a margin of 6.0% compared to 5.3% in 2022.
The **adjusted result for the period was essentially break-even (loss of euro 7 million);** while the negative net result of euro 53 million was influenced by euro 46 million, net of tax, of non-operating expenses related to asbestos exposure litigation in past years.
The year 2023 saw a significant reduction in the Net financial position, amounting to euro 2,271 million (euro 2,531 million at 31 December 2022), an acceleration of the deleveraging path envisaged in the 2023-27 Plan and presented in May 2023. In fact, operations generated positive cash flows of euro 637 million (negative for euro 58 million in 2022), benefiting from movements in working capital. These results are even more important in view of the **continuing market environment, significantly disrupted** by rising raw materials costs, high interest rates and difficulties in finding labour for the shipbuilding segment. The easing of inflationary pressures in recent months does not yet allow for a downward revision of expectations on the prices of raw materials and interest rate levels.
The performance during 2023 of the main **markets in which the Group operates** confirms the positive signs already seen at the end of 2022. The recovery continues in the **cruise segment,** where ship occupancy rates have reached 100% and booking levels are higher than before the pandemic. These dynamics prove once again that the cruise segment has overcome the pandemic effect and is back on its long-term growth path. The context includes the entry of new operators in the luxury segment and renewed interest in new buildings with increasing technological content and green solutions in commercial negotiations. At the same time, in **defence,** geopolitical tensions, particularly in South-East Asia and the Middle East, are giving a strong impetus to increased investment in the segment, including on the maritime front, creating additional business opportunities for the Group. Last but not least, ambitious investments in **offshore wind** energy production continue to support orders for maintenance vessels and support.
In May 2023 the Group presented a new detailed **Business Plan 2023-2027** which, through its pillars and strategic projects, expresses the Group's 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. In the first half of the year, the set-up phase of the program for monitoring progress and advancing **strategic initiatives** was completed, with the engagement and mobilization of people across the Group. Major milestones completed during the period include:

- the start of collaboration with the main players in the ecosystem to enable the application on board of new propulsion technologies and new 'green' fuels;
- the presentation of the Mobile Robot For Welding, the first mobile robot solution for shipbuilding, the result of a partnership with Comau;
- Vard's delivery of one unit of the 14-ship Armada series for Ocean Infinity and the acquisition of orders for 8 new vessels, characterized by green technological solutions and a high degree of automation;
- with respect to the strengthening of the accommodation business, the establishment of the company Operae Interiors to support expansion into the interior design market;
- the launch of a partnership with the Italian Institute of Technology on the development of hi-tech solutions for improving safety levels at work and making production processes more efficient.

Further strategic developments and business opportunities not included in the Plan include initiatives to consolidate Fincantieri's position as a natural candidate for the role of orchestrator in the underwater industry:

- the signing of a Memorandum of Understanding (MoU) with C.A.B.I. Cattaneo, a leading national company in the design, development and supply of underwater vehicles for the Naval Special Forces, in the field of underwater vehicles and their integration with larger vessels;
- the signing of an MoU with Leonardo to define initiatives related to critical submarine infrastructure protection systems;
- membership of the National Underwater Dimension Cluster project, aimed at enhancing research and innovation in the underwater segment, combining the two objectives of national security and commercial development of the underwater supply chain;
- the signing of an MoU with WSense, a deep-tech company specializing in underwater monitoring and communication systems in the field of the Underwater Internet of Things;
- the acquisition of Remazel, a global leader in the design and supply of highly complex top side equipment for submarines.



Highlights

Economic and financial results

- **Results for the year exceeded 2023 guidance, with a growth in operating margin, a significant 50% reduction in the NFP/EBITDA ratio and cash generation of euro 201 million**
- **Revenue and income** at euro **7,651** million, +2.8% compared to 2022 (euro 7,440 million)
- **EBITDA** of euro **397** million (+80% vs. 2022) and **EBITDA margin** at 5.2%, (vs. 3.0% in 2022)
- **Net financial position[1],** debt of euro 2,271 million, a strong improvement over 2022 (euro 2,531 million as at 31 December 2022); debt ratio (Net financial position/EBITDA) of 5.7x at 31 December 2023 (11.5x at 31 December 2022), accelerating from forecast (7-7.5x)
- **Cash flow from operating activities** of euro 637 million (negative for euro 58 million in 2022), due to movements in working capital
- **Adjusted profit/(loss) for the year** negative at euro **7** million, a clear improvement on the negative result of euro 108 million in 2022
- **Profit/loss for the year** negative at euro **53** million (negative at euro 324 million in 2022) after extraordinary or non-recurring charges (euro 61 million)

Operational performance

Total backlog[2], euro **34.8** billion, equivalent to 4.5 times 2023 revenues, of which:
- **Backlog:** euro **23.1** billion and **85** ships for delivery **until 2030**
- **Soft backlog:** approximately euro **11.7** billion

Order intake euro **6.6** billion, with a book-to-bill ratio of **0.9**
Solid business development in all businesses
26 ships delivered from **12 shipyards**

Cruise:
- Orders signed for 3 vessels:
  - 2 hydrogen-powered cruise ships for the luxury brand Explora Journeys of the MSC group
  - a ferry for the Region of Sicily
- 6 vessels delivered:
  - Viking Saturn, tenth unit for Viking
  - Oceania Vista, the first of two next generation cruise ships for Oceania Cruises
  - Norwegian Viva, the second of six next generation Prima class cruise ships for Norwegian Cruise Line (NCL)
  - Explora I, the first luxury ship of Explora Journeys
  - Seven Seas Grandeur, the third luxury cruise ship for Regent Seven Seas Cruises and the latest in the Explorer Class series
  - Brilliant Lady, the latest in a series of four cruise ships commissioned by Virgin Voyages

Defence:
- Contracts signed for:
  - the third submarine in the U212NFS (Near Future Submarine) program for the Italian Navy (MMI)
  - 3 OPVs (Offshore Patrol Vessels) for the Italian Navy, plus another 3 under option, assigned to the JV with Leonardo Orizzonte Sistemi Navali
  - the fourth 'Constellation' class frigate for the US Navy, as part of the 10-vessel framework agreement signed in 2020
  - the modernization (mid-life upgrade) of the Italian and French Horizon class frigates awarded to Naviris, a 50/50 joint venture between Fincantieri and Naval Group, and Eurosam, a consortium formed by MBDA and Thales
  - 1 SOV for CREST Wind through the US subsidiary Fincantieri Marine Group (FMG)
- 5 vessels delivered:
  - the third Multipurpose Offshore Patrol Vessel (PPA), "Raimondo Montecuccoli"
  - the LCS (Littoral Combat Ship) "USS Marinette" for the US Navy
  - the fourth and final "Semaisma" corvette to the Qatar Ministry of Defence
  - the second of four LSS (Logistic Support Ships) ordered by Chantiers de l'Atlantique for the French Navy as part of the FLOTLOG program
  - a bunker barge for the replenishment of liquefied natural gas on ships for Polaris New Energy, built by Fincantieri Bay Shipbuilding

Offshore:
- Orders signed for 10 CSOVs:
  - 4 for Edda Wind with an option for a further 4 vessels
  - 2 for North Star with an option for 2 more ships
  - 2 per Purus Wind with an option for a further 2 vessels
  - 2 for Windward Offshore with an option for a further 2 vessels

  In addition, 4 contracts signed for cable-laying vessels, including a vessel for Prysmian and a highly customized state-of-the-art hybrid vessel in Japan
- 15 vessels delivered:
  - 5 CSOVs (3 for North Star Renewables, 1 for Rem Wind and 1 for Norwind Offshore)
  - 2 naval vessels for the Norwegian Coast Guard
  - 5 Marine Robotic units for Ocean Infinity
  - 2 fishery units (1 for Luntos and 1 for Nergård Havfiske)
  - 1 cable-laying vessel for Van Oord Ship Management BV

1 See the definition contained in the section Alternative Performnce Measures.
2 Sum of backlog and soft backlog.

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 commercial negotiation processes to support better 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

- **In 2024, revenue growing to around euro 8 billion** with estimated marginality of around **6%,** up by one percentage point compared to 2023
- **NFP TO EBITDA ratio** improving from the guidance provided at the Capital Markets Day on 10 May 2023 to **between 5.5 and 6.5 in 2024,** accelerating the expected deleveraging over the plan period

Strategic guidelines and sustainability

Main environmental sustainability initiatives:

- **Important Project of Common European Interest (IPCEI):** Fincantieri is among the 35 European companies taking part in the first hydrogen IPCEI with the aim of contributing to the decarbonization of the economy by fostering the replacement of fossil fuels with hydrogen for ship power generation
- **Isotta Fraschini Motori:** inauguration of the Innovation and Development Centre for the design and industrialization of engine technologies that contribute to the energy transition through the use of renewable energy sources and the reduction of emissions
- **Floating Offshore Wind Community:** an initiative launched in the Mediterranean by Fincantieri, together with Ambrosetti and other partners, to promote offshore wind and support decarbonization

Main social well-being initiatives:

- **Respect For Future:** Fincantieri has launched a project through which it is committed to recognizing, preventing and eliminating all forms of violence, promoting equality, mutual respect, individual freedom and the condemnation of all forms of oppression
- **Women's Empowerment Principles (WEPs):** endorsement of the seven WEPs set out by the UN to promote gender equality in employment and respect for human rights
- **RINA certification:** Fincantieri is the first Italian shipbuilding group to achieve Gender Equality Certification, demonstrating its commitment to promoting equity and inclusion within the company
- **Fincantesimo:** opening of the second company nursery in Monfalcone, which will welcome 34 children, children of Fincantieri employees and workers from satellite companies
- **Work FOR Future:** within the broader context of development projects outlined in the Business Plan, an important and innovative agreement was signed with the trade unions on the new organizational model, the first important objective of which is the application of smart working

Main governance initiatives:

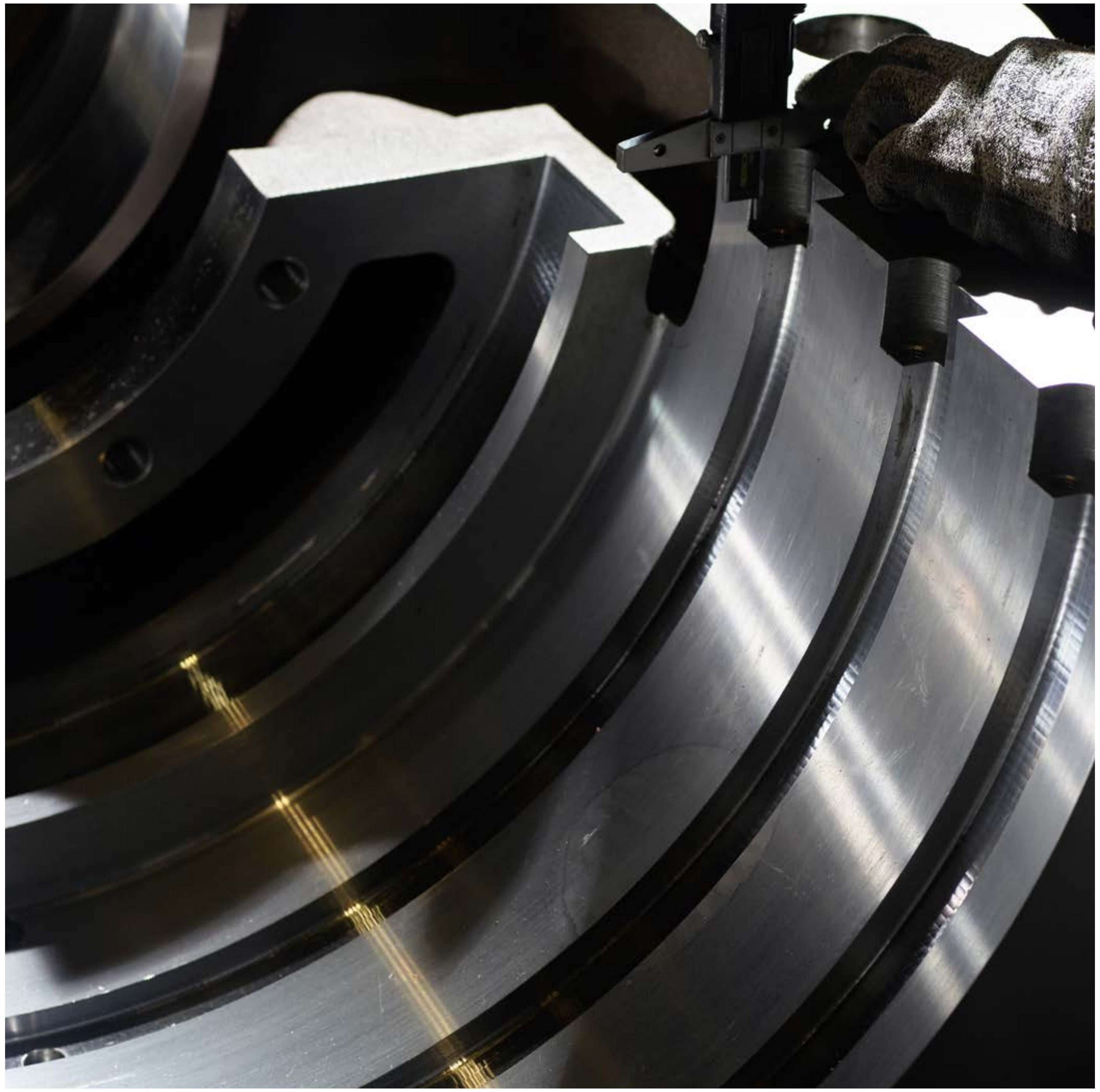
- **Sustainable finance:** an agreement was reached with Crédit Agricole Eurofactor, Ifitalia, SACE FCT and UniCredit to provide Fincantieri's suppliers with access to credit, at the same time incentivizing the improvement of their environmental and social impact, and a 5-year, medium/long-term "ustainability linked" loan was signed, 70% guaranteed by SACE, for a total of euro 800 million linked to the achievement of performance indicators set out in the 2023-2027 Sustainability Plan, paid out in October 2023.

Sustainability ratings and awards

- **CDP:** for the fourth 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. CDP has also awarded Fincantieri the A- score in the Supplier Engagement Rating (SER) category, which assesses the effectiveness with which companies are involving their suppliers, again with respect to climate change
- **Sustainalytics[3]:** for the third year, Sustainalytics, a Morningstar subsidiary, placed Fincantieri in the 'low risk' range with a score of 14.2 points. Fincantieri was also included in the prestigious 'Top-Rated ESG Companies' list, underlining the Company's outstanding performance
- **Moody's:** for the fourth year running, Fincantieri was confirmed as in the 'Advanced' range

3 Rating updated on 8 February 2024.

- **S&P Global[4]:** Fincantieri was assessed within the IEQ Machinery and Electrical Equipment category, obtaining a score of 59/100
- **Integrated Governance Index (IGI):** Fincantieri is among the 'Leader' companies according to IGI, a quantitative index promoted by EticaNews that measures the degree to which ESG factors are integrated into corporate governance and identity
- **Universum:** Fincantieri has been recognized as one of the 'Most Attractive Employers in Italy' for the fifth consecutive year. The company is ranked among the top 50 companies according to students and young professionals in Science, Technology, Engineering and Mathematics (STEM). While in the Humanities/Liberal Arts/Education and Business categories, Fincantieri S.p.A. is ranked among the top 100 companies
- **Top Employer Italy:** Fincantieri has received the 'Top Employer Italy 2024' certification from the Top Employers Institute, official recognition of corporate excellence in HR policies and strategies and their implementation to contribute to well-being for people, improve the working environment and the world of work
- **Safety Award:** Shipbuilders Council of America (SCA) gave the Excellence in Safety Award to Fincantieri Marinette Marine for improving safety and accident prevention.



4 Rating updated 23 January 2024.

Key financials

(euro/million)

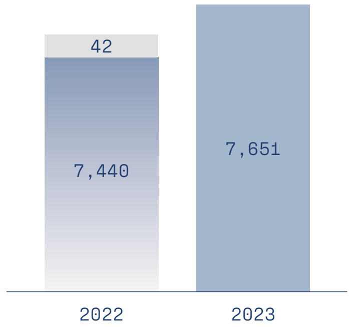
Economic data		31.12.2023	31.12.2022
Revenue and income[1]		7,651	7,440
EBITDA[2]		397	221
EBITDA *margin**	%	*5.2%*	*3.0%*
Adjusted profit/(loss) for the year[3]		(7)	(108)
Profit/loss for the year		(53)	(324)
Group share of profit/(loss) for the year		(53)	(309)

Financial data		31.12.2023	31.12.2022
Net invested capital		2,705	3,118
Equity		434	587
Net financial position[4]		2,271	2,531

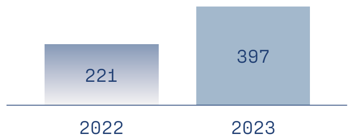
Other indicators		31.12.2023	31.12.2022
Orders**		6,600	5,328
Order book**		34,629	34,591
Total backlog**/***		34,772	34,326
- of which backlog**		23,072	23,826
Capital expenditure		258	295
Research and Development costs		152	158
Headcount at year end	number	21,215	20,792
Vessels in order book	number	85	88

* Ratio between EBITDA and Revenue and income.
** Net of eliminations and consolidation adjustments.
*** Sum of backlog and soft backlog.
1 Note that Revenue and Income at 31.12.2022 excluded pass-through revenues amounting to euro 42 million; see definition in the section Alternative Performance Measures.
2 This figure does not include Extraordinary and non-recurring income and expenses. See the definition contained in the section Alternative Performance Measures.
3 Profit/loss for the year before extraordinary and non-recurring income and expenses.
4 See the definition contained in the section Alternative Performnce Measures.

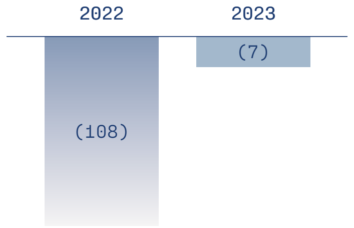
Economic and financial results



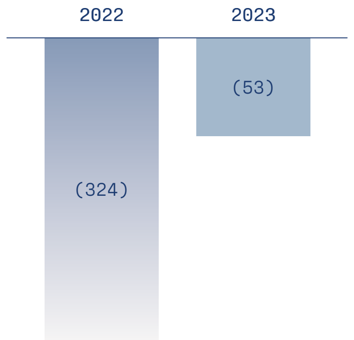
Revenue at euro 7,651 million is **up 2.8%** compared to 2022, above the forecasts for 2023 and in line with the growth targets outlined in the Business Plan.



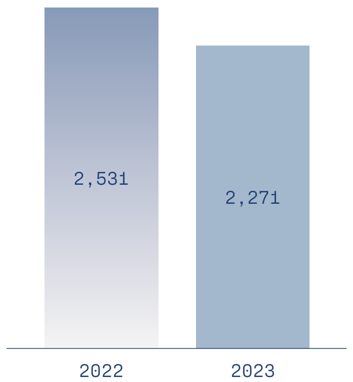
EBITDA[1] amounted to euro **397 million,** an increase of euro 176 million compared to 2022 (+80%), which was impacted by the worsening marginality of the Infrastructure business (negative by euro 126 million). The **EBITDA margin** increased from 3.0% in 2022 to 5.2% in 2023 in line with the guidance.



Adjusted profit/(loss) for the year was a loss of euro 7 million, a clear improvement on 2022 (loss of euro 108 million at 31 December 2022) after deducting amortization of euro 235 million, financial income and expenses and income and expenses from investments of euro 165 million and taxes of euro 4 million.



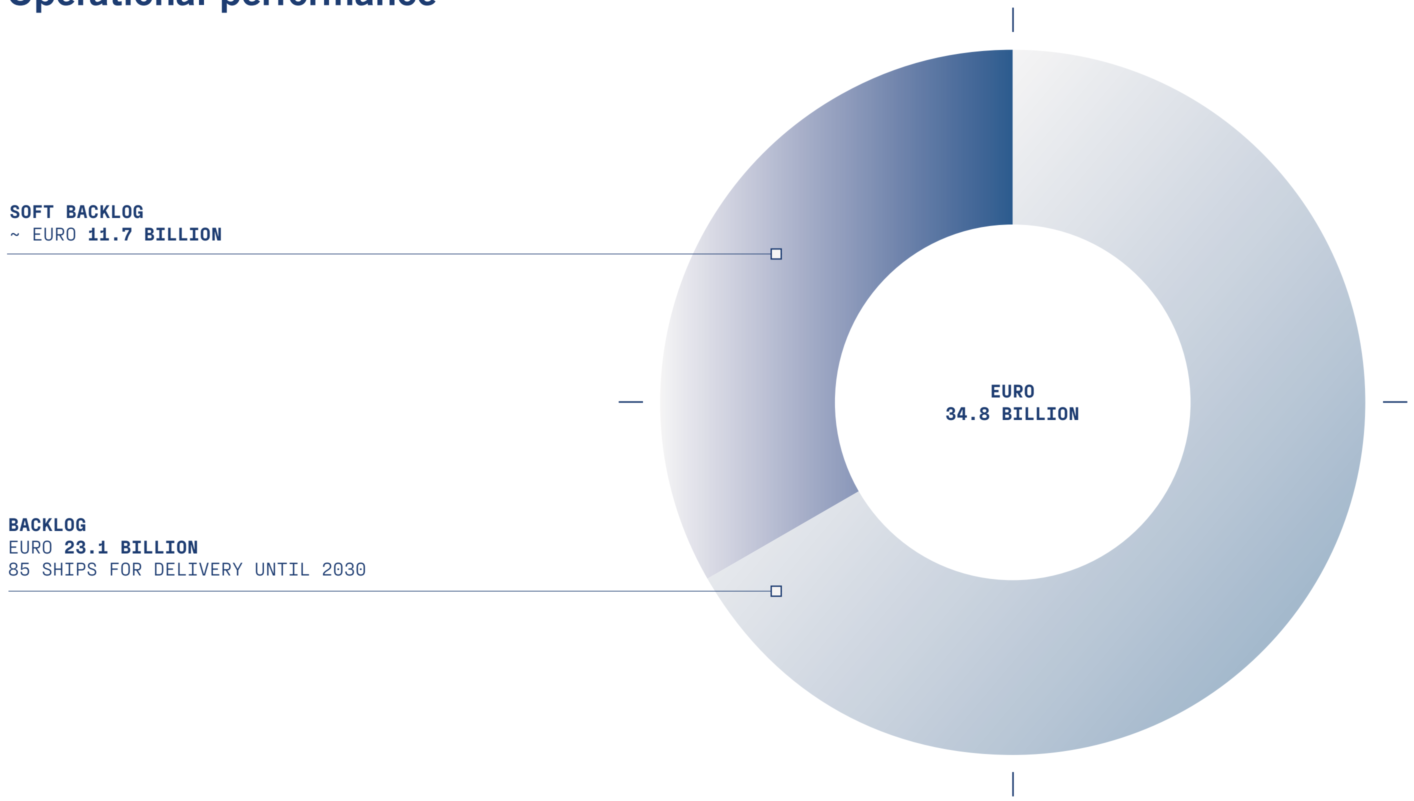
Profit/loss for the year was a loss of euro 53 million (loss of euro 324 million as at 31 December 2022) after discounting charges related to asbestos litigation amounting to euro 61 million, gross of the related tax effect (euro 15 million).

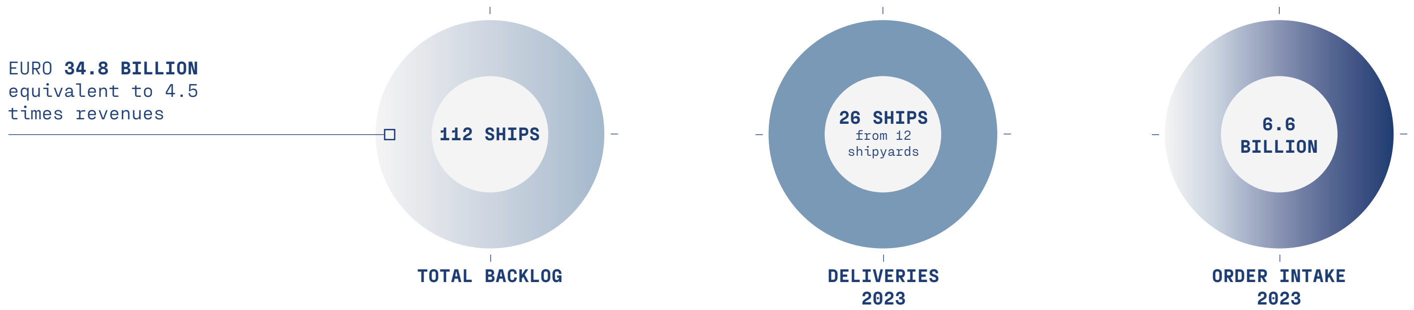


Net financial position amounted to euro 2,271 million (euro 2,531 million as of 31 December 2022), a strong improvement mainly due to the reduction in net working capital, accelerating the deleverage path envisaged in the 2023-27 Plan with a debt ratio as of 2023 (Net financial position/EBITDA) of 5.7x compared to the 7-7.5x forecast.

1 This figure does not include extraordinary or non-recurring income and expenses. See the description contained in the section Alternative Performance Measures.

Operational performance





In 2023, the Group successfully delivered **26 ships,** including 6 cruise ships, 5 naval vessels, 5 SOVs (Service Operations Vessels) and 5 remote control robotic vessels.

The **backlog** at 31 December 2023 amounted to approximately euro 23.1 billion with 85 vessels and scheduled deliveries until 2030. Substantially in line with the backlog at 31 December 2022 (euro 23.8 billion) thanks to new order intake during the year (book-to-bill ratio 0.9).

With regard to the **Cruise** sector, it is worth mentioning the signing in June of the contract, conditional on the shipowner obtaining financing, for the construction of the second extra-luxury cruise ship for Four Seasons Yachts. In October, the contract, whose validity is subject to the shipowner obtaining financing, was signed with the MSC Group's Cruise Division, confirming the order of two hydrogen-powered ships for its luxury brand **Explora Journeys.** In the same month, a contract was finalized with the **Region of Sicily** for the construction of a new RoPax ferry with hybrid propulsion (diesel and liquefied natural gas) that will cover routes between Sicily and the islands of Lampedusa and Pantelleria.

In the **Defence** area, the US Navy exercised its fourth option for the construction of the new class of missile launching frigates in the **Constellation FFG(X)** program. The Group's American subsidiary had already been awarded the contract for the design and construction of the lead ship in the class as prime contractor in 2020, which was followed by the order for the construction of the second vessel in 2021 and the third in 2022. Furthermore, in July 2023, Fincantieri was awarded the order for the construction of the third next-generation submarine, related to the Italian Navy's **U212 NFS** program. The program, managed by OCCAR (Organisation for Joint Armament Cooperation), includes four vessels, two of which are already contracted in 2021, and also provides for the relevant In Service Support and the establishment of the Training Centre.

Also in the Defence sector, Naviris (the 50/50 joint venture of Fincantieri and Naval Group), and Eurosam, a consortium formed by MBDA and Thales, will be entrusted with a modernization project, Mid-Life Upgrade (MLU), of four Horizon frigates of the Italian and French navies, based on the agreements defined in the Memorandum of Understanding signed by the representatives of the respective governments.

As part of the Italian Navy (MMI) **OPV (Offshore Patrol Vessel)** acquisition program, **Orizzonte Sistemi Navali (OSN),** the joint venture owned by Fincantieri and Leonardo with 51% and 49% stakes respectively, signed a

contract for the construction of three next-generation patrol vessels, with options for a further three vessels. Finally, the contract for the design and construction of a SOV for Crest Wind was concluded by the Group through its American subsidiary Fincantieri Marine Group (FMG).
In the **Offshore and Specialized vessels** segment, 2023 saw Vard once again confirm its leadership in the construction of vessels to support the offshore wind segment. The subsidiary signed 10 orders for the design and construction of Construction Service Operations Vessel (CSOV) during the year: 4 for the Norwegian company Edda Wind, with the option for a further 4 vessels, 2 for the British company North Star, with the option for a further 2, 2 for the British company Purus Wind, with the option for a further 2, 2 for Windward Offshore, with the option for a further 2. Vard also signed 4 orders for the construction of cable-laying vessels including a vessel for Prysmian Group and a highly customized state-of-the-art hybrid vessel in Japan.

Headcount

The headcount increased from 20,792 as at 31 December 2022 (including 10,905 in Italy) to **21,215 as at 31 December 2023,** including 11,112 in Italy. The increase was attributable to both Italy (+1.9%), mainly due to recruitment by the Parent Company (+143 employees) during the year, and other countries (+2.2%) due to recruitment by the subsidiaries Vard and FINSO.

Reference scenarios

The strategic guidelines that characterize the Group's development up to 2027 are set in a challenging reference scenario characterized by:

- the **substantial recovery of the cruise market:** compared to the pre-pandemic period, total passengers up +6% and global fleet occupancy above 100%, as well as new highs in cruise bookings and prices. Forecasts for an increase in passengers to around 39 million in 2027 are confirmed. Regarding the competitive scenario, the main distinguishing features remain the development of emission reduction technologies, the necessary financial support for shipowners from Export Credit Agencies and the availability of production slots in shipyards;
- a **defence market projected to grow** in line with global defence spending (average annual rate +2.6% in 2023-27), with higher rates in some areas, including **Europe;**
- strong support from governments for the green transition, driven by initiatives such as the European Green Deal, to achieve climate neutrality by 2050, through support for the growth of **offshore wind power,** which drives **strong demand for specialized vessels;**
- the volatility of **raw material and energy prices,** which are still high compared to pre-pandemic levels, although decreasing compared to 2022;
- the challenging **decarbonization** targets accepted by all stakeholders in the supply chain: regulatory authorities (IMO, Net Zero Emissions by or around 2050), shipowners **(Net Zero Fleet)** and competitors.

Pillars and strategic projects

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

Focus on core business:

portfolio review, maximization of efficiency, modernization of the production process

The challenging reference scenario requires choices to be made in terms of prioritizing the allocation of 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 **competitiveness in the specialized vessels business,** supported by the growth in the offshore wind industry;
- **derisking & partnering** of the **Infrastructure** business area, to secure and enhance the segment;
- **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.

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 and organizational tools and instruments, in order to:
  - adopt a cross-functional and inter-divisional approach;
  - extend and systematize Group best practices;
  - provide greater flexibility by reducing technical and commercial requirements and constraints.
- **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

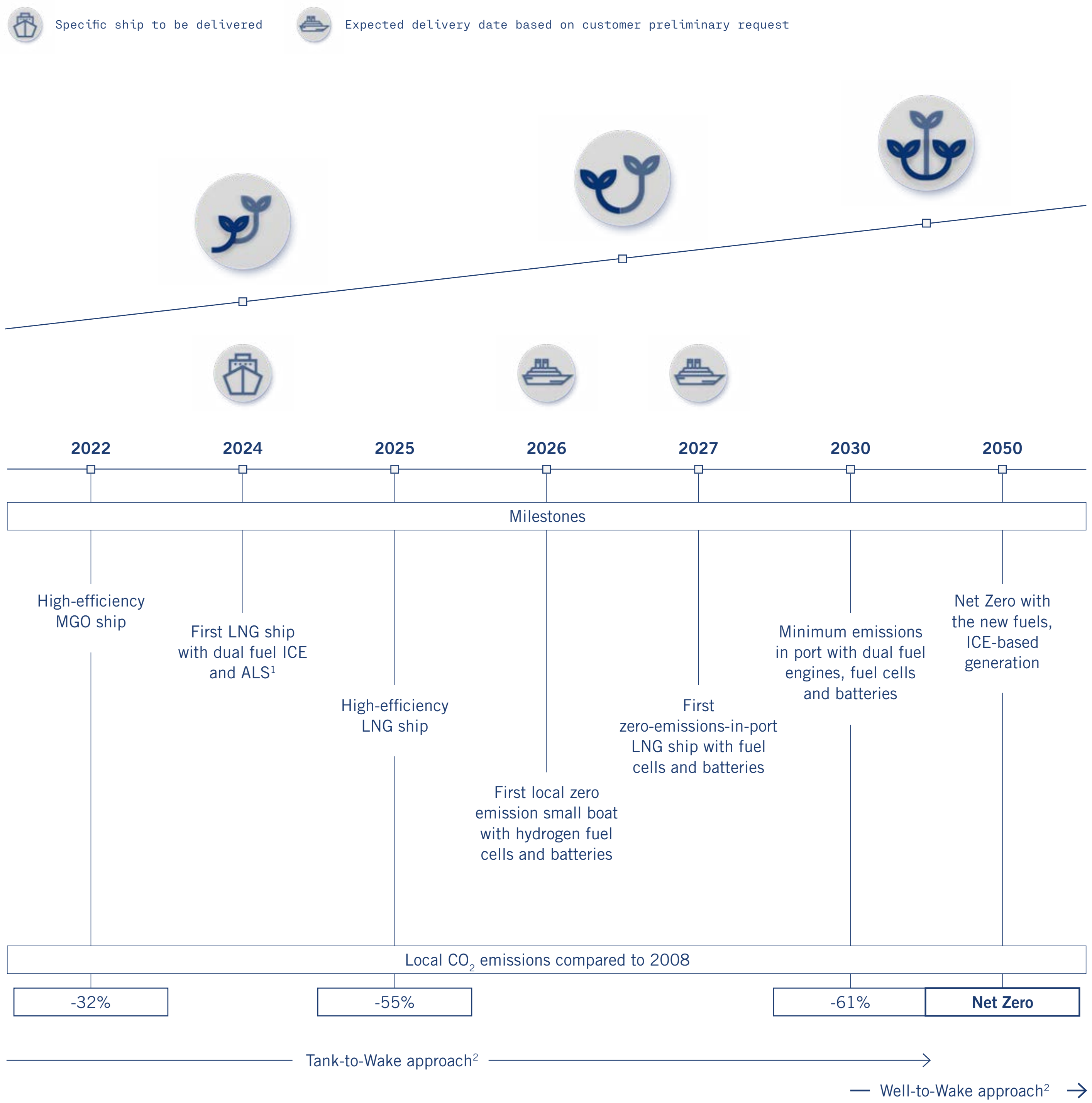
The key areas for improvement identified by Fincantieri to maintain ESG leadership include:

- 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.

In a market context where the Net Zero cruise target is expected to be met by 2050, the Group is committed and working, subject to technological, regulatory and infrastructure availability, to meet it earlier, with an internal target of 2035. This challenge requires the involvement of all interested parties: suppliers, customers, flag authorities, port authorities and other stakeholders.

- Social **(S):** development and protection of human resources, promotion of equity and inclusion and respect for human rights, improvement of health and safety conditions for workers, promotion of growth, training and enhancement of human capital and dialogue and support for local communities;

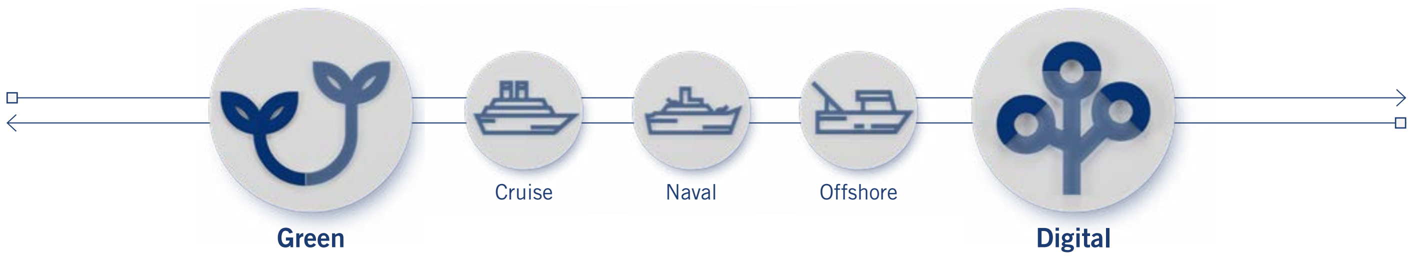
Roadmap to net zero ship



Reduction in emissions based on the “selected standard profile”: 37% in port and compared to Fincantieri's baseline.
1 Air Lubrification System.
2 The new 2023 IMO Guidelines: “Well-to-Wake” (WtW) approach as well as “Tank-to-Wake” (TtW).

- Governance **(G):** responsible and ethical business conduct, promotion of transparency and standards of excellence throughout the supply chain.

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 green and digital transition processes are catalyst for the cross-fertilization 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 guideline 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.



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 is strengthening its 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

2030 **Sensor & Data Analytics**
All of the ship's equipment will be monitored, optimized and maintained through sensor data collection and analysis.

2030 **Onboard & ship-to-shore connettivity**
All ships will be connected to a network that will send real-time data to shipowner offices, ports and equipment suppliers.

2040 **Green Automated Technologies**
Green technologies will be automated and/or remotely controlled.

2040 **Blockchain**
Continuous financial transactions managed through blockchain technology.

2040 **Digital Platform**
Ship operators, shipowners, banks and original equipment manufacturers (OEMs) can monitor ship performance via a common platform.

2040 **Propulsion & Critical System**
Many ships will change their propulsion systems and will be remotely controlled (before they become fully autonomous).

2050 **Navigation**
Navigation will become fully autonomous and directly linked to the rest of the fleet.

2050 **Autonomous Operations**
Ships will become completely autonomous in all their operations, including mooring, loading and unloading.

Legend: Most ships will have the specific technology by: 2030, 2040, 2050.

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.
Based on the initiatives that the Group has undertaken and will continue as provided for in the Plan, 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%.** 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.

Main strategic initiatives implemented during the year

During 2023, the Group launched initiatives to optimize operating performance, guaranteeing the necessary resources for production programs and optimal management of operational risks.
In particular, with reference to the five strategic pillars, the Group achieved the following results:

Focus on core business:

- onshore pre-outfitting in the Monfalcone and Marghera shipyards operating at full capacity, extension to the naval and offshore business areas of the innovations introduced in the cruise sector (i.e. modularity and pre-outfitting), investments in production automation;
- strengthened leadership position in the emerging offshore market for SOVs, CSOVs and cable-laying vessels;
- in the infrastructure field, operating model restructured, methodologies and tools for risk management, procurement and order management;
- strengthened processes in the field of ship interiors and established the company Operae focusing on the civil market;
- launched the 'Masters of the Sea' project for the employment of 90 skilled workers.

Financial discipline:

- established around 60 cross-functional working groups to develop the strategic initiatives and defined the operational model to make the innovations introduced structural, including the partnership model with the supply chain presented at the Supplier Summit;
- strengthened key industrial governance processes and implemented actions to rationalize overheads.

Industrial sustainability:

- signed agreements with shipowners for the deployment of emissions reduction technologies on vessels in the order book and started the IPCEI project for the development of hydrogen technologies.

Life cycle management:

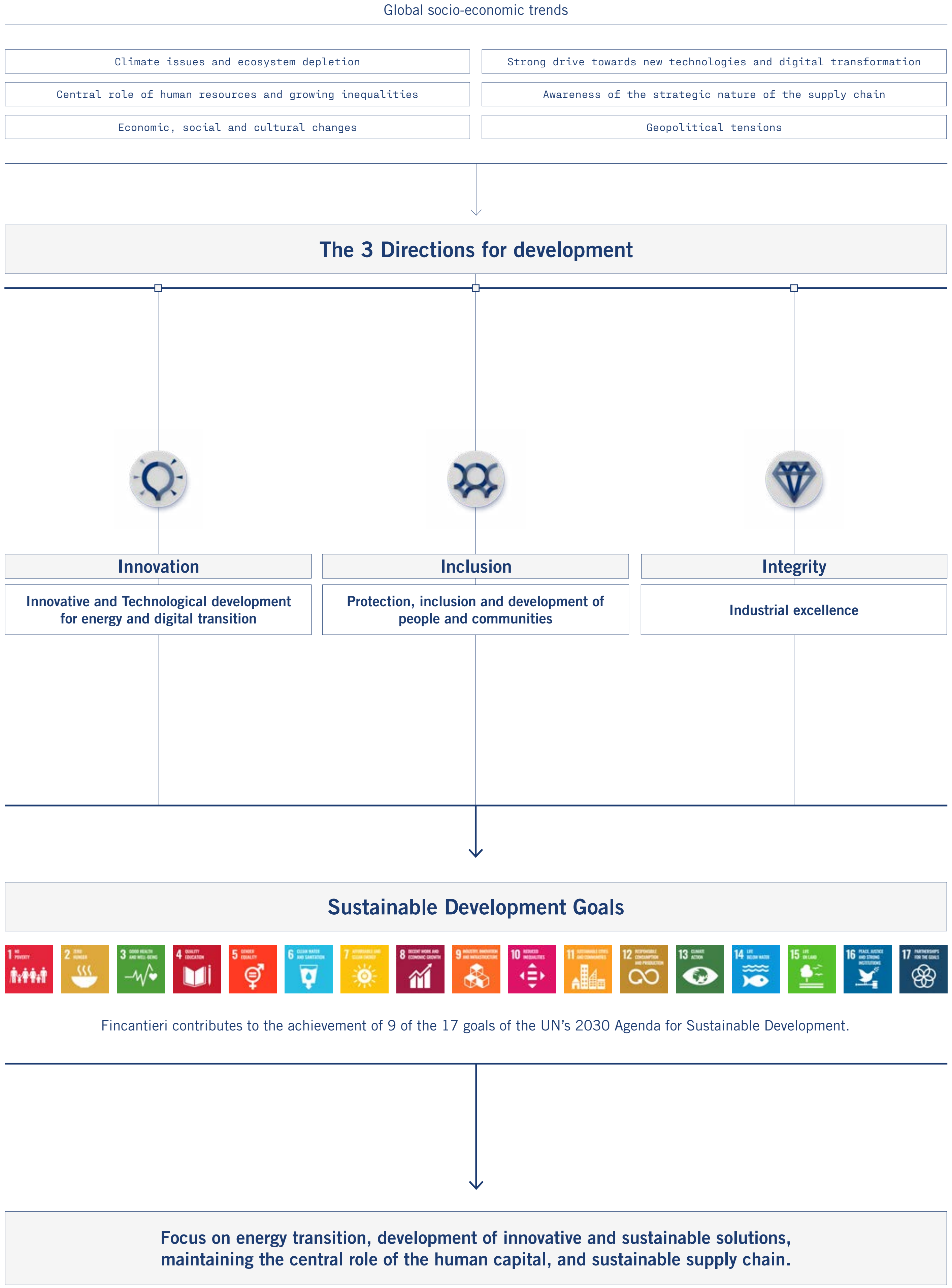
- started the Project House and conducted focus groups with shipowners.

System integration:

- established new governance, management and Board of Directors of the joint venture Orizzonte Sistemi Navali S.p.A.

Sustainability plan

The 2023-2027 Sustainability Plan, approved by the Board of Directors of Fincantieri S.p.A. on 16 February 2023, is an integral part of the strategic vision and is aimed at creating value for all stakeholders. At this time of transformation, sustainability is a cornerstone in the development of production processes and an essential objective in the development of the product portfolio in line with customer needs, helping to ensure a high level of resilience and sustainable development for the Group.
The new 2023-2027 Sustainability Plan has identified **3 directions for development** that represent the Group's strategic vision in terms of sustainability, ensure that Fincantieri's commitments are met and contribute to the achievement of the 17 Sustainable Development Goals (SDGs) defined by the United Nations Agenda 2030. In particular, 9 SDGs were recognized by Fincantieri as relevant to its business and in line with its strategic guidelines:



The **3 directions for development,** defined in synergy with the Business Plan, cover the **15 material topics** identified by the Group from the materiality analysis, of which **7 are strategic** themes for the development of the business that the Group has decided to focus on:

- Climate change
- Environmental impact of products and services
- Innovation, research and development
- Development and safeguarding of human resources
- Diversity and equal opportunities
- Health and safety in the workplace
- Sustainable supply chain

The Sustainability Plan consists of:	
3 Directions	take into account socio-economic trends and include the Group's material topic. They are also reflected in and represent the development of the ESG pillar of the Business Plan.
24 Commitments	undertaken by the Group through its Charter of Sustainability Commitments.
15 material topics, 7 of which are strategic	identified by means of stakeholder engagement and market benchmarking that enable the views of the Group to be taken into consideration as well as those of customers, suppliers and partners, the financial community and other stakeholders, who were involved through an online survey. Material topics are reported annually in the Non-Financial Statement - Sustainability Report.
41 ESG objectives	to be achieved in the short, medium and long term, which will contribute in particular to the achievement of 9 SDGs, that Fincantieri has recognized as significant for its business and in line with its strategic guidelines. These objectives make the Group's path towards sustainable development transparent and verifiable. Periodically, these objectives will be updated, and new targets will be defined, according to a process of continuous alignment with the strategic guidelines and results achieved, in order to increasingly integrate sustainability along the entire value chain, taking into account the potential impacts on the economy, the environment and people. Responsibility for achieving the goals included in the Sustainability Plan lies with the various company functions involved, which devote resources, tools and know-how to implementing the actions underlying the goals. The objectives of the Sustainability Plan are reviewed annually, based on the results achieved and the new needs that emerge over time.

Strategic guidelines and sustainability

The 3 Directions for development

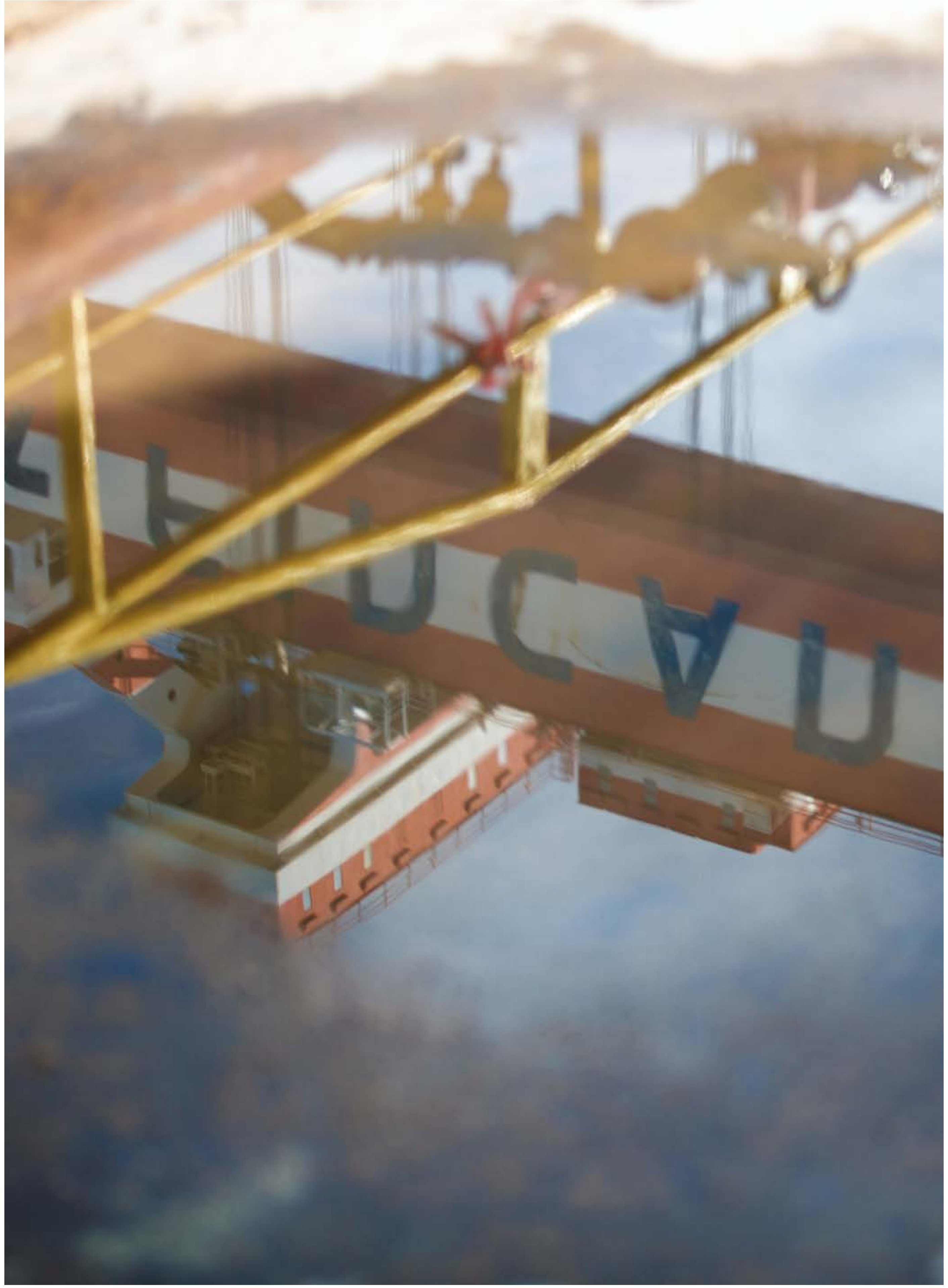
Innovation	Inclusion	Integrity
Innovative and Technological development for energy and digital transition	Protection, inclusion and development of people and communities	Industrial excellence
Strengthening activities focused on innovation and digitalization, to offer increasingly advanced, sustainable and safe solutions in line with market needs and decarbonization and circular economy strategies.	**Safeguarding the wealth of skills acquired by the Group, promoting its growth and enhancement in an inclusive and international environment and ensuring the protection of the human capital, to encourage the development of local communities with a view to shared value.**	**Increasing competitiveness through continuous improvement of efficiency and safety, maintaining standards of excellence and promoting professional culture and ethics to strengthen world leadership in shipbuilding.**

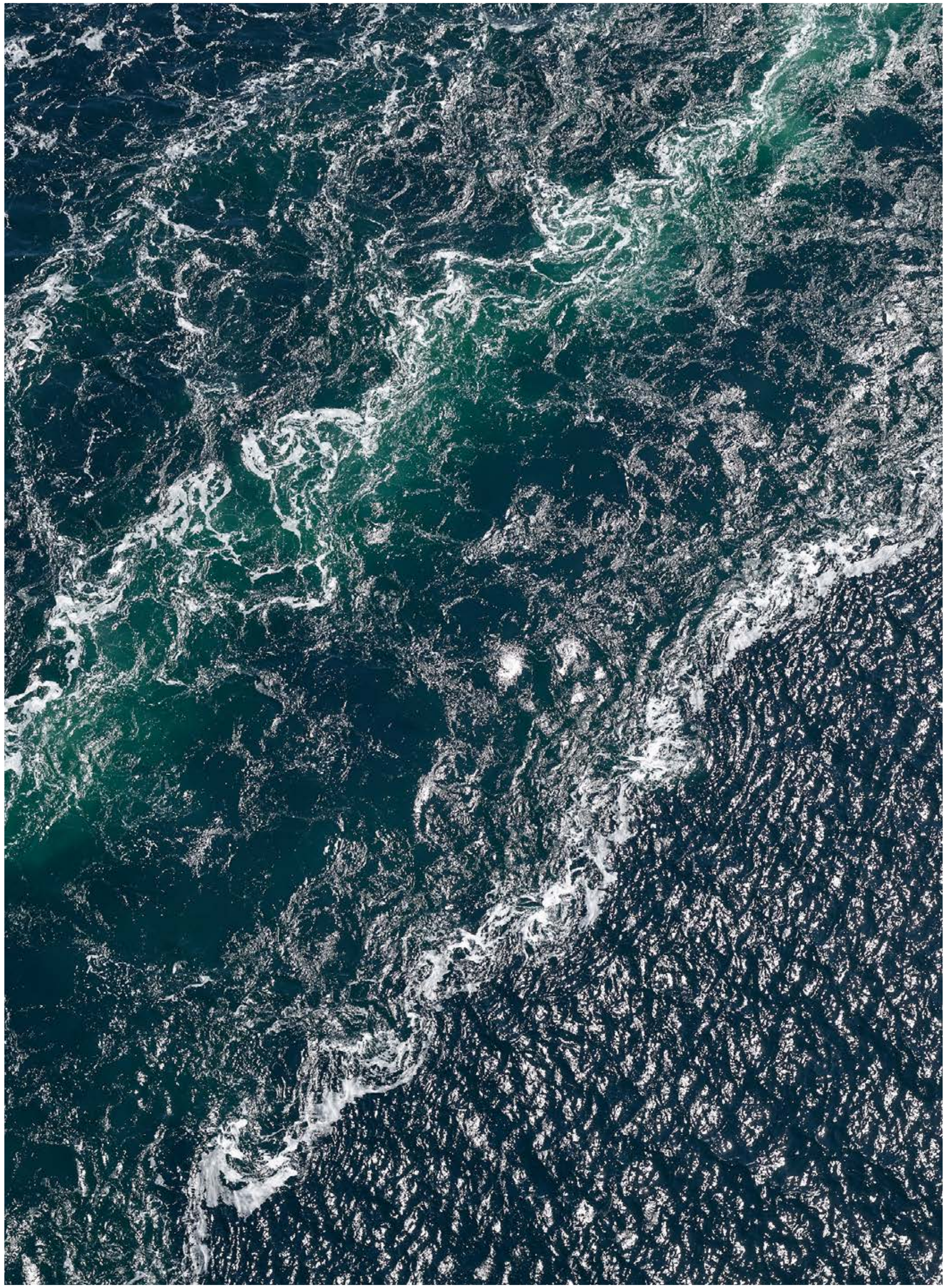
15 material topics, 7 of which are strategic

Climate Change	**Development and safeguarding of Human Resources**	**Health and safety in the workplace**
Environmental impact of products and services	Human rights	Product quality and safety
Innovation, research and development	**Diversity and Equal Opportunities**	**Sustainable supply chain**
Environmental management	Company welfare	Governance and business integrity
Customer satisfaction	Local communities and relations with the local area	
Cyber Security		

Main strategic initiatives implemented during the year

Throughout 2023, Fincantieri has pursued a number of strategic initiatives that reflect its commitment to innovation, environmental sustainability and the social well-being of employees, as well as its active role in promoting equality and social inclusion.
Fincantieri's first objective is to build the ship of the future, with the aim of contributing to the carbon neutrality of maritime transport, reaching the Net Zero goal for cruising well before 2050, the date defined by the IMO.
During the past year, Fincantieri acquired, launched, and delivered ships that set the course for green and digital development: orders were signed for the construction of five SOVs and three hybrid vessels. MSC Cruises has confirmed an order for two new hydrogen-powered ships for its Explora Journeys fleet. Fincantieri launched the first LNG-powered cruise ship for Princess Cruises and the first of two new dual-fuel (LNG and MGO) cruise ships for TUI Cruises. It launched the first of a series of next-generation cruise ships with reduced environmental impact for Viking, and started work on the new major hydro-oceanographic vessel (NIOM) for the Italian Navy. The world's first experimental seagoing vessel capable of being entirely hydrogen-powered, "ZEUS", was certified.
Fincantieri is among the 35 European companies participating in the first **Important Project of Common European Interest (IPCEI)** on hydrogen, which, in July 2022, obtained the European Commission's authorization for funding through the State Aid scheme provided for IPCEIs and which the Company launched during 2023. The aim of the Fincantieri project is to contribute to the decarbonization of the economy by promoting the replacement of fossil fuels with hydrogen for ship power generation. The **IPCEI Hy2Tech** tool aims to create a new hydrogen ecosystem that, starting with green hydrogen production technology, involves all sectors, from transport, distribution and deployment technology to end-user involvement in market creation. This goal cannot be met without the use of the IPCEI tool.
Fincantieri took further steps on the green innovation route by inaugurating the new Isotta Fraschini Motori Innovation and Development Centre and signed an agreement with Rina and Newcleo to study nuclear ship propulsion, as the route to Net Zero requires an agnostic approach, based on experimenting with a mix of propulsion solutions, without excluding any option.
Furthermore, Fincantieri, together with Ambrosetti and other partners, launched the **Floating Offshore Wind Community** initiative in the Mediterranean Sea to promote offshore wind and support decarbonization. Fincantieri will provide its expertise in building offshore ships and floating wind platforms to produce clean energy off the Italian coast, in line with European and national energy and climate targets.
Fincantieri, in collaboration with trade unions and other companies in the engineering sector, took part in Federmeccanica's 'GENERiamo Cultura' initiative for the International Day for the Elimination of Violence Against Women on 25 November. It launched **"Respect for Future",** an innovative project aimed at engaging the male population in the prevention of violence through education about respect and relationships. The project focuses on the role of the "abuser". The launch event involved almost 4,000 Fincantieri Italia employees both in person and via streaming.
Furthermore, Fincantieri signed up to the **Women's Empowerment Principles (WEP),** an initiative by UN Women, the UN Entity for Gender Equality and the Empowerment of Women, and the United Nations Global Compact. This confirms the commitment to gender equality and respect for human rights.
Fincantieri is the first Group in the Italian shipbuilding and engineering sector to obtain, from RINA, **Gender Equality Certification** according to the UNI/PdR 125:2022 standard, demonstrating its commitment to promoting equity and inclusion within the company.
We reinforced the importance of safety in the workplace by launching our innovative communication project called **"Safety On Board".**
During the **Family Day,** Fincantieri's Italian shipyards opened their doors to employees and families, offering them the opportunity to visit the company and industrial facilities.
Another important initiative was the creation of company crèches, **'Fincantesimo - Il Cantiere delle Favole',** at the Trieste and Monfalcone sites, with the aim of promoting higher birth rates and supporting employees with flexible services to reconcile work and family life.
Among its social commitments, Fincantieri supported the **WOW - Wheels on Waves - Around The World** project, promoted by Difesa Servizi and the Italian Ministry of Defence, which saw a round-the-world voyage on board the catamaran "Lo Spirito di Stella", fully accessible to people with motor disabilities. Fincantieri also joined the **Venice World Capital of Sustainability Foundation** as a co-founding member, contributing to the promotion of a sustainable development model for the lagoon city of Venice and the entire planet.
Turning to Governance, Fincantieri is committed to financial sustainability through instruments such as **ESG factoring** and **sustainable finance.** It recently signed up to a euro 800 million loan, 70% guaranteed by SACE, the cost of which is linked to the achievement of specific performance indicators set out in the Sustainability Plan. It also offers advantageous conditions to its suppliers through an agreement with Crédit Agricole, BNP, SACE and UniCredit, rewarding corporate sustainability.
The **"Let's turn Collaboration into Innovation - Fincantieri's Supplier Summit"** convention was a key moment to engage the Group's key strategic suppliers and promote the digital and sustainable development of the Company and its supply chain.
These initiatives testify to Fincantieri's commitment to creating value not only for the Company itself, but also for society as a whole, through an approach that is sustainable, inclusive and focused on well-being for people and the environment.





Sustainability ratings and awards

In 2023, we consolidated our commitment to sustainability in our industry, as evidenced by the following ratings and awards obtained by Fincantieri.

Sustainability ratings and scores

ESG analysis/rating agency	Description	2020	2021	2022	2023
CDP	CDP is an independent non-profit body that assesses the commitment of companies at a global level to managing and monitoring climate change risks and opportunities. Its analysis is in line with the requirements of the Task Force for Climate-Related Financial Disclosures (TCFD) and the main environmental standards. CDP has also awarded Fincantieri the A- score in the Supplier Engagement Rating (SER) category, which assesses the effectiveness with which companies are involving their suppliers, again with respect to climate change. Its rating scale goes from D (lowest) to A (highest) and Fincantieri is in the highest band, called **Leadership,** achieving a better result than the European average.	A-	A-	A-	A-
Sustainalytics	Sustainalytics is an agency controlled by Morningstar. It rates companies according to the ESG Risk Rating, which provides an overall score based on an assessment of how exposed the company is to Environmental, Social and Governance (ESG) risks and how these are managed. The scale goes from 0 (low risk) to 40 (high risk). Fincantieri is ranked 4th out of 134 in the Heavy Machinery and Trucks sub-category and 12th out of the 581 companies assessed in the Machinery category. It was included in the prestigious list of **Top-Rated ESG Companies.** This recognition underlines the company's outstanding performance.	25,71[1] medium risk	19,7 low risk	17,4[2] low risk	14,2 low risk
Moody's	Moody's ESG Solutions aims to understand the organization's ESG performance and assess its risk exposure, policies and action plans. The rating scale goes from 0 to 100 and consists of four bands: Weak (0-29), Limited (30-49), Robust (50-59) and Advanced (60-100). Fincantieri's place in the **Advanced** band was confirmed for the fourth year.	68/100 Advanced	70/100 Advanced	70/100 Advanced	69/100 Advanced
S&P Global	S&P Global, through the Corporate Sustainability Assessment (CSA) questionnaire, assessed companies on ESG aspects with a rating scale from 0 to 100. Fincantieri was evaluated within the IEQ Machinery and Electrical Equipment category, obtaining a score of 59/100 on 23 January 2024.	32/100 on 18/12/2020	58/100 on 20/12/2021	61/100 on 16/12/2022	59/100 on 23/01/2024

1 Partial assessment.
2 Updated in June 2023.

Sustainability awards	
Integrated Governance Index 2023	Fincantieri was confirmed as among the **"Leader"** companies assessed through the Integrated Governance Index (IGI) 2023, 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 2023, 98 companies joined the project, which is now in its seventh year.
Universum	For the fifth consecutive year, Fincantieri has been recognized as one of the **"Most Attractive Employers in Italy"** in the survey by Universum, a Swedish company that certifies the most attractive companies for university students and professionals, further strengthening its leadership among many industrial companies. Fincantieri S.p.A. is ranked among the top 50 companies according to students and young professionals in Science, Technology, Engineering and Mathematics (STEM). While in the Humanities/Liberal Arts/Education and Business categories, Fincantieri S.p.A. is ranked among the top 100 companies.
Top Employer Italy	Fincantieri has received the **'Top Employer Italy 2024'** certification from the Top Employers Institute, official recognition of corporate excellence in HR policies and strategies and their implementation to contribute to well-being for people, 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, examining and analysing 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. The improvement in Fincantieri's results over the years confirm its growing focus on listening to and involving people, its constant commitment to fostering an ever more inclusive work environment and its ability to attract talent and invest in employee training and development.
Safety Award	In 2023, the Shipbuilders Council of America (SCA) gave the **Excellence in Safety Award** to Fincantieri Marinette Marine for improving safety and accident prevention. To be eligible for the annual SCA's safety awards, member organizations must submit an SCA Injury & Illness survey for all four quarters. In addition, they must have recorded zero fatal accidents and have a Total Recordable Incident Rate (TRIR) below the SCA average or reduce the TRIR by 10% or more compared to the previous year.

Business Outlook

In the **Cruise** sector, 2023 saw a consolidation of the recovery that began the previous year, confirmed by a positive trend in all the main indicators for the sector. 39 million cruise passengers are expected by 2027 and around 46 million by 2030[1], recording a CAGR for the period 2023-2030 of 5.5%. It is also expected that the gap in the value proposition between cruises and land-based holidays will shift further towards cruising with an upturn in orders led by the luxury segment, in the wake of the two-year period 2022-2023.
These dynamics, together with the energy transition and the spread of digital technologies, which are set to influence all markets, including shipping, guarantee additional opportunities and the spread of new business models capable of meeting the growing demand for cruise ships.
As far as the **Defence** segment is concerned, the current geopolitical scenario, particularly in South-East Asia and the Middle East, is giving a strong boost to increased investment in the sector, including on the maritime front, which could open up further business opportunities for the Group. In the coming years, the global defence budget is expected to grow (CAGR 2023-27 2.6%) with continued support for investments allocated to the naval domain, increasing demand for all ship classes and the integration of increasingly advanced technological requirements.
The strategic submarine segment also presents significant opportunities, reflecting the increasing focus on the underwater domain, which is becoming more important due to the presence of critical infrastructure, resources and activities. In the Mediterranean, where intelligence, surveillance, defence and deterrence activities are carried out, the underwater domain has particular strategic importance.
In the **Offshore** market, unprecedented institutional support for green transition policies, simplified authorization processes for new wind farms and slowing inflation suggest an acceleration of investment in offshore wind from 2028. The expected result is a doubling of the average GW installed per year and the need for an expansion of the supply network, resulting in a growth in demand for specialized CSOV, SOV and cable-laying vessels.
The positive trend is also reflected in the Floating Offshore Wind (FOW) and oil & gas segments, where increased activity is expected to reabsorb oil & gas (Tier 2/3) vessels currently operating in wind projects, thus favouring investment in more efficient and profitable (Tier 1) specialized vessels for the wind segment.
In this context, the Group continues its activities to execute the backlog, ensuring operational excellence and optimal risk management. In order to achieve these goals, careful resource planning continues in line with the requirements of the production programs, with a focus on expanding the workforce, strengthening the supply chain and introducing new technologies.
In particular, the Group planned to commit to the following strategic initiatives during 2024:

- **increasing operational efficiency and modernizing the shipyards,** including bringing maximizing performance for onshore outfitting at Ancona and Riva Trigoso, continuing production automation initiatives and introducing artificial intelligence to support processes;
- strengthening **system integrator** expertise and skills in the naval field;
- **containing the purchase cost of material and services and production facilities** by extending the processes identified in 2023 to the entire Group;
- **continuing on the path mapped out in terms of sustainability and energy and digital transition objectives;**
- expanding the **underwater** product range, moving from being solely a supplier of submarines to acting as an **orchestrator** and **distributor of complete solutions,** setting strategic directions for the segment.

Fincantieri confirms its business volume growth forecasts for 2024 at around 5%, in line with the 2023-27 Business Plan, **guaranteeing marginality** of around **6%,** up by one percentage point compared to 2023.
The **Net financial position** for 2024 is expected to improve from the guidance provided at the Capital Markets Day on 10 May 2023 (6.0-7.0x) to between 5.5 and 6.5x in 2024, accelerating the expected deleveraging over the plan period.

1 Source: CLIA - Cruise Industry August 2023, Environmental Technologies and Practices.

Group performance

Order intake, order backlog and deliveries

In 2023, **the Group recorded new orders of euro 6,600 million** compared to euro 5,328 million in 2022, with a book-to-bill ratio (order intake/revenue) of 0.9 (0.7 in 2022).

Order intake analysis (euro/million)	31.12.2023 amounts	%	31.12.2022* amounts	%
Fincantieri S.p.A.	3,336	51	3,004	56
Rest of Group	3,264	49	2,324	44
Total	**6,600**	**100**	**5,328**	**100**
Shipbuilding	4,148	63	3,765	71
Offshore and Specialized Vessels	1,801	27	837	16
Equipment, Systems and Infrastructures	1,050	16	926	17
Consolidation adjustments	(399)	(6)	(199)	(4)
Total	**6,600**	**100**	**5,328**	**100**

* Comparative figures have been restated following the redefinition of the operating segments.

The **Group's total backlog** reached euro 34.8 billion at 31 December 2023, comprising euro 23.1 billion of backlog (euro 23.8 billion at 31 December 2022) and euro 11.7 billion of soft backlog (euro 10.5 billion at 31 December 2022) with development of the projects in the order book expected to continue up to 2030.
The backlog and total backlog guarantee about 3.0 years and 4.5 years of work respectively in relation to the 2023 revenues. The composition of the backlog by segment is shown in the following table.

Total backlog analysis (euro/million)	31.12.2023 amounts	%	31.12.2022* amounts	%
Fincantieri S.p.A.	15,883	69	17,658	74
Rest of Group	7,189	31	6,168	26
Total backlog	**23,072**	**100**	**23,826**	**100**
Shipbuilding	18,908	82	20,425	86
Offshore and Specialized Vessels	1,866	8	1,160	5
Equipment, Systems and Infrastructures	2,688	12	2,535	11
Consolidation adjustments	(390)	(2)	(294)	(1)
Total backlog	**23,072**	**100**	**23,826**	**100**
Soft backlog**	**11,700**	**100**	**10,500**	**100**
Total backlog	**34,772**	**100**	**34,326**	**100**

* Comparative figures have been restated following the redefinition of the operating segments.
** 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 ships delivered and those in the order book is shown in the following table.

Deliveries, Order Intake and Order book (number of ships)	31.12.2023	31.12.2022
Ships delivered	26	19
Vessels ordered	23	17
Vessels in order book	85	88

The following table shows the deliveries in 2023 and those scheduled in future years for vessels currently in the order book, analysed by the main business areas and by year.

(number)	2023	2024	2025	2026	2027	2028	Beyond 2028	Total*
Cruise ships	6	5	5	5	4	4		23
Defense	5	8	7	5	4	3	5	32
Offshore and Specialized Vessels	15	9	15	6				30
Total	**26**	**22**	**27**	**16**	**8**	**7**	**5**	**85**

* Number of vessels in the order book, analysed by the main business areas at 31 December 2023

Capital expenditure

Capital expenditure amounted to euro 258 million in 2023, a decrease of 12.3% compared to the previous year. The enhancement and modernization of assets, and the increase in operating standards, both in Italy and abroad, are the cornerstones of the Group's sustainable growth strategy, which, with the aim of increasing the order book, is based on a process of continuous improvement in both product quality and the optimization of management and processing costs, which raises the level of excellence of the production process, in order to further strengthen its position as a reference point at an international level.
In this context, approximately euro 911 million was invested in the three-year period 2021-2023 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, iii) adapt its operating infrastructure to the significant backlog acquired in recent years and iv) achieve the Group's sustainability objectives.
It is worth highlighting that the ongoing initiatives focused on increasing process efficiency are enabling the company to absorb, albeit partially, any exogenous factors, such as, for example, the increase in energy and raw material costs linked to the changed macroeconomic environment.
For further detail, please refer to the "Investment Plan" chapter.

Capital expenditure analysis	31.12.2023		31.12.2022*	
(euro/million)	Amounts	%	Amounts	%
Fincantieri S.p.A.	124	48	150	51
Rest of Group	134	52	145	49
Total	**258**	**100**	**295**	**100**
Shipbuilding	162	63	230	78
Offshore and Specialized Vessels	24	9	19	7
Equipment, Systems and Infrastructure	35	14	28	9
Other activities	37	14	18	6
Total	**258**	**100**	**295**	**100**
Intangible assets	55	21	71	24
Property, plant and equipment	203	79	224	76
Total	**258**	**100**	**295**	**100**

* Comparative figures have been restated following the redefinition of the operating segments.

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 market environment. In 2023, the value of Research and Development costs charged to the income statement (for the non-capitalized part) amounted to euro 152 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 segments, now and in the future.
In addition, the Group capitalized euro 15 million in development costs in 2023 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 economic and financial results

Presented below are the reclassified consolidated versions of the income statement, statement of financial position and statement of cash flows, the breakdown of Consolidated net financial position and the principal economic and financial indicators used by management to monitor business performance. 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".

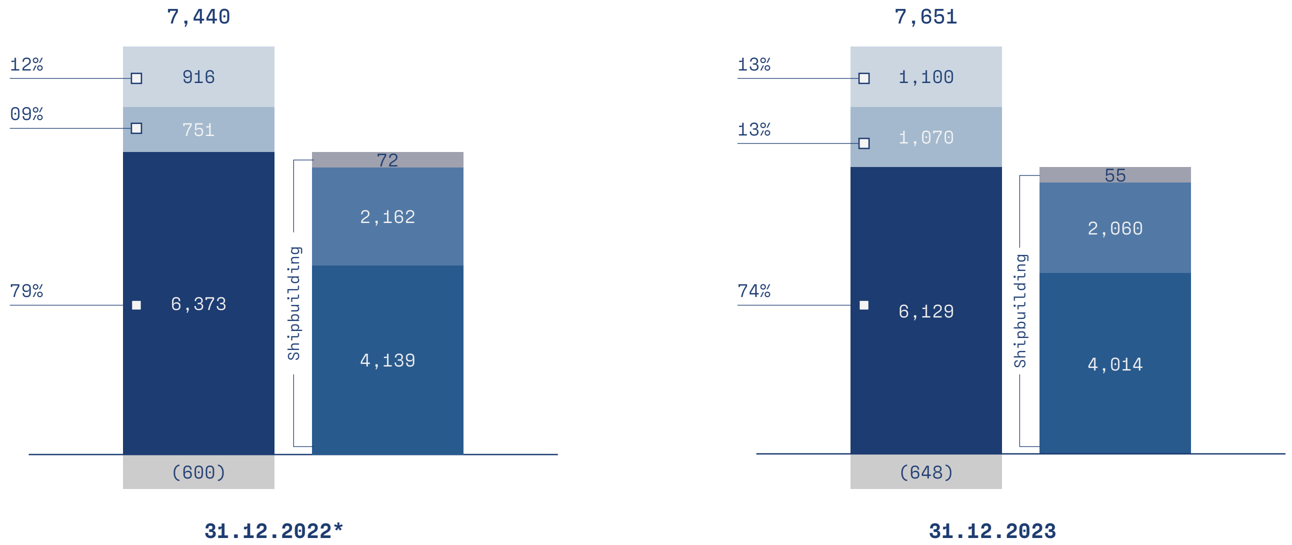
RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(euro/million)	31.12.2023	31.12.2022
Revenue and income[1]	**7,651**	**7,440**
Materials, services and other costs[2]	(5,960)	(5,960)
Personnel costs	(1,219)	(1,186)
Provisions	(75)	(73)
EBITDA[3]	**397**	**221**
EBITDA *margin*[1]	***5.2%***	***3.0%***
Depreciation, amortization and impairment	(235)	(231)
EBIT[4]	**162**	**(10)**
EBIT *margin*[1]	***2.1%***	***-0.1%***
Financial income/(expenses)	(169)	(80)
Income/(expense) from investments	4	(2)
Income taxes	(4)	(16)
Adjusted profit/loss for the year[1]	**(7)**	**(108)**
of which attributable to Group	(7)	(104)
Extraordinary or non-recurring income and (expenses)	(61)	(238)
- of which costs related to asbestos litigation	*(61)*	*(52)*
- of which impairment of intangible assets		*(164)*
- of which other costs linked to non-recurring activities		*(22)*
Tax effect on extraordinary or non-recurring income and expenses	15	22
Profit/loss for the year	**(53)**	**(324)**
of which attributable to Group	*(53)*	*(309)*

1 Note that Revenue and Income at 31.12.2022 excluded pass-through revenues amounting to euro 42 million; see definition in the section Alternative Performance Measures.
2 This item at 31.12.2022 excluded costs related to pass-through activities. See the definition contained in the section Alternative Performance Measures.
3 This figure does not include Extraordinary and non-recurring income and expenses. See the definition contained in the section Alternative Performance Measures.
4 This figure at 31.12.2022 did not include 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.

Revenue Analysis

€MM



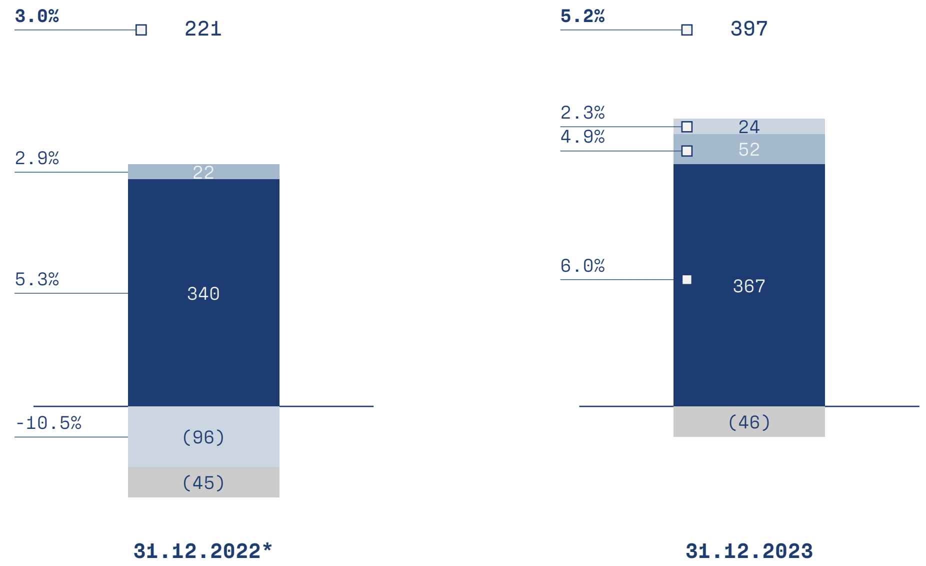
- Shipbuilding
- Offshore and Specialized vessels
- Equipment, Systems and Infrastructure
- Other activities and Consolidation adjustments
- Cruise ships
- Naval vessels
- Ship Interiors
- % Total revenue

Revenue and income for 2023 amounted to euro 7,651 million, an increase of 2.8% compared to 2022, in line with the forecasts for 2023 and the growth expectations in the Business Plan. The Offshore and Specialized vessels and Equipment, Systems and Infrastructure segments closed 2023 with revenues up by 14.1% (as a contribution to the Group) and 20.1% respectively. The growth of these segments offsets the expected slight decrease in Shipbuilding revenue. Before consolidation adjustments, Shipbuilding contributes 74% (79% in 2022), Offshore and Specialized vessels 13% (9% in 2022) and Equipment, Systems and Infrastructure 13% (11% in 2022) of the Group's total revenue and income.

* Note that Revenue and Income at 31.12.2022 excluded pass-through revenues amounting to euro 42 million; see definition in the section Alternative Performance Measures.

EBITDA Analysis

€MM



- Shipbuilding
- Offshore and Specialized vessels
- Equipment, Systems and Infrastructure
- Other activities
- % of revenue**

The fourth quarter confirms the recovery of marginality, which brings **EBITDA** in 2023 to euro 397 million (+80% compared to euro 221 million in 2022), with an **EBITDA margin** of 5.2% (3.0% at 31 December 2022). As is well known, 2022 was impacted by rising raw material and energy costs, a deteriorating margin in the Infra-structure business following order book derisking, and the impairment of work in progress to reflect the counter-party risk of a cruise shipowner. The 2023 results, in line with expectations, confirm the growth envisaged in the Business Plan despite the still complex macroeconomic and geopolitical environment.

* Comparative figures have been restated following the redefinition of the operating segments.
** Revenue and Income at 31.12.2022 excluded pass-through revenues amounting to euro 42 million.

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

(euro/million)	31.12.2023	31.12.2022
Provisions for costs and legal expenses associated with asbestos-related lawsuits	(61)	(52)
Other extraordinary or non-recurring income and expenses		(22)
Total	**(61)**	**(74)**

EBIT achieved was positive at euro 162 million in 2023 (negative at euro 10 million in 2022). The **EBIT margin** (as a percentage of Revenue and income) is positive at 2.1% (negative at 0.1% in 2022). The improvement in EBIT reflects the increase in Group EBITDA recorded, with depreciation and amortization for 2023 (euro 235 million) substantially in line with that of 2022.
Details of income and expenses not included under the item Depreciation, amortization and impairment are shown in the following table:

(euro/million)	31.12.2023	31.12.2022
Impairment of goodwill		(140)
Impairment of other intangible assets		(24)
Total	**-**	**(164)**

Financial income/(expenses) reports net expenses of euro 169 million (net expenses of euro 80 million at 31 December 2022). The increase compared to the 2022 value is mainly due to: i) higher bank interest, commission and other charges (euro 69 million) due to the rise in interest rates, although mitigated by the effects of financial hedges and income accrued on cash and cash equivalents; ii) the reduction in interest income (euro 20 million) on financial receivables and trade extensions granted to third parties following their partial collection. The change was also affected by the reduction in the item Interest and other income from financial assets (euro 20 million), which in 2022 included euro 18 million in income for the fair value adjustment of the option for the minority shareholders of the FMG group in the US. These effects were partially offset by lower impairment of financial receivables performed in accordance with accounting standard IFRS 9 (euro 13 million) and lower Expenses from derivative financial instruments related to hedges on contracts with revenues in currencies other than the functional currency and accounted for as cash flow hedges (euro 7 million).
Income and expenses from investments show a positive value of euro 4 million (negative value of euro 2 million in 2022) mainly due to the effect of the recognition of profits made by certain associates and jointly controlled companies.
Income taxes were negative for euro 4 million (negative for euro 16 million in 2022), mainly due to income from tax consolidation.
The **Adjusted profit/(loss) for the year** was a loss of euro 7 million as at 31 December 2023, a clear improvement on the loss of euro 108 million in 2022.
Extraordinary or non-recurring income and expenses were negative at euro 61 million (negative at euro 238 million in 2022) and are exclusively for costs related to asbestos litigation. At 31 December 2022 this item included the impairment of goodwill, on the FMG group and Vard Cruise CGUs following the update of the impairment tests performed and of other intangible assets for a total of euro 164 million, costs related to asbestos litigation amounting to euro 52 million, expenses related to probable risks linked to non-fulfilment of obligations for offset agreements amounting to euro 20 million and other expenses related to non-recurring activities for euro 2 million.
The **Tax effect of extraordinary or non-recurring income and expenses** was positive for euro 15 million (euro 22 million in 2022).
As a result of the above, the **Profit/loss for the year** was a loss of **euro 53 million** (loss of euro 324 million in 2022). The Group share of profit/(loss) for the year was a loss of euro 53 million (loss of euro 309 million in 2022).

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(euro/million)	31.12.2023	31.12.2022
Intangible assets	474	509
Rights of use	125	127
Property, plant and equipment	1,684	1,636
Investments	60	118
Non-current financial assets	668	162
Other non-current assets and liabilities	12	1
Employee benefits	(54)	(54)
Net fixed capital	**2,969**	**2,499**
Inventories and advances	801	864
Construction contracts and client advances	632	1,669
Trade receivables	767	770
Trade payables	(2,471)	(2,694)
Other provisions for risks and charges	(237)	(191)
Other current assets and liabilities	192	200
Net working capital	**(316)**	**618**
Assets held for sale	**52**	**1**
Net invested capital	**2,705**	**3,118**
Share Capital	863	863
Reserves and retained earnings attributable to the Group	(430)	(277)
Non-controlling interests in equity	1	1
Equity	**434**	**587**
Net financial position	**2,271**	**2,531**
Sources of funding	**2,705**	**3,118**

The **reclassified consolidated statement of financial position** shows Net invested capital as at 31 December 2023 of euro 2,705 million (euro 3,118 million as at 31 December 2022). The decrease is mainly due to the following factors:

- **Net fixed capital:** amounted to euro 2,969 million as at 31 December 2023, an increase of euro 470 million compared to 31 December 2022 (euro 2,499 million). The most significant effects include: (i) the increase of euro 506 million in Non-current financial assets, mainly in connection with the granting of a loan, backed by collateral, in favour of a shipowner; ii) the decrease in Equity Investments, mainly due to the reclassification of two equity investments to Assets held for sale (euro 58 million); and iii) the net increase in Intangible assets and Property, plant and equipment of euro 13 million, the net effect of investments made during the year (euro 258 million) and depreciation charges (euro 212 million) as well as the the negative effect related to the currency conversion of the financial statements of foreign subsidiaries (euro 28 million);
- **Net working capital:** this is negative for euro 316 million (positive for euro 618 million at 31 December 2022), with a decrease of euro 934 million, mainly related to the reduction in Construction contracts and client advances (euro 1,037 million) as a result of cruise deliveries made during the year, the higher invoicing/collection of instalments for work in progress on construction and the finalization of new offshore orders with favourable payment terms;

Equity amounted to euro 434 million, down euro 153 million mainly due to the profit/loss for the year (negative euro 53 million) and the negative change in the cash flow reserve related to cash flow hedging instruments (euro 89 million).

CONSOLIDATED NET FINANCIAL POSITION

(euro/million)	31.12.2023	31.12.2022
Current financial payables	(301)	(96)
Debt instruments - current portion	(146)	(81)
Current portion of bank loans and credit facilities	(597)	(1,110)
Construction loans	(262)	(645)
Current debt	**(1,306)**	**(1,932)**
Non-current financial payables	(1,779)	(1,345)
Non-current debt	**(1,779)**	**(1,345)**
Total financial debt	**(3,085)**	**(3,277)**
Cash and cash equivalents	**758**	**565**
Other current financial assets	**56**	**181**
Net financial position	**(2,271)**	**(2,531)**

The **Consolidated net financial position**[1] shows a net debt balance of euro 2,271 million, a significant improvement compared to 31 December 2022 (net debt of euro 2,531 million). This reduction, an acceleration with respect to the deleveraging path envisaged in the 2023-2027 Plan, made it possible to reach a debt ratio (Net financial position/EBITDA) of 5.7x at the end of 2023, down by about 50% compared to the previous year (11.5x) and lower than the range envisaged by the guidance for the end of 2024 (6.0x - 7.0x). The reduction in the debt level is mainly attributable to the improvement in net working capital. This improvement was partially offset by the investments made during the year. The Consolidated net financial position is also still affected by the support strategy for shipowners implemented following the COVID-19 outbreak. As at 31 December 2023, the Group had non-current financial receivables (not included in the Net financial position) of euro 630 million granted to its customers, which increased compared to 31 December 2022 (by euro 94 million) due to the receivable arising during the year as a result of the loan, backed by a guarantee, granted to a shipowner.
The Net financial position does not include payables to suppliers for reverse factoring, which amounted to euro 493 million at 31 December 2023 (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 agreed between suppliers and the Group. For further detail on the accounting criteria adopted please refer to Section 8.1 “Reverse Factoring” in Note 3 to the Consolidated Financial Statements.

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

RECLASSIFIED CONSOLIDATED STATEMENT OF CASH FLOWS

(euro/million)	31.12.2023	31.12.2022
Net cash flows from operating activities	637	(58)
Net cash flows from investing activities	(106)	(225)
Net cash flows from financing activities	(330)	(389)
Net cash flows for the period	**201**	**(672)**
Cash and cash equivalents at beginning of period	**565**	**1,236**
Effects of currency translation difference on opening cash and cash equivalents	(8)	1
Cash and cash equivalents at year end	**758**	**565**

The **Reclassified consolidated statement of cash flows** shows a positive **net cash flow for the period** of euro 201 million (negative for euro 672 million in 2022) due to a cash flow generated by operating activities of euro 637 million (negative for euro 58 million in 2022), which reflects the dynamics of working capital, investments for the period net of disposals and collections of financial receivables (euro 139 million), which instead resulted in net absorption of resources amounting to euro 106 million (euro 225 million in 2022), and financing activities for the year, which absorbed resources of euro 330 million.

ECONOMIC AND FINANCIAL INDICATORS

The following table presents additional economic and financial indicators 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 2023 and 2022.

	31.12.2023	31.12.2022
ROI*	5.5%	-0.3%
ROE*	-10.4%	-45.6%
Total financial debt**/Total Equity	7.1	5.6
Net financial position**/EBITDA[1]	5.7	11.5
Net financial position**/Total Equity	5.2	4.3

* 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 trend in ROI and ROE, compared to 2022, reflects the improvement in Operating Income and the Net Result at 31 December 2023, while Net Invested Capital and Equity are down from 2022 values, as discussed in the section on the Reclassified consolidated statement of financial position.
The indicators of strength and efficiency of the capital structure reflect the decrease in both Total financial debt and Net financial position compared to the previous year. This reduction made it possible to accelerate the deleveraging path envisaged in the 2023-27 Plan and to reach a debt ratio (Net financial position/EBITDA) of 5.7x at the end of 2023, lower than the range envisaged in the guidance for the end of 2024 (6.0x - 7.0x). From an economic point of view, the significant improvement in EBITDA (+80%) compared to the final balance as at 31 December 2022 should be noted, as commented on in the Reclassified Consolidated Income Statement section.

Operational review by segment

Shipbuilding

The Shipbuilding segment is engaged in the design and construction of vessels for the cruise ships and naval vessels business areas. Production is carried out at the Group's shipyards in Italy, Europe and the United States.
It should be noted that, following the reallocation of the activities of the Service and Accommodation Cluster (renamed "Ship Interiors") business areas from the Equipment, Systems and Services segment (renamed "Equipment, Systems and Infrastructure") to the Shipbuilding segment in the first half of 2023, comparative data as at 31 December 2022 have been prepared, appropriately reclassified, and are shown below as restated values. In addition, the activities of the Group's Romanian shipyards, previously included in Shipbuilding, were reallocated to the Offshore and Specialized vessels segment from 2023 onwards following the closure of Vard Cruise Ships division.

(euro/million)		31.12.2023	31.12.2022 restated	31.12.2022 reported
Revenue and income*/1		6,129	6,373	5,911
EBITDA2/*		367	340	272
EBITDA *margin* */**		*6.0%*	*5.3%*	*4.6%*
Order intake*		4,148	3,765	3,398
Order book*		28,471	29,338	28,159
Order backlog*		18,908	20,425	19,678
Capital expenditure		162	230	218
Ships delivered	number	11	14	14

* Before adjustments between operating segments.
** Ratio between segment EBITDA and Revenue and income.
1 Note that Revenue and Income at 31.12.2022 excluded pass-through revenues amounting to euro 42 million; see definition 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

In line with the forecasts, Shipbuilding segment **revenue** of euro 6,129 million decreased by 3.8% compared to 2022, and relates to euro 4,014 million for the **cruise ships** business area (euro 4,139 million as at 31 December 2022) and euro 2,060 million for the **defence** business area (euro 2,162 million as at 31 December 2022). The remaining balance of euro 55 million relates to the portion generated by the Ship Interiors business area with third-party clients (euro 71 million as at 31 December 2022). The cruise ship and naval vessels businesses contribute 48% and 25% respectively (51% and 27% as at 31 December 2022) of total consolidated revenue.
Revenue in the **cruise ship business** area in 2023 was 3.0% lower than in 2022. The decrease recorded in the period due to the discontinuation of the Vard Cruise business (which produced revenue of about euro 280 million in 2022) is partly offset by the increase in revenue generated by the development of orders under construction in the Group's Italian shipyards. Similarly, as further highlighted below, for the VARD group, the reduction is fully offset by a strong demand for offshore wind assets.
The 4.7% decrease in revenue from the **defence business** area compared to 2022 was in line with the development of the order backlog in Italy, which saw the delivery of the fourth and last corvette for the Qatar Ministry of Defence in May 2023 and, in September, the third Multipurpose Offshore Patrol Vessel (PPA) for the Italian Navy. Added to this is the delivery in the last quarter of the second bow section of the series for Chantiers de l'Atlantique for the FLOTLOG ("Flotte logistique") program. The activities of the US shipyards continued, with overall volumes increasing, particularly in the development of the Constellation FFG(X) and Littoral Combat Ship (LCS) programs, as well as the Foreign Military Sales program of the US and Saudi Arabia.

EBITDA

EBITDA of the segment as at 31 December 2023 amounted to euro 367 million, up compared to 2022 (euro 340 million). The EBITDA margin of 6.0% realized during the year confirms the improving trend compared to the EBITDA margin of 5.3% as at 31 December 2022, exceeding the growth expectations for 2023. The EBITDA margin at 31 December 2023 was still affected by the development of contracts whose whole-life costs were revised in 2022, the difficulty in finding qualified resources and, although to a lesser extent than in 2022, the impairment of some work in progress, which was completed in the year. The latter effect reflects the counterparty risk on receivables due from a cruise shipowner. The 2023 marginality in the segment is also impacted by the lower contribution, in terms of volumes, of the naval vessels business area, with a consequently higher impact of overhead costs. Finally, there was a positive effect generated by the results of the Ship Repair and Conversion business, mainly related to a refitting project on two vessels for an international shipowner, completed in 2023.

Order intake

Orders in the Shipbuilding segment, amounting to euro 4,148 million, mainly relate to:

- two hydrogen-powered cruise ships for the luxury brand Explora Journeys of the MSC group;
- a ferry for the Region of Sicily;
- the third submarine in the U212NFS (Near Future Submarine) program for the Italian Navy;
- three OPVs (Offshore Patrol Vessels) for the Italian Navy;
- the modernization of the Horizon class frigates;
- the fourth vessel of the Constellation (FFG(X)) program for the US Navy;
- a SOV for CREST Wind, a joint venture between Crowley and ESVAGT.

Capital expenditure

Capital expenditure on Property, plant and equipment mainly involved:

- the finalization of the macro-project for works on the operating areas and infrastructure of the Marghera shipyard, which made it possible to achieve greater production capacity and operating efficiency at the site to deal with the development of the backlog acquired;
- significant progress at the Riva Trigoso shipyard on the package of works for highly automated plant engineering and the general reorganization of the prefabrication workshop, due to the increased production capacity of the shipyard and increased efficiency of construction activities for naval projects; progress towards the completion, in the US shipyards of Marinette Marine and Bay Shipbuilding, of the major investment program shared with the US Navy during the acquisition phase of the Constellation program;
- significant progress on the investment plan in support of FMSNA, on the Jacksonville operating site, to adapt its configuration and infrastructure, as well as production facilities, to ensure maintenance activities mainly for the surface vessels of the Constellation program;
- the Group's plant engineering works related to the extensive reconfiguration of the Sestri Ponente shipyard, which will allow the site to overcome the current size limitations for ships under construction;
- the ongoing process of modernization and gradual replacement of poorly performing or obsolete assets with more advanced and efficient technological solutions in line with new operating requirements and the highest sustainability criteria;
- initiatives to research and implement safety levels beyond the legal requirements;
- specific initiatives for energy efficiency in production infrastructure, equipment and buildings, with the possibility of monitoring, managing and thus reducing environmental impact at the Group level;
- sustainability initiatives related to personnel and in general to the workers working at the Group's shipyards. In particular, during the year a new crèche was built and started up at the Monfalcone shipyard, the second after the one in Trieste, as well as various initiatives to expand the accommodation capacity of changing rooms, offices, car parks and refreshment areas.

Production

The number of ships delivered in 2023 is analysed as follows:

(number)	Deliveries
Cruise ships	6
Defense	5

The ships delivered were:

- "Viking Saturn", the tenth vessel of the cruise class for the shipowner Viking, at the Ancona shipyard;
- "Oceania Vista", the first of two next generation cruise ships for Oceania Cruises, at the Sestri Ponente shipyard;
- Norwegian Viva, the second of six next generation Prima class cruise ships for Norwegian Cruise Line at the Marghera shipyard;
- "Explora I", the first of four vessels for Explora Journeys, the luxury cruise brand of the MSC group, at the Monfalcone shipyard;
- "Seven Seas Grandeur", the third luxury cruise ship built for Regent Seven Seas Cruises, the luxury brand of the Norwegian Cruise Line group, at the Ancona shipyard;
- "Brilliant Lady", the last of four cruise ships commissioned from Fincantieri by Virgin Voyages, at the Sestri Ponente shipyard;
- "USS Marinette" as part of the Littoral Combat Ship program, commissioned by the US Navy, at the Marinette (Wisconsin) shipyard;
- "Semaisma", the fourth and final corvette for the Qatar Ministry of Defence, at the Muggiano shipyard;
- the second bow section of the series for Chantiers de l'Atlantique for the FLOTLOG ('Flotte logistique') program to build logistics support ships (LSS) for the French Navy at the Castellammare di Stabia shipyard;

- the third PPA (Multipurpose Offshore Patrol Vessel) for the Italian Navy at the Muggiano shipyard;
- "Clean Everglades", an LNG barge for the client Polaris at the Sturgeon Bay (Wisconsin) shipyard.

Offshore and Specialized vessels

The Offshore and Specialized vessels segment includes the design and construction of high-end offshore support vessels, specialized vessels, offshore wind plant vessels as well as its own range of innovative products in the field of semi-submersible drilling ships and platforms. Fincantieri operates in this segment through the VARD group, Fincantieri S.p.A. and Fincantieri Oil & Gas S.p.A.
It should be noted that the activities of the Group's Romanian shipyards, previously included in Shipbuilding, were reallocated to Offshore and Specialized vessels as of 2023 following the closure of the Vard Cruise business.

(euro/million)		31.12.2023	31.12.2022
Revenue and income*		1,070	751
EBITDA[1]/*		52	22
EBITDA *margin* */**		*4.9%*	*2.9%*
Order intake*		1,801	837
Order book*		2,715	2,002
Order backlog*		1,866	1,160
Capital expenditure		24	19
Ships delivered	number	15	5

* Before adjustments between operating 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

As at 31 December 2023, the Offshore and Specialized vessels segment posted revenue of euro 1,070 million, an increase of over 42.5% compared to the previous year. The progress in revenue terms reflects the significant contribution of order intake during the year, net of the component relating to the construction of sections for cruise ships carried out in the Romanian shipyards in support of the Group (euro 214 million at 31 December 2023). As many as 15 vessels were delivered during the period, compared to 5 vessels in 2022.

EBITDA

EBITDA, as of 31 December 2023, was positive at euro 52 million (euro 22 million as of 31 December 2022), with an EBITDA margin of 4.9% (2.9% as of 31 December 2022), in line with Vard's recovery path for marginality, which, thanks to the high market demand in the offshore wind segment, is expected to bring further momentum as part of the Business Plan.

Order intake

In 2023, order intake in the Offshore and Specialized vessels segment amounted to euro 1,801 million and mainly concerned 10 CSOVs for offshore wind and 4 cable-laying vessels.

Capital expenditure

Capital expenditure in 2023 mainly relates to:

- the continuation, in the Vietnamese yard of Vung Tau, of the site expansion program aimed at increasing production capacity to strengthen the company's leadership position in the construction of VOCs, anticipating market trends driven by growth forecasts for the offshore wind segment;
- modernization of shipyards to maintain the efficiency and the highest levels of safety of production facilities in order to ensure the continuity of business operations.

Production

The number of ships delivered in 2023 is analysed as follows:

(number)	Deliveries
Wind	5
Fishery	2
Other	8

In detail:

- "KV Jan Mayen" and "KV Bjørnøya", the first and second vessels for the Norwegian Coast Guard at the Langsten shipyard (Norway);
- five SOVs, including three for customer North Star Renewables at the Vung Tau yard (Vietnam) and the remaining two vessels for clients Rem Wind AS and Norwind Offshore AS at the Søviknes and Brattvåg shipyards (Norway);
- "Calypso", a cable-laying vessel for Van Oord at the Brattvåg shipyard (Norway);
- five Marine Robotic units for the company Ocean Infinity Group Limited at the Vung Tau shipyard (Vietnam);
- two Fishery vessels, one for Luntos Co. Ltd at the Vung Tau shipyard (Vietnam) and one for Nergård Havfiske AS at the Brattvåg shipyard (Norway).

Equipment, Systems and Infrastructure

The Equipment, Systems and Infrastructure segment includes the following business areas: Electronics, Mechatronics and Infrastructure. These activities are carried out by Fincantieri S.p.A. and by its Italian and foreign subsidiaries.
It should be noted that, following the reallocation of the activities of the Service and Accommodation Cluster (renamed "Ship Interiors") business areas from the Equipment, Systems and Services segment (renamed "Equipment, Systems and Infrastructure") to the Shipbuilding segment from 2023 onwards, comparative data as at 31 December 2022 have been prepared, appropriately reclassified, and are shown below as restated values.

(euro/million)	31.12.2023	31.12.2022 restated	31.12.2022 reported
SEGMENT TOTAL			
Revenue and income*	1,100	916	1,659
EBITDA[1/*]	24	(96)	(28)
EBITDA *margin* */**	*2.2%*	*-10.5%*	*-1.7%*
Order intake*	1,050	926	1,509
Order book*	4,338	4,134	5,905
Order backlog*	2,688	2,535	3,826
Capital expenditure	35	28	46

(euro/million)	31.12.2023	31.12.2022 restated	31.12.2022 reported
ELECTRONICS CLUSTER			
Revenue and income*	180	199	199
to other Group segments	*67*	*87*	*87*
EBITDA[1/*]	(1)	(12)	(12)
EBITDA *margin* */**	*-0.5%*	*-5.9%*	*-5.9%*
Order intake*	180	215	215
Order book*	358	573	573
Order backlog*	278	286	286
Capital expenditure	8	10	10

(euro/million)	31.12.2023	31.12.2022 restated	31.12.2022 reported
MECHATRONICS CLUSTER			
Revenue and income*	426	447	447
to other Group segments	298	317	317
EBITDA[1/*]	36	41	41
EBITDA *margin* */**	*8.3%*	*9.2%*	*9.2%*
Order intake*	313	220	220
Order book*	823	727	727
Order backlog*	300	246	246
Capital expenditure	23	15	15

(euro/million)	31.12.2023	31.12.2022 restated	31.12.2022 reported
INFRASTRUCTURE CLUSTER			
Revenue and income*	495	262	262
to other Group segments	*17*	*30*	*30*
EBITDA[1/*]	(11)	(126)	(126)
EBITDA *margin* */**	*-2.2%*	*-47.9%*	*-47.9%*
Order intake*	558	492	492
Order book*	3,158	2,836	2,836
Order backlog*	2,111	2,004	2,004
Capital expenditure	4	3	3

* Before adjustments between operating 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 Infrastructure segment revenue as at 31 December 2023 amounted to euro 1,100 million, a rise of 20.1% compared to 2022. The increase is led by the Infrastructure Cluster, up 88.7% from 2022 (euro 262 million), and mainly relates to progress on the order for the construction of the Miami terminal for MSC, scheduled for completion in 2024. The Electronics Cluster recorded a decrease of 9.4%, due to a contraction in volumes due to the review of the product portfolio, focusing activities on those close to the Group's core business. Mechatronics Cluster revenue was mainly affected by the exchange rate effect related to the conversion of the financial statements of foreign subsidiaries, which was negative for euro 27 million, a decrease of about 4.7% compared to 31 December 2022.

EBITDA

The segment's EBITDA at 31 December 2023 was positive at euro 24 million, with an EBITDA margin of 2.2% (negative by 10.5% at 31 December 2022), marking a significant improvement compared to 31 December 2022, which was affected by the revised economic performance of the Infrastructure Cluster's orders, in particular the Miami terminal. The Electronics Cluster substantially broke even, improving its performance compared to 31 December 2022 (negative EBITDA margin of 5.9%), but was affected by a slowdown in growth expectations as a result of the product portfolio review initiated in the last quarter. The Mechatronics Cluster reported positive marginality of 8.3%, with a slightly worsening trend compared to 31 December 2022, mainly due to the aforementioned exchange rate effects.

Order intake

Order intake for the Equipment, Systems and Infrastructure segment amounted to euro 1,050 million in 2023 and for the business areas mostly comprises:

- Electronics Cluster: orders related to the Infra Digital Solutions & Cyber Security contract with ANAS for infrastructure monitoring systems, Leonardo for the Railways line, the Ministry of Labour for the renewal of Nutanix services and licences, and Poste Italiane for the supply of storage equipment, and Fincantieri for cyber security on the FREMM class. In the Maritime & Defence business, SATCOM supplies to Leonardo, AICOX, BEL, the Italian Navy, Teledife and Larimart, Platform Yacht supplies for customers Azimut Benetti, Next Yacht and Wider, Combat supplies for electro-optical systems for Leonardo and Imperio supplies for the Italian Army. In the area of Specialized Engineering, the continuation of lifecycle management, consultancy and specialized maritime engineering research activities, notably the EU Commission EPC contract, and in the field of Electromagnetics, where the SigmaP contract with NETMA (NATO) is highlighted;
- Mechatronics Cluster: orders for 5 shipsets of compact packages for the UK Royal Navy T26 program, 3 condensing turboalternators for France/Spain, 1 on-board turbine to be installed on ships for Royal Caribbean Cruises at the Meyer Turku shipyard, 1 stabiliser system for the T. Mariotti S.p.A. shipyards, after-sales service and supply of spare parts on steam turbines, after-sales service and spare parts on engines for the Italian and French Navies, as well as for the Coast Guard, revamping of 2 on-board turbines installed on Royal Caribbean Cruises' ships, manufacture of winches and 3D cranes, and finally, ongoing activities in connection with the ITER project focused on the construction of a prototype nuclear reactor;
- Infrastructure Cluster: construction of bridges for Lot 4 of the Ragusa-Catania line, the Arges bridge in Romania and flotteurs (floating wind turbines) for a French client; construction work on metal piers for the SS106 Jonica road; supplies for the construction of viaducts in Kosovo, piers for the client Siot S.p.A., the new revolving railway bridge in Marghera; maintenance and additional work on projects already acquired.

Capital expenditure

Capital expenditure in 2023 mainly relates to:

- 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;
- work on facilities to maintain the efficiency and safety of production plants in order to ensure the continuity of the respective business operations. In particular, a new modern turbine machining centre was purchased for Riva Trigoso.

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)	31.12.2023	31.12.2022
Revenue and income	4	2
EBITDA[1]	(46)	(45)
EBITDA *margin*	*n.a.*	*n.a.*
Capital expenditure	37	12

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 strengthening of the Group's digital transformation process mainly focused on: (i) expanding the scope of intervention within the production processes, extending solutions to the various work phases in line with the strategic guidelines defined in the Business Plan (e.g. digitalization of auxiliary processes, introduction of machine learning processes, first approach to the use of artificial intelligence solutions, digital twin, IoT, virtual reality) and (ii) the use of advanced analysis/reporting tools;
- the completion of the project to upgrade the IT environment through the implementation of a high-tech multi-cloud infrastructure;
- the development of information systems to: (i) support the Group's growing activities with particular reference to the upgrade of management systems and the standardization of management platforms and digital tools among the main subsidiaries and (ii) optimize process management with a focus on production (operational excellence);
- the continuous implementation of new cyber security tools.

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

Risk Management

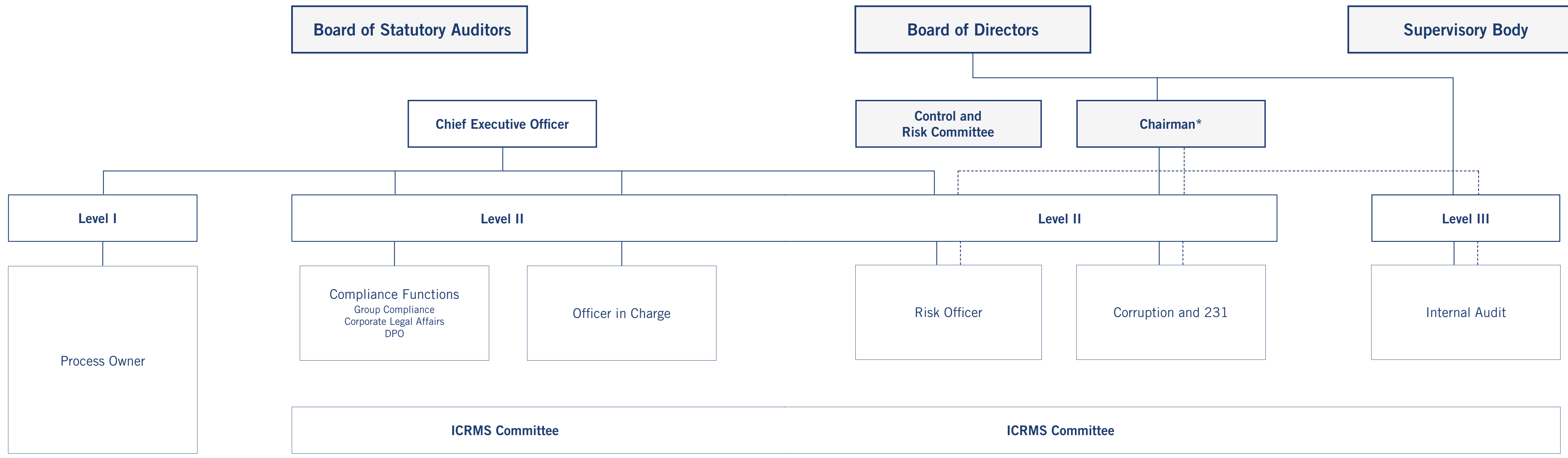
Fincantieri's Internal Control and Risk Management System (ICRMS) consists of a set of tools, organizational structures, and corporate procedures which seek to contribute - through a process of identification, assessment, management and monitoring of the main risks - to a sound and correct management 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 Audit function 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.
During 2023, the risk management model (also known as the "RMM") was redefined in order to ensure greater oversight and improve the effectiveness of the Internal Control And Risk Management System (ICRMS), with the aim of:

(i) redefining the structure and boundary of responsibility of the roles within the ICRMS, ensuring a review and integration of segregation of duties;
(ii) strengthening and centralizing the job order risk management system;
(iii) providing for the establishment of a committee dedicated to the coordination and support of the functions involved in the ICRMS.

ICRMS structure



* Director in Charge of the ICRMS.

Risk Management Model

In order to implement these guidelines, Fincantieri has been using an integrated risk management model for some time now. This model complies with the principles contained in the Corporate Governance Code for listed companies and is based on the international standard known as COSO ERM – Integrated with Strategy and Performance and its purpose is to identify, assess and manage risks proactively, minimizing negative consequences and maximizing opportunities for growth and development uniformly across the Group.
In 2023, the Company launched a major project to review the Group's risk management model with the objective of developing and adopting an integrated "ERM (Enterprise Risk Management) - PRM (Project Risk Management)" model. The new model aims to capture the interconnections between all business risks, both 'Enterprise' and 'Project', allowing for a more comprehensive and holistic view of risk management, improving the organization's resilience and appropriately addressing future challenges. The constituent elements of the new model already implemented in 2023 represent the first important step along an evolutionary path of integration and improvement in the identification, assessment and management of the Group's risks.
The purpose of the system is to identify and manage the main risk events using a business-oriented approach, with a focus on integrating planning, strategic management and business operational level.
This integration of project risks and Enterprise Risk Management (ERM) is facilitated with the use of specific Key Risk Indicators (KRIs). These indicators represent the progress of contracts over the project life cycle in relation to expected performance, acting as an information link to ERM. This also allows contracts to be monitored at Group level, aligning project-specific objectives with Fincantieri's broader and more general objectives.

The main new elements include:
(i) the definition of a Macro Risk Rating model developed within PRM to support Bid/No Bid decisions and to prioritize the level of Risk/Opportunity monitoring in the Prospect, Proposal and Execution stages;
(ii) the development of the Project Advanced Risk Measurement, a key approach of the PRM assessment model, which allows the Net Contract Risk profile and the overall portfolio risk profile (at segment/business area and group level) to be monitored over time.
(iii) the redefinition of the ERM risk catalogue, structured over several levels and containing specific risk events that are closely related to the different segments and business areas in which the Group operates;
(iv) the revised structure of the risk management model with a more precise identification of the Risk Owners;
(v) the introduction of trend indicators (KRIs), which can have a direct impact on risk occurrence;
(vi) the adoption of a quantitative assessment system for risks that have a predominantly economic-financial and GHG impact;
(vii) the introduction of probabilistic quantitative approaches that enable the potential impacts of occurrences on the key indicators of the business plan, as well as on the budgets defined for each of the organizations within the Group, to be precisely defined.

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

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 incentivize 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 **Internal Control and Risk Management System Committee** (the 'ICRMS Committee') has the task of supporting the company functions involved in the ICRMS, optimizing their respective processes and coordination with the Group's organizational structure, in line with the Company's strategic objectives. The ICRMS Committee meets every quarter and is coordinated by the Risk Officer, who sets the agenda in consultation with the Legal and Corporate Affairs Department. The ICRMS Committee is comprised of the Chairman, the Chief Executive Officer, the Head of Internal Audit, the Risk Officer, the Head of the Anti-Corruption and Model 231 Function, the General Counsel, the Chief Financial Officer, the Financial Reporting Officer and the Head of the Human Resources and Real Estate Department.
The **Risk Officer** is responsible for guaranteeing that a risk management system is in place, ensuring the monitoring of business and contract risks at Group level in coordination with the subsidiaries and individual divisions, providing support to the Chairman for the supervision and coordination of the ICRMS, particularly with reference to Enterprise Risk Management.
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 in the dissemination of risk culture.
Management is responsible for implementing ERM within the corporate 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.

Continuous monitoring of the ERM process and risks

Identification

The identification of possible existing risks, in relation to the defined strategic objectives, is carried out on an ongoing basis in order to identify and promptly manage potential threats or opportunities that the Group may face in the pursuit of its activities.
The Group's risk universe has several levels:

(i) Perspective
(ii) Risk category
(iii) Level I and II sub-category
(iv) Risk event

In the risk identification process, all factors that could undermine the Group's values and strategic objectives are considered, thanks to an integrated view of risks with an impact on ESG (Environmental, Social and Governance) factors. In total, more than 200 risk events were identified (68% with an ESG impact).

Risk Universe

E Environmental · S Social · G Governance

Strategic perspective

Strategic
- G Brand Reputation
- G Business Portfolio
- G Intellectual property

Business perspective

Operational
- E S G Business Interruption
- G Capacity
- S Clients
- E G Efficiency
- E S Environmental
- E G Facility Management
- S Health & Safety
- E Logistic & Warehouse management
- Partnering (JVs and strategic alliances)
- E G Product Development
- Program management
- Projects
- Supply Chain

Financial
- E Commodity
- Counterparty
- E S G Financial Markets
- Foreign Exchange
- Interest rates
- Liquidity
- G Taxation

Technology
- Application / IT Development
- G Cybersecurity
- IT System & infrastructure

Legal
- G Corporate & Business Litigation
- G Fiscal Litigation / Sanctions

Org. perspective and processes

Human Capital
- S Staff attraction and retention
- S Human Resources Management
- S Performance management
- S Protection of equal opportunities

Governance
- E S G Management System
- S G Organization and processes

Mgmt Information
- G Financial Information
- G Privacy / Data protection

Compliance & Integrity
- E G Directives and Standards
- S Human Rights
- G Personnel / Third-Party Integrity

External perspective

External Risk
- E Carbon management
- E Climate change
- G Country Risk - Sovereign / Political
- S G Economy Trend
- Industry Economy Trend
- G Market and Competition
- S G Security of personnel & assets
- S G Stakeholder engagement & Public Relation

The table below lists the categories with a brief description of the risk areas they cover.

Perspective	Category	Definition
Strategic perspective	Strategic	Risks related to events that could threaten the company's current competitive position in its core markets and the achievement of the objectives set.
Business perspective	Operational	Risks relating to the performance of company activities and processes, in the various areas of operations, that could affect the efficient and effective implementation of the company business model and the achievement of the Group's operational and strategic objectives, including sustainability issues.
	Financial	Risks related to the procurement, management and allocation of financial resources, with reference both to treasury and finance activities and to the financial aspects of current operations. This includes liquidity, credit, market and tax risks.
	Technology	Risks related to the management of technological infrastructure, applications and the data managed within them and to their availability and security.
	Legal	Risks relating to the management of disputes, resulting from breaches of regulations, unlawful conduct, and the use of non-compliant negotiating schemes, which may entail higher administrative, tax and criminal charges or penalties.
Organizational perspective and processes	Human Capital	Risks related to Human Resources management policies, including retention, skills development, loyalty and equal opportunities issues.
	Governance	Risks associated with the exercise of authority, management and control (e.g. processes and responsibilities, management systems).
	Management Information	Risks inherent in the management of data and information, both in terms of collection and processing (e.g. financial information) and protection (e.g. privacy).
	Compliance & Integrity	Risks of non-compliance with laws, regulations, self-regulatory standards or codes of conduct. This category includes risks of corruption, fraud and/or illegal activities as well as risks related to the protection of human rights.
External perspective	External Risk	Risks, arising from the external context in which the Group operates (e.g. competition, general economic and industry trends, climate change, political instability, stakeholder expectations, etc.), which may negatively affect strategic choices and business organization.

The Risk Officer periodically updates the **Risk Management Model,** which is based on different levels of responsibility and defines who is Responsible, Accountable, Consulted and Informed (according to the well-known RACI approach) at each stage of the risk assessment and risk management process. This approach ensures that all stakeholders are involved in the decision-making process and that relevant information is collected and communicated effectively. Clear responsibilities reduce the possibility of errors or omissions in risk assessment and enable the Group to make informed decisions to protect its interests.

Assessment

The risks identified are assessed using qualitative and quantitative tools, taking into consideration the probability of occurrence over the plan horizon and the magnitude of their impact.
In order to support the Risk Owners and make the assessment of the probability of occurrence of risk events more objective, the assessment model includes the use of Key Risk Indicators (KRIs) that provide key information about the trend in or potential escalation of a specific risk. Evolving markets, changing rules and regulations, internal reorganizations and boundary changes are just some of the factors that can influence the probability of a given risk event occurring.
For impact assessment, the model adopts the key impact approach, which has the advantage of directing risk response actions towards reducing the most significant impacts, identifying the best strategies to ensure company continuity.
The Model provides for 14 types of impact:

- Strategic
- Reputational
- Economic and financial
- Governance
- Legal
- Tax
- Human capital
- Intellectual capital
- Environmental
- Health and Safety
- Social (community)
- Security (physical, information and personal)
- Protection of Physical Assets
- Greenhouse Gas (GHG) Emissions

Each type of impact is broken down on the assessment scale by means of a tree model that considers four specific criteria to highlight correlations between impacts of different natures and to rank the severity of the 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 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 measures and controls in place and assesses their relative level of adequacy.
Each control is evaluated according to the principles of intrinsic effectiveness (a preventive control is more effective than an ex-post control) and actual effectiveness.
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 Group'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

Based on the risk assessment, the risk management strategy is defined (e.g. Mitigation, Transfer, etc.), which depends on the rating of the risk exposure with respect to the thresholds.
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.
The treatment actions identified and planned may act on the probability of occurrence, the magnitude of impact, or both, determining the expected residual risk rating.

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;
- the most significant risks (e.g., cause analysis, impact analysis, risk management and monitoring system).

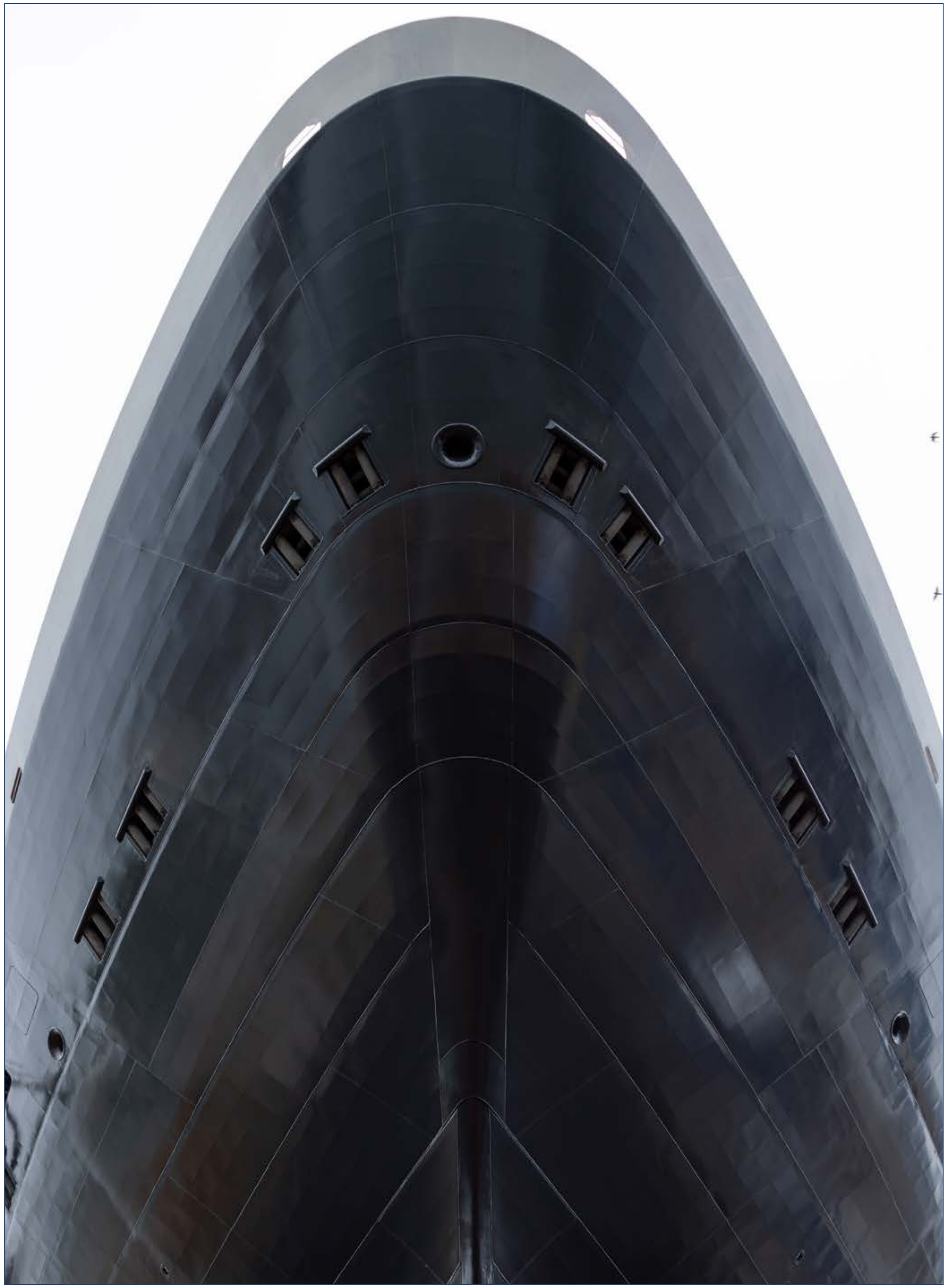
Reporting

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.

Exposure to Group risks

The 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 or those emerging in relation to the strategic objectives and relevant external context have been identified and analysed in detail, classified below by perspective/category/subcategory and accompanied by information on the relative potential impacts and the main existing controls.



Strategic perspective - Strategic

Brand reputation

Risk that image (brand) damage will expose the Group to loss of customers, profits and competitive advantage. This risk may, for example, arise due to activities/behaviour that do not protect the interests of stakeholders (e.g. customers, the community), either by internal members of the organization or by external parties with whom the Company has business dealings. It includes the risk arising from the dissemination of false and misleading information through digital media (e.g. AI and deep fakes).

Management methods

Fincantieri adopts an integrated communication strategy in line with the Group's mission and values, thanks to a process of direction and control of communication initiatives (media, social channels, exhibitions and events) at a worldwide level, aimed at strengthening brand reputation and increasing brand awareness. The use of dedicated internal and external platforms enables constant monitoring of communication levers, mitigating their potential negative effect on perception and the image of the Group. Special attention is paid to the monitoring of digital communication channels (online media, social channels, web and deep web), also thanks to automatic control tools developed by the group company E-Phors, which specialises in providing cyber security services and products. Dialogue with external stakeholders is continuous and transparent.

"Sustainable supply chain" chapter

Business perspective - Operational

Product Development

Risk that the Group does not monitor and/or invest in product/service technological developments with consequent detriment to competitiveness, to the preservation of complex high-potential markets and to the development of more efficient and sustainable solutions that include energy efficient systems with low emissions of greenhouse gases or other pollutants. This also includes the risk associated with technological transition, which, if poorly designed and executed, can lead to long lead times, high costs, operational inefficiencies and low product/process quality.

Management methods

The Group annually defines an innovation plan and constantly monitors technological trends in its core markets, through scouting activities and partnerships with the main players in innovation, such as universities, research centres, associations, etc. Furthermore, through participation in European industrial organizations, it helps identify European priorities, including research and innovation funding opportunities.

"Sustainable supply chain" chapter

Business Interruption

Risk that the unavailability of strategic assets will interfere with the Group's ability to continue its operations (e.g. production stoppages, including along the supply chain), resulting in increased costs, lost profits and jeopardizing the very survival of the Group. This risk may arise due to exogenous factors (e.g. climate change, pandemics, cyber attacks, supply chain disruption, crime or vandalism) or endogenous factors (e.g. plant breakdown).

Management methods

In order to contain the risk related to business interruptions due to unplanned shutdowns of production facilities, specific maintenance procedures are put in place, as well as quality control audits. Company assets, including ICT infrastructure, are protected by adequate insurance coverage, which includes damage resulting from adverse weather events.
Production sites apply specific protocols and procedures for the implementation of preventive measures according to expected critical scenarios and promote training activities for emergency workers (firefighting, first aid, etc.). Based on the risk scenarios identified in the Emergency Plan, emergency drills are carried out regularly to test their correct operation. The Physical Security Plan is drawn up with RINA in accordance with the ISPS guidelines (International Ship and Port Facility Security Code). The Directors/Managers of the Production Units (Head Offices and Plants) have the decision-making and spending powers for the necessary and urgent measures required to safeguard the health and physical safety of workers and the protection of the environment, providing with absolute timeliness and in full autonomy for the planning, organization, management and control of all the activities aimed at implementing and fulfilling the relevant legal provisions.
Supply chain disruption risk is mitigated by activating Crisis Committees (CMTs) set up when exceptional events occur and through periodic scouting activities aimed at identifying and evaluating new potential and alternative suppliers. The monitoring of production capacity and programme adherence is ensured by means of information exchanges with the units responsible for expediting activities, focusing on strategic items.
The proper flow of information to and communication with the trade unions and the activation of the Joint Commissions under the 2022 supplementary agreement allow production stoppages due to strikes by own and third-party personnel to be prevented or reduced.

"Investiment plan" chapter

Capacity

There is a risk that insufficient production capacity (either its own or that of its suppliers), in terms of plant, space and workforce, prevents the Company from meeting market demand, achieving optimal levels of efficiency (industrial productivity) and profitability.

Management methods

Production complexity is managed at different levels and in an integrated and cross-functional manner. Periodic cross-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 monitoring and strengthening the supply chain, both in terms of capacity (e.g.: lack of resources) and performance, through continuous and structured scouting activities and the definition of a joint growth path with satellite businesses to support their growth, increase the availability of resources, reduce turnover and improve capabilities.

"Investment Plan" chapter
"Sustainable supply chain" chapter

Environmental

Risk that the Group, in carrying out its production activities, may cause damage to environmental matrices (water, land, air) with consequent harm to the territory and 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, 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 and Environment/Ecology, coordination meetings are in place and the management system is the subject of periodic internal audits and audits by third parties 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

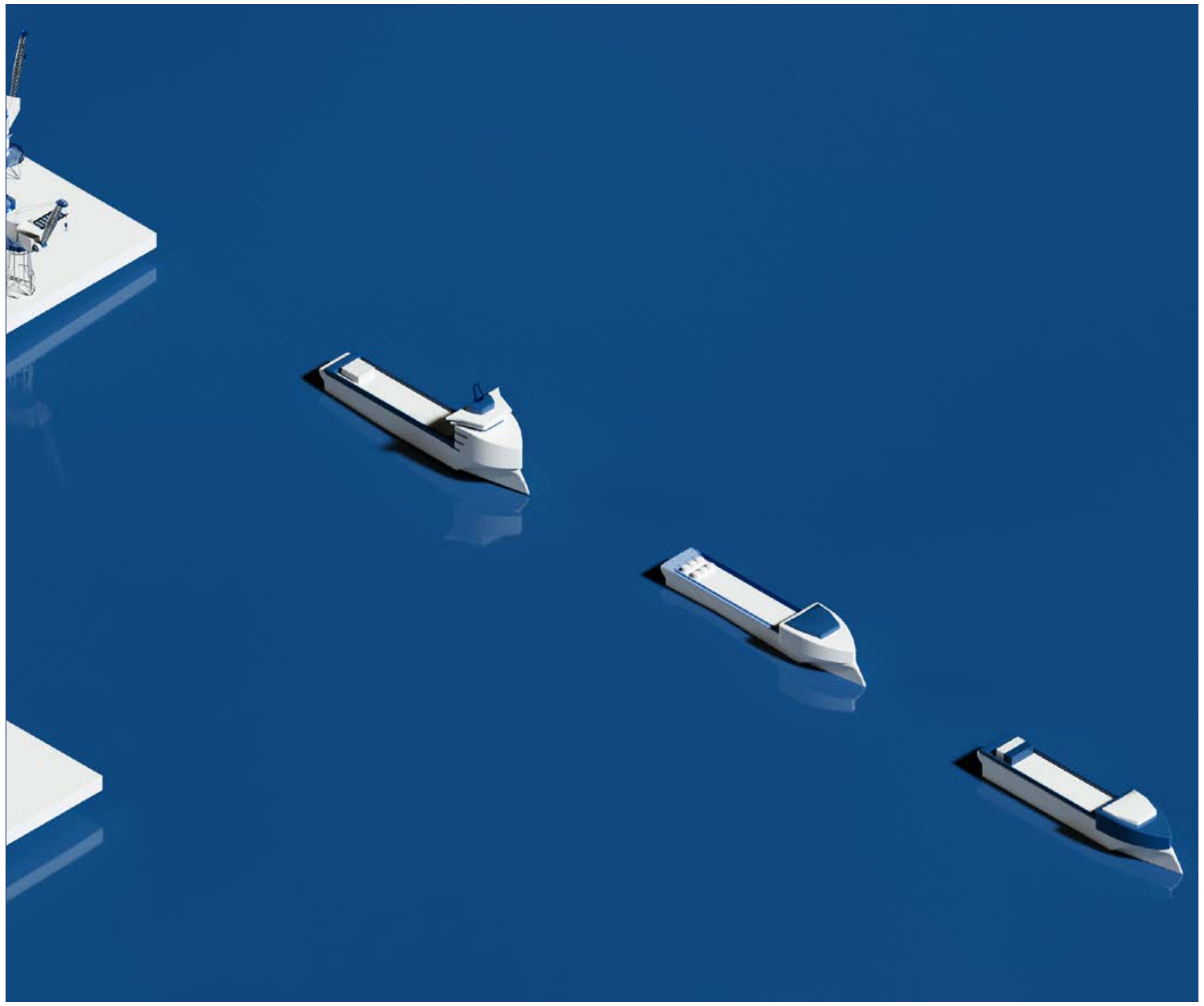
Health & Safety

Risk that the Group does not invest enough, also in terms of information and awareness raising activities, 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.

Management methods

The Group constantly monitors legislative and regulatory 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 sites 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.

"Health and safety in the workplace" chapter



Program Management

Risk associated with the medium/long-term planning of production activities, the distribution/balancing of workloads among the various production sites based on available production capacity (plants, space and workforce) and product diversification, and the management of resources (internal and third-party personnel, production facilities, areas).

Management methods

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 site and to periodic monitoring of the progress of individual programs (production, engineering, purchasing) and of the job as a whole.

"Investiment Plan" chapter

Projects

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 (engineering, purchasing, production, customer management), resulting in failure to meet contractual and quality requirements, delays and/or additional costs with a consequent negative impact on the expected contract margin and Group cash flows.

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 book 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

Focus on Project Risk Management

In the area of Project Risk Management (PRM), Fincantieri has launched a major project initiative aimed at developing the 'Risk Management' model historically in use into a more business-oriented model supporting operations. This saw the start of a process for improving, rationalizing and harmonizing the PRM model with respect to the different business areas of the Fincantieri Group.
In particular, the two key risk indicators identified to monitor the contract risk profile are: (i) the Macro Risk Rating and (ii) the Project Risk & Opportunity Ratio.
The Macro Risk Rating indicator represents the Overall Risk Level - Risk Tag - of a business initiative and/or job order for execution. It is defined at the commercial stage, and remains constant throughout the project life-cycle. It is calculated on the basis of the most relevant drivers for each division and/or cluster and is defined using 4 levels: R1, R2, R3, R4. Each Division/Cluster has defined the relevant parameters and weights, considering the most relevant drivers with reference to specific business characteristics.
The Risk Officer Function defined for all entities within the Fincantieri Group (Divisions/Clusters) the new Macro Risk Rating indicator, having defined the parameters and relative weights.
Contracts are represented in the Group's overall portfolio net risk profile, according to a weighting logic based on (i) the Macro Risk Rating associated with the project (ii) the net risk level identified in the Risk Analysis (Project R&O Ratio) and (iii) the residual value of the project itself compared to the portfolio value. The result will be to distribute the orders in the Net Risk Chart portfolio into four portfolio levels with increasing risk profiles.

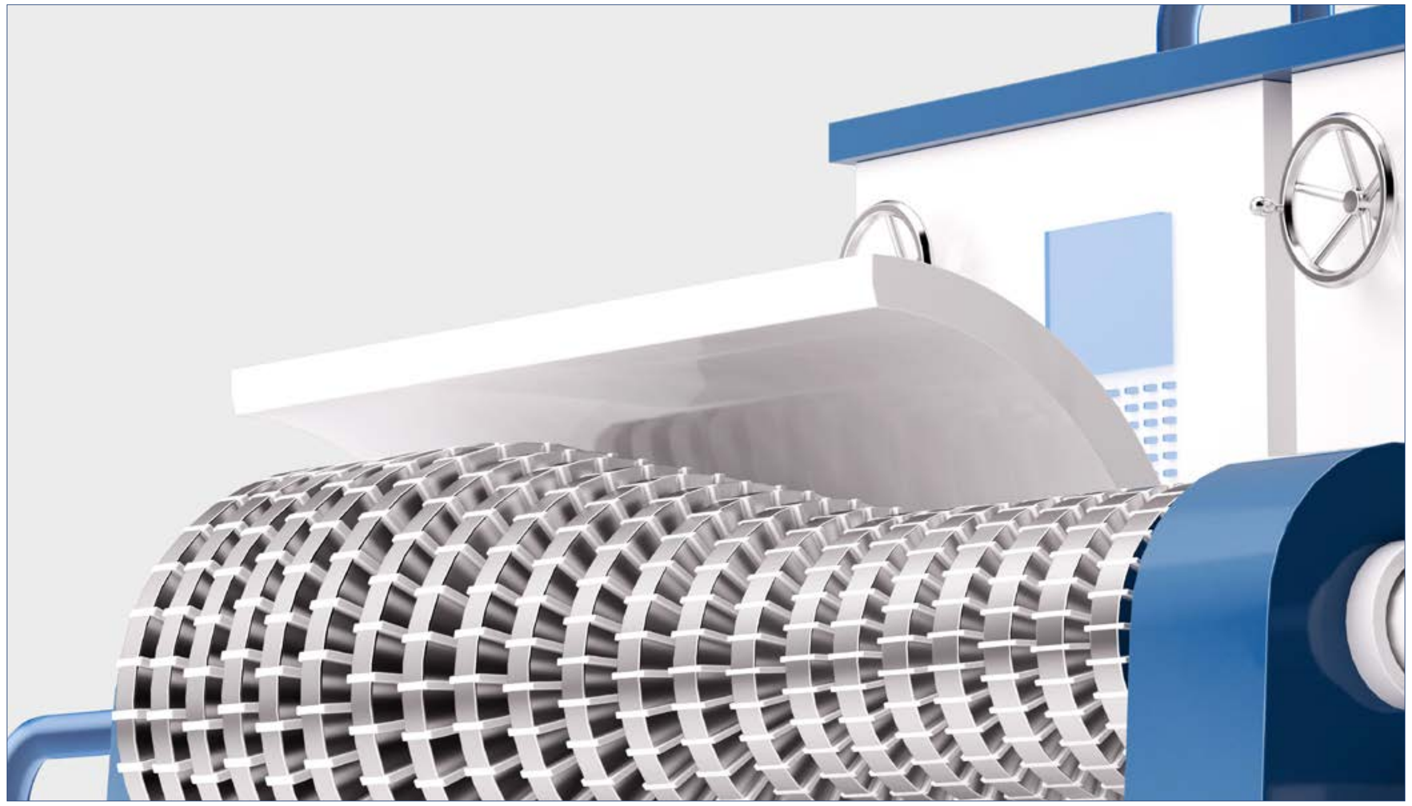
Supply Chain

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 the following aspects: economic and financial soundness, capacity and concentration of suppliers in core areas, and control over outsourced activities.

Management methods

When qualifying and requalifying suppliers, the Group puts in place a structured due diligence process aimed at verifying the following aspects: i. economic and financial soundness; ii. Security and business integrity; iii. Health & Safety; iv. Environment; v. Product and process certifications in the case of specific supply categories; vi. Technical and professional suitability. In order to limit the damage associated with inadequate supplier due diligence, supplier performance is systematically monitored through scorecards, process controls (e.g. warehouse, production), fact-finding audits and cross-functional visits to suppliers. Management of any problems and suppliers with an "insufficient" or "critical" Scorecard rating is carried out by the Supplier Observatory (cross-functional 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, at the tender stage, technical verification of adherence to the requirements of the bids received mitigates the risk associated with supplier quality and capacity.
The risk associated with a limited supplier base and dependence on the same is mitigated through periodic direct (e.g. internet, exhibitions, etc.) and indirect (e-procurement, promoters) scouting activities, aimed at identifying and evaluating new potential and alternative suppliers, focusing on critical areas related to the production context and the pool of suppliers.
Fincantieri promotes dedicated training and/or information events, fostering the engagement of Procurement units in sustainability issues and responsible sourcing principles. The "Sustainable Supply Chain" project, activated in the supplier evaluation system, aims to assess the ESG performance of the Group's supplier base. In addition, suppliers are required to submit specific ESG documentation in the pre-contractual phase, to sign clauses on the regularity of pay, contributions, insurance and tax, as well as the Supplier Code of Ethics, which, through a specific clause, requires compliance with environmental, social and ethical regulations.

"Sustainable supply chain" chapter



Business perspective - Financial

Counterparty

Risk that the Group establishes business relations with a counterparty without having carefully assessed the counterparty's financial solvency and/or risk that one or more counterparties with which the Company has ongoing contracts are unable to meet their commitments (one or more customers fail to fulfil their contractual obligations and/or one or more partners fail to fulfil their contractual obligations) due to financial causes.

Management methods

During order acquisition, and where deemed necessary, the Group performs checks on the financial stability of its counterparties, including by obtaining information from leading credit rating agencies, and works constantly with customers, financial institutions and government bodies to identify sources of funding for payment (e.g. export finance activated prior to contract execution). The risk of non-collection is also mitigated using trade finance instruments (parent company guarantees). Periodically, a review of the economic performance of "critical" customers is carried out with any necessary reassessment of financial receivables in accordance with accounting standard IFRS 9 (Expected Credit Loss) and a corresponding provision. Financial stability checks are also carried out on potential suppliers, as part of the qualification process, and potential partners. In order to minimize the impact on the Group resulting from potential financial crises in joint venture companies, financial instruments, such as guarantees issued with a non-several pure pro-rata indemnity, are negotiated at the agreement stage with third parties.

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

Financial Markets

This category includes the risk of having insufficient access to the capital market and the banking system to support the Group's operations (or accessing them on particularly onerous terms), also due to the new ESG criteria imposed by some credit institutions, the risk of not being allocated export finance (e.g. SACE), and the risks associated with capital markets. This includes risks related to risk transfer instruments.

Management methods

In order to limit its dependence on individual banks and keep conditions calm, the Group diversifies its sources of funding in terms of duration, counterparty and technical form (e.g. short and medium/long-term committed credit facilities, commercial papers, uncommitted facilities), negotiating loan agreements that do not include stringent financial covenants. It continuously monitors the status of export finance granted to shipowners and the allocation of funds by the Government for the relevant titles for export support (e.g.: Law 295/73 and subsequent laws concerning funding, CIPE allocations for SACE), maintaining relations with a variety of local and international financial institutions to obtain timely information on any regulatory changes and to ensure stable access to financial services. Dialogue with the export support 'system' to spread awareness of the need to maintain an agile, quick and efficient export credit mechanism is ongoing. Share performance is continuously monitored and analysed in terms of price and volume, and for unusual market movements the Group engages with sell-side analysts.

note 4: "Financial risk management" of the Consolidated Financial Statements

Business perspective - Technology

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 firewall web application and solution to prevent Distributed Denial-of-Service attacks, 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 an awareness campaign for the assessment of malicious e-mails. To enable a higher degree of security, a threat intelligence service, which promptly intercepts cyber attacks or attempted attacks, and preventive security checks through vulnerability assessments and penetration tests are also in place. Any IT incidents are handled through structured processes that allow for a quick response. 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.

"Cyber security" chapter

Organizational perspective and processes - Human capital

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. Disruption of professional relations between the Company and key figures could jeopardise the achievement of the Company's operational and strategic objectives. This includes the risk that the Company may not be able to offer adequate remuneration compared to the market or adequate benefits or welfare instruments according to employees' expectations to ensure their loyalty (e.g. improving the balance between work life and personal needs).

Management methods

Fincantieri extensively applies an Employer Branding strategy in order to promote internally and externally the quality of its brand as an employer, together with an Employee Value Proposition strategy aimed at satisfying the needs and expectations of employees. There is an ongoing employee engagement programme, based on evidence from the Employee Engagement Survey, to create a work environment that enables resources to fulfil their potential, perform at their best and be engaged. The Remuneration Policy adopted by the Group ensures the required levels of competitiveness in the labour market and promotes alignment between the objective of creating sustainable value for the benefit of shareholders, taking into account the interests of other stakeholders relevant to the Company, and the interests of management. Consequently, the balance and selection of performance parameters of the short-term and long-term incentive systems are defined in accordance with the priorities set out in the Business Plan and approved by the Company's Board of Directors. Meritocratic policies and initiatives guide the effective management of human resources, through remuneration policies and instruments for the recognition of quantitative and qualitative results, stimulating and highlighting individual contributions. The Company has also defined a supplementary health care system and a welfare model, also the result of constant dialogue with trade union associations and the activation of a special Joint Commission.

"People" chapter

Organizational perspective and processes - Management information

Privacy/Data Protection

Risk of non-compliance by the Company with the requirements of EC and national legislation on the protection and processing of personal data, with consequent infringement of the rights and freedoms of the interested parties in relation to the processing of their personal data carried out by and on behalf of the Company and related application of the relevant sanctions to the economic-financial and reputational detriment of the Company. This risk may arise as a result of an inadequate Organizational Model for Privacy in terms of roles and responsibilities, a failure to fulfil obligations in the area of personal data processing, or a lack of integration of privacy processes and controls with existing Management Systems (e.g. ISO 27001 on data security).

Management methods

Fincantieri has adopted a structured, cross-functional organizational approach to privacy management ('Privacy System') aimed at identifying, managing and exercising appropriate oversight of risks related to data protection and confidentiality (internal and external). The Privacy System is designed to assign appropriate roles and responsibilities within the relevant organizational structure; therefore, controls operate at the level of individual organizational units.
In this context, Fincantieri has appointed a Data Protection Officer (DPO), who also performs control functions through constant monitoring of regulatory changes, the pronouncements of the Italian Data Protection Authority and the Guidelines of the European Data Protection Board (EDPB), and monitors compliance by the Company (Data Controller) with the regulations.
In cases where personal data processing is assessed as high risk (mandatory DPIA), the DPO must be involved in carrying out the DPIA (Data Protection Impact Assessment).
Fincantieri carries out periodic reviews of the processing register and privacy notices, and applies specific procedures for handling any Data Breach.

"Information and data security" chapter

Organizational perspective and processes - Compliance & Integrity

Personnel/ Third-Party Integrity

Risk of having relationships with third parties (customers, suppliers, strategic partners) of dubious integrity, in terms of ethics and legality in the conduct of business, and that the Group's leaders/executives or, more generally, employees may be involved in improper, unethical or fraudulent conduct, compromising the trust of stakeholders, threatening the company's reputation and potentially negatively affecting the company's financial and operational stability.

Management methods

The Group implements in advance a strict process of ***Third Parties Due Diligence*** which involves the collection and prompt verification of information and guarantees of professionalism, integrity and suitability of the potential contracting party.
Furthermore, Fincantieri has its own Code of Conduct, which all those working in the company undertake to promote and comply with, actively contributing to its implementation and reporting any shortcomings and non-compliance. The Code requires that the Group's activities be conducted in accordance with the law and international conventions, and with respect for human rights as enshrined in the United Nations Universal Declaration.
With the aim of ensuring responsible and ethical business management, Fincantieri conducts specific training on the subject and monitors compliance with the Code of Conduct and the Charter of Sustainability Commitments, which it shares not only with Fincantieri employees but also with all its business partners.
In addition, Fincantieri requires its suppliers to sign and disseminate the Supplier Code of Ethics, which is based on three fundamental pillars: i. safeguarding and respect for the environment; ii. labour and human rights; iii. business ethics and integrity.
Adherence to the Supplier Code of Ethics and compliance with the contents of the Code of Conduct represent a binding requirement for entering into any business relationship with Fincantieri.
The Group has developed a rigorous qualification process for strategic suppliers, which also provides for the collection of environmental and social information at the pre-qualification stage (e.g. possession of certifications for occupational health and safety management systems and environmental and energy management systems, information on renewable sources, etc.). The Company pays particular attention to the ethical and reputational aspects of suppliers, also through the implementation of audits and quality visits at supplier production units.
Under the current National Framework Tender Protocol, suppliers are subject to audits and spot-checks or checks carried out by the Security function, which may lead to the possible revocation of their qualification if any impediment is found.
In addition, in accordance with the principles of legality, processes for screening of Sanctions Lists and monitoring to detect any changes in the risk scenario are implemented throughout the entire duration of business relations with suppliers.
In order to monitor and manage critical issues relating to the supplier base, there is a special cross-functional committee, the Supplier Observatory, which defines targeted improvement plans or, if necessary, formalises supplier phase-outs.
In compliance with the principles of trust and transparency, Fincantieri applies a specific procedure for the timely management of any conflicts of interest, whether of employees or third parties, both at the selection stage and throughout the relationship.
Indeed, it is of paramount importance to Fincantieri that nobody, during the performance of their work activities and functions, is influenced by personal interests that might, even potentially or in the abstract, modify or alter their choices.
Fincantieri has obtained ISO 37001 certification of compliance with the standards on management systems for the prevention of corruption.

"People" chapter

External perspective - External risk

Climate change

Risk that climate change and associated meteorological phenomena (acute, such as storms, floods, earthquakes, fires or heat waves, and chronic, such as changes in temperature, rising sea levels, reduced water availability, loss of biodiversity, etc.), could damage assets (e.g. plants, buildings, etc.), cause a slowdown or stoppage for the Company and/or its suppliers, requiring unplanned safety measures or interventions to adapt to the green transition.

Management methods

In order to prevent or limit potential damage to assets and/or production stoppages due to adverse weather events, each production site 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 company 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.
The Group contributes to the fight against climate change by paying particular attention to the technologies used in its production process, and to their potential development with a view to green transition. In fact, it annually defines an innovation plan and constantly monitors technological trends in its core markets, through scouting activities and partnerships with the main players in innovation, such as universities, research centres, associations, etc.

“Fincantieri for the climate” chapter Sustainability Report - The challenge of climate change and risk management

Security of personnel & assets

Risk of common or organized crime events occurring inside or outside the Company’s premises to the detriment of company assets and people, productivity and business continuity. This includes both risks related to industrial security and the protection and safeguarding of state secrets and classified and exclusively disseminated information, and risks related to the physical security of assets (tangible and intangible) and human resources.

Management methods

In order to contain the risk of unlawful influence and infiltration into the company’s business, the Group checks that suppliers and third parties meet reputational requirements, monitoring them over time and defining phase-out plans for cases deemed higher risk, also within the Supplier Observatory. Information research activities (Threat Intelligence) are also carried out, through the collection and analysis of information from publicly accessible sources, in order to analyse known or emerging criminal risk scenarios, including in areas of company interest abroad.
There is close cooperation with government and judicial police bodies, ensuring the necessary support in the relevant operational areas. In compliance with the National Framework Tender Protocol, Fincantieri activates prefectural anti-mafia checks on the entire supply chain of companies operating in areas of activity with a high risk of mafia infiltration, thus ensuring full compliance with anti-mafia regulations (Legislative Decree 159/2011), and reports any suspicions of external influence or specific reputational shortcomings to the relevant Prefectures.
Numerous risk prevention and/or mitigation measures are in place at all operating units, such as controls on people, vehicles and goods entering and leaving, surveillance activities inside the premises, anti-intrusion controls around the perimeter, controls on access to ships under construction, etc. Management and control procedures also cover classified information and information for exclusive dissemination in compliance with regulations on the administrative protection of state secrets, as well as industrial information. In order to increase awareness of security issues, the Group offers training activities to all personnel with access to Fincantieri sites and yards.
With the aim of protecting staff travelling to places at risk of terrorism / kidnapping / acts of violence, multiple mitigating actions are implemented: delivery of e-learning courses on travel security, risk awareness actions aimed at travellers going to high-risk areas, activation of mission insurance and supplementary policies in non-European countries, maintenance of the ability to communicate with personnel in other countries in emergency or crisis situations, tracking of the updated location of travelling employees in the various Italian and foreign destinations, sending of automated alerts before and during the trip containing updates on security, sociopolitical and environmental conditions in the destination area. In addition, with the aim of pre-emptively managing emergencies, Crisis Management Committees and interdisciplinary Crisis Teams operate to conduct Security Assessments and draw up Contingency Plans dedicated to the countries abroad where personnel are seconded.

“People” chapter

Core markets

Reference scenario and Fincantieri's positioning

The year 2023 was characterized by a favourable trend in the shipbuilding market and the easing of inflationary pressures but also by the emergence of further geopolitical shocks in the Middle East in addition to those in Ukraine.
Energy transition and the spread of digital technologies are confirmed as the major levers that will influence all markets including shipping, guaranteeing further opportunities and the spread of new business models.
This situation offers significant opportunities for the Fincantieri Group, thanks to its distinctive competencies in the high value-added shipbuilding industry.
The Group aims to excel in the construction and whole-life management of the digital and green ship for the cruise, defence and energy sectors, by enhancing synergies between the cruise sector, defence and offshore specialized vessels, and maximizing the overall value offered to the customer (Capex and maximum efficiency in terms of operating costs throughout the lifecycle of the ship).
The policy is to strengthen the defence and cruise segments (core business) and to accelerate on offshore wind and underwater exploration, expanding expertise in digital and green technologies that guarantee the distinctiveness of the range and enable innovative products/services to be offered.
All of which strengthens the Group's international competitive positioning, the Italian shipbuilding industry and the entire supply chain, with sustainability as a constant.
Within the cruise ship segment, Fincantieri is leader with over 40% of the market share and 126 cruise ships built since 1990, i.e. over a third of the global fleet. The Group counts 22 vessels in the order book, with scheduled delivery 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 136 naval vessels, 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 16 Commissioning Service Operations Vessels (CSOV) - Service Operation Vessels (SOV) in portfolio, and 5 cable-laying vessels. Furthermore, the development of cutting-edge offshore vessels with remote control and green propulsion continues, destined to revolutionize offshore operations.

Cruise ships

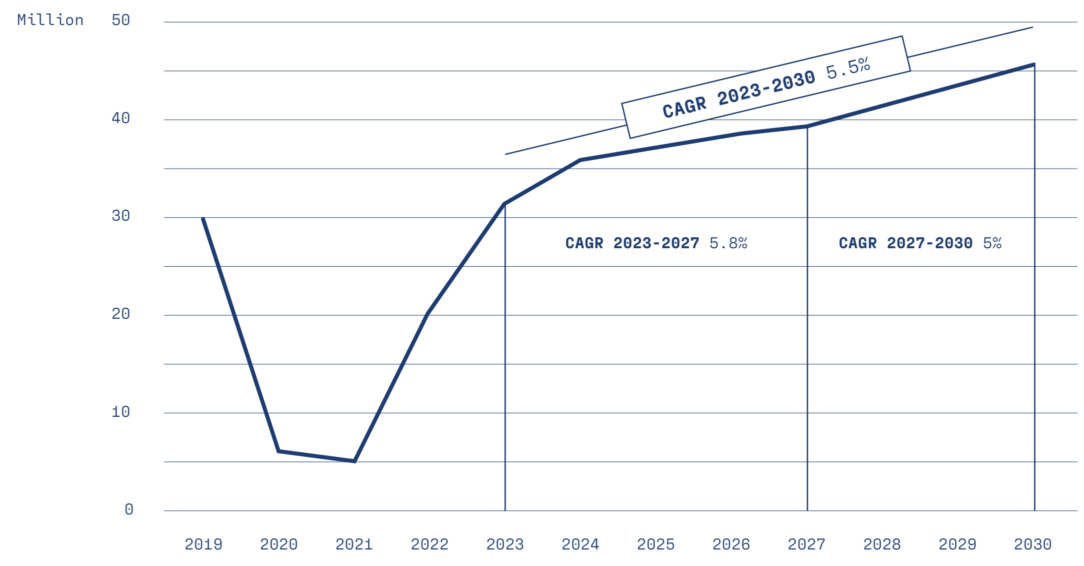
If 2022 was the year of the restart, with 20.4 million passengers recorded, 2023 saw the consolidation of the recovery, confirmed by a positive trend in all the main industry indicators:

- the entire fleet is in operation, with occupancy in excess of 100%;
- all markets are reachable; even China reopened its borders in the summer of 2023, lifting pandemic-era restrictions on group travel for more countries, including key markets such as the US, Japan, South Korea and Australia;
- the gap in value proposition between cruises and land-based holidays is shifting further towards cruises
- the trend in bookings and cruise prices is above 2019 levels;
- cruise lines are once more recording positive net operating cash flows;
- the number of cruise passengers is expected to reach 31.5 million, exceeding the 2019 level (+6%).

Currently, the recovery in orders for the two-year period 2022-2023 is led by the luxury segment, including new operators from the high-end hotel sector, served by medium-sized ships. Orders were signed for 8 ships in 2023 (7 in 2022). In detail, new investments were made by the brand MSC Explora for two additional hydrogen-powered ships, subject to financing being obtained, by new operators (e.g. Accor - Orient Express, Cruise Saudi-Aman Group) and by Four Seasons for a second ship also subject to financing being obtained. In the contemporary segment, there was only one order relating to the confirmation of the option for two MSC World Class contemporary ships subject to financing being obtained.
In terms of forecast scenarios, the CLIA - Cruise Lines International Association expects 39 million cruise passengers to be reached by 2027 and about 46 million by 2030[1], with a CAGR for the 2023-2030 of 5.5%.

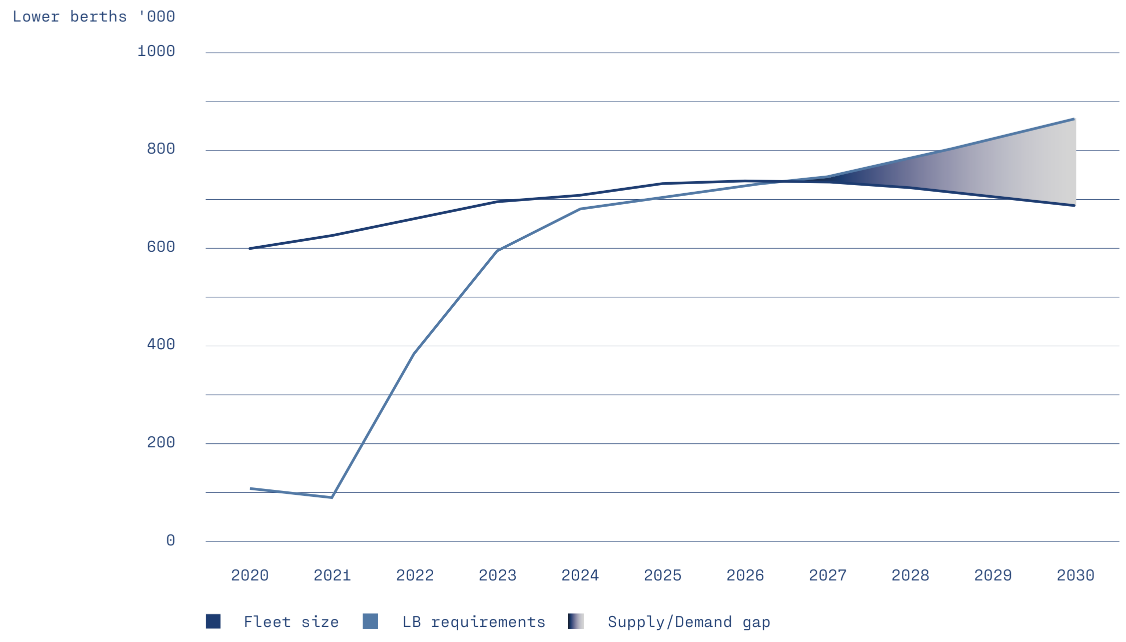
1 Source: CLIA - Cruise Industry August 2023, Environmental Technologies and Practices.

Number of passengers



With regard to the development of fleet capacity, based on deliveries of vessels in the order book and expected decommissioning, a gap between demand and supply emerges from 2027, which justifies a more decisive recovery of orders from 2024, taking into account design and construction lead times.
In detail, the size of the fleet, which amounted to around 695 thousand LB[2] at the end of 2023, will grow to around 727 thousand LB in 2026 with the delivery of the vessels in the order book. From 2026, the decommissioning of obsolete ships (delivered more than 30 years ago) will lead to a reduction in the supply of lower berths. The phase-out hypothesis is supported by the lower margins of the old ships and their non-compliance with the new environmental parameters.

Development of supply and demand for lower berths



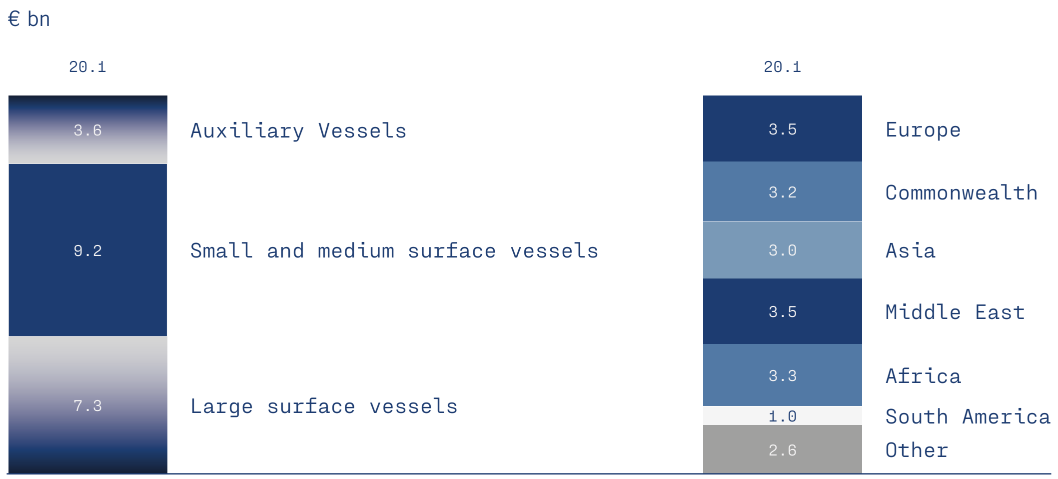
2 LB = Lower berths, beds available on a ship considering the standard of two beds per cabin. Global fleet size, prepared by Fincantieri using Shippax data.

The business scenario of the coming years will be influenced by the development of the international economic and geopolitical environment, the evolution of environmental regulations (new emission reduction technologies), a more challenging competitive environment due to the increased availability of production slots and, finally, access to financial support (ECA).
In 2023, the Marine Environment Protection Committee of the International Maritime Organization (IMO) adopted a Strategy on Reduction of GHG Emissions from Ships, which requires zero emissions by 2050 compared to 2008 levels, with reduction targets of at least 20% and up to 30% by 2030 and at least 70% (target 80%) by 2040.
For the cruise segment, the ambition is to achieve net carbon neutrality by 2050[3] and a 40% reduction (compared to 2008) in the average CO_2 intensity per tonne/mile required by International Maritime Organization (IMO) regulations by 2030.
The effort being made to meet this goal is already evident. Investments are growing to equip ships with devices to enable shore-side power connectivity: by 2028 there will be 222 ships in service thus equipped, taking into account the expected new builds and refits. Of the vessels under construction worldwide, as many as 37 feature a ‘green’ alternative propulsion system (mostly dual fuel / LNG, some prepared to accept methanol, or equipped with batteries and fuel cells).

Defense

As far as the naval segment is concerned, the global defence budget stood at approximately US$ 2.42 trillion in 2023[4], (+10.1% compared to 2022, taking inflation into account), confirming an upward trend since 2014 (+2.6% a year). The current geopolitical scenario is fuelling an increase in defence spending: growth at an average annual rate of +2.6% is expected in the period 2023-27. The spending budget allocated to the naval domain is also set to grow, supporting demand for all classes of ships.

Programs 2023-2027



The strategic submarine segment also presents significant opportunities (worth around euro 6 billion), of which around 80% relates to European opportunities, reflecting the increasing focus on the underwater domain.
The naval industry is driven by individual European states each with their own budgets, resulting in fragmentation and dispersion of resources, as well as greater fragility of European companies compared to American ones. In Europe, Fincantieri is leading the consolidation process in the naval segment through multilateral platforms such as Naviris, the joint venture with Naval Group, an initiative capable of supporting the integration process, aligning requirements and promoting industrial cooperation. In 2023, engagement of the industrial base took concrete form in the European Patrol Corvette (EPC) programme, with the signing of the contract for the Modular and Multirole Patrol Corvette between OCCAR and the Consortium coordinated by Naviris, which brings together Fincantieri, Naval Group (FR), Navantia (ES) and other companies representing Greece, Denmark and Norway. In addition, with the relaunch of Orizzonte Sistemi Navali, Fincantieri is further consolidating its partnership with Leonardo: in 2023 Orizzonte signed a contract with the Secretariat General of Defence/Naval Armaments Directorate (DNA) for the construction of three next-generation patrol vessels, as well as a contract for the maintenance of the Cavour aircraft carrier and the Orizzonte class destroyers.

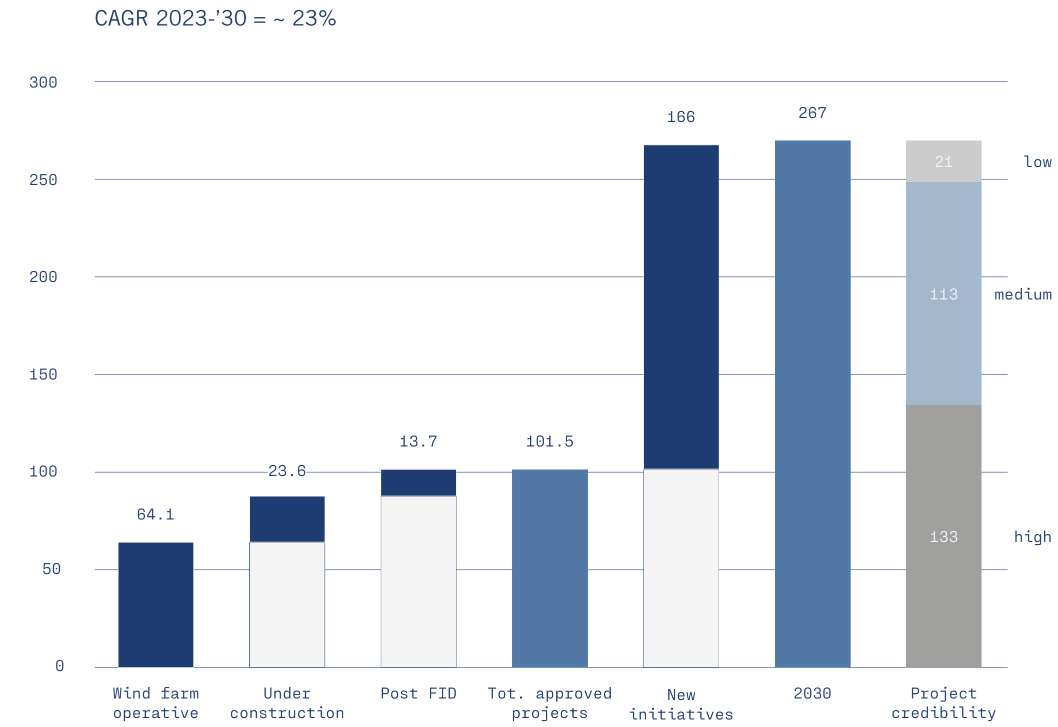
3 Source: CLIA - Cruise Industry August 2023, Environmental Technologies and Practices.
4 Source: Global Defence Budget, Jane's, 8 January 2024 - figures in real terms (taking inflation into account).

Based on the first preliminary results for the year, almost all of the finalized programs were assigned to domestic shipyards.
Abroad, Fincantieri continues to develop established programs (e.g. FREMM and Corvette) to meet customers’ needs, and to pursue opportunities in the smaller vessel segment.
At the same time, it intends to strengthen its positioning towards globally recognized navies by also developing new projects in accessible foreign markets.
The Italian and US navies are expected to continue their renewal, modernization and expansion programs in domestic markets.
The current geopolitical situation, marked by the conflict in Ukraine, has highlighted the fragility of the world’s energy and communication infrastructure system, including national infrastructures.
In the Mediterranean, there is a growing presence from players with assertive policies eager to gain further space for food and energy supplies and increase their sphere of influence. A sudden and conspicuous deployment of naval vessels in the Mediterranean and the resurgence of threats, including that posed by submarines, is evident. This discontinuity increases the importance of the maritime and underwater domain, together with the institutions and companies responsible for its protection.

Offshore and Specialized vessels

Expectations for growth in the offshore wind sector have been confirmed for 2023: based on the projects known to be in the pipeline worldwide, installed capacity is expected to increase from the current 64 GW to around 267 GW in 2030[5]. Europe, with an installed capacity of only 16 GW, aims to reach 60 GW in 2030 (Non-Binding target 111 GW) and 300 GW in 2050 (Non-Binding target 317 GW).

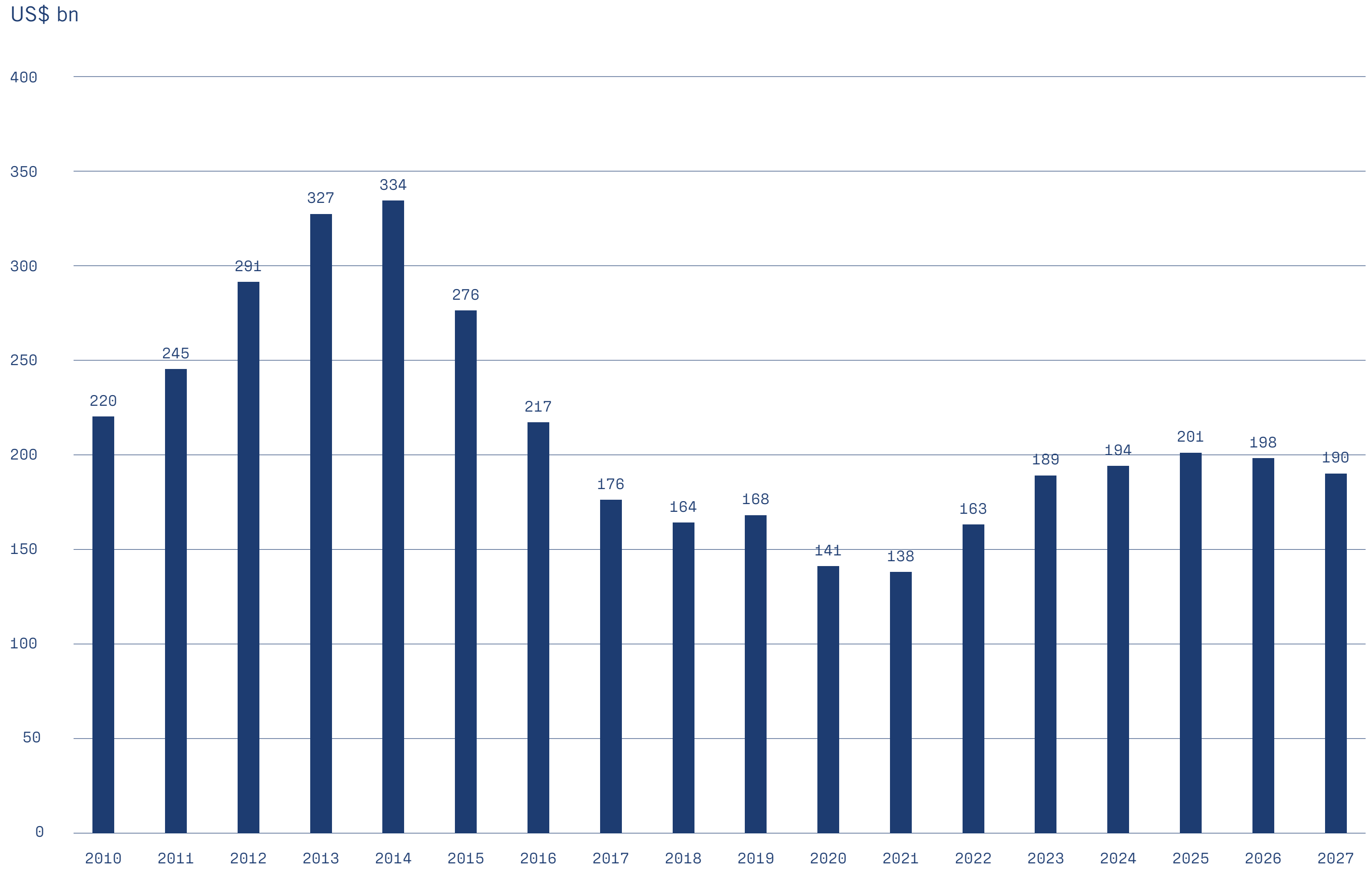
Offshore wind: installed capacity to 2030 (GW)



5 Source: 4COffshore, Global Market Overview Q3 2023.

Unprecedented government support for green transition policies and the setting of increasingly ambitious targets, the expected simplification of authorization procedures for new wind farms and slowing inflation suggest an acceleration of investments in offshore wind from 2028 onwards, with a doubling of the average GW installed per year and the need for an expansion of the supply network.
In general, the construction and maintenance of wind farms, the construction of the grids within the fields and the land connection for the transfer of energy will require additional specialized CSOVs (Construction Service Operations Vessels), SOVs (Service Operation Vessels) and cable layers.
Currently, several offshore vessels from the Oil & Gas segment (Tier 2/3) are operating in wind projects, however, the concomitant increase in Oil & Gas activity should again absorb these vessels and favour investment in more efficient and profitable specialized vessels for the wind segment (Tier 1).
At the end of December 2023, the SOV/CSOV fleet numbered 40 vessels and the order book stood at 52 vessels[6], compared to a requirement that could exceed 200 vessels[7] by 2030. The emerging gap, taking into account production lead times, supports the demand for vessels in the years up to 2027.
In terms of trends, investments may record a slowdown in the short term, reflecting strong demand in 2023 (orders = 26 vessels, including conversions) and the postponement of the operation of some wind farms; this should be followed by an acceleration in demand in the following years.
The floating offshore wind (FOW) segment is also expected to grow strongly. The FOW sector is of particular interest for Italy: according to the Polytechnic University of Turin, floating offshore wind energy has the potential to generate 207.3 GW and is mostly concentrated in Sicily and Sardinia; for the Global Wind Energy Council, Italy is the third largest market in the world. Contributing to this record is the coexistence of deep water and strong, continuous winds.
A target of at least 20 GW of installed offshore wind power by 2050 has been proposed within the framework of the National Integrated Energy and Climate Plan, compared to a target of only 2.1 GW by 2030.
The FOW market is also expected to support the use of AHTS (Anchor Handling Tug Supply Vessels) at the plant positioning stage.
Security of supply and diversification of energy sources support the demand for traditional fuels (Oil & Gas) in the short term, without compromising the energy transition in the long term. As a result, upstream capital expenditure on offshore oil & gas is growing: it is estimated to reach values close to US$ 200 billion in 2024 and 2025[8].

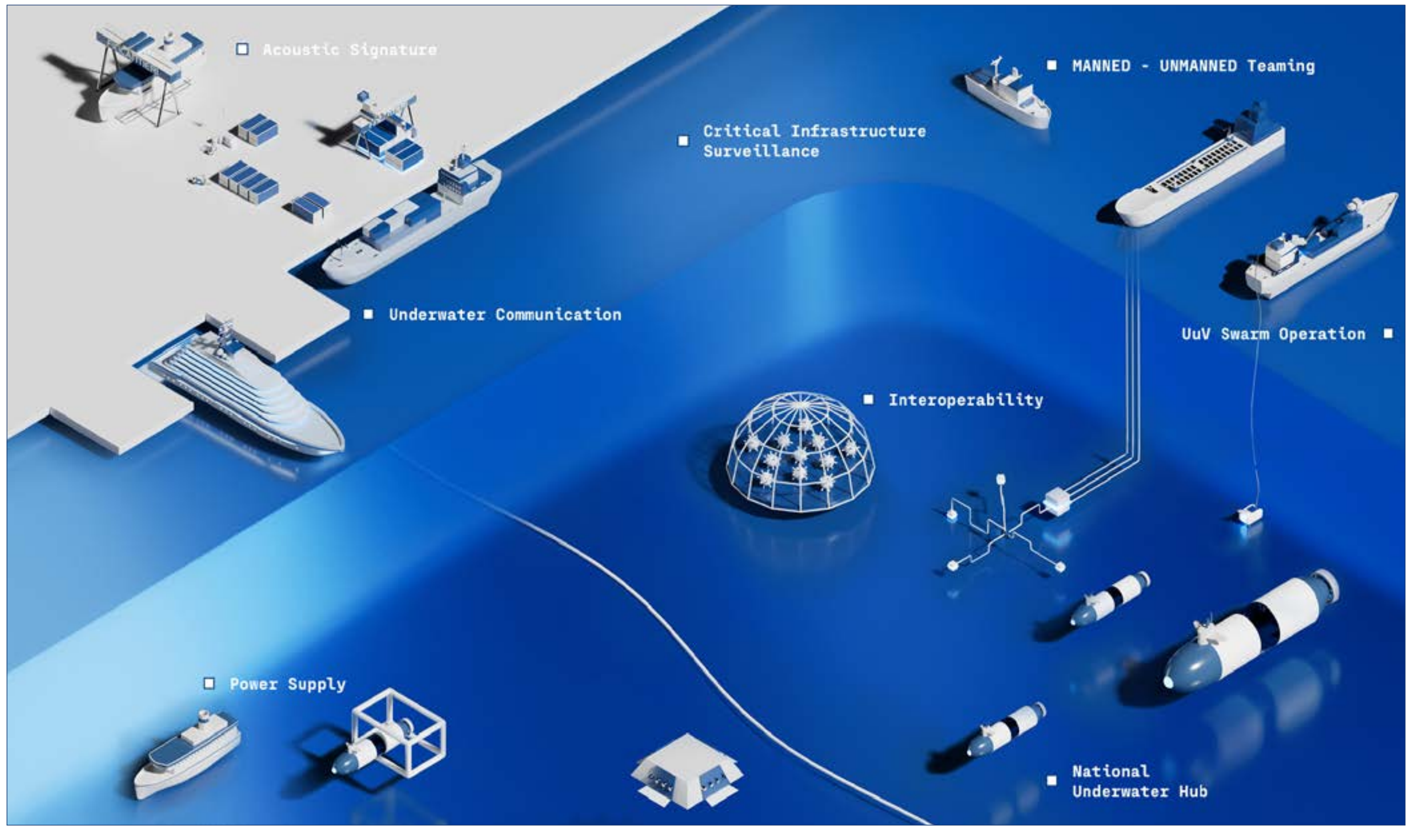
Oil & Gas: capital expenditure on offshore*



* Investments in: exploration & appraisal, Greenfield, Brownfield

6 Source: DB 4COffshore, Wind Farm Service Vessels Database as at December 2023, Fincantieri calculation.
7 Source: Clarksons Offshore & Renewables, Fearnley Offshore Supply, presentation by Edda Wind 3Q2023 and Edda Pareto Securities 26th annual Power & Renewable Energy Conference, January 2024.

The resumption of oil & gas investments translates into growth in the rates of use of support vessels (PSV - Platform Supply Vessel, AHTS - Anchor Handling Tug Supply Vessel, OSCV - Offshore Subsea Construction Vessel) and charters, difficulty in finding quality cargo hold space in the face of ageing fleets, and the need for technological adaptation of vessels. This generates selective opportunities in terms of new builds and refitting of OSVs.
Underwater is a geopolitical domain that includes defence in the narrow sense, but also the security of submarine cables (for electricity and data transmission) and energy infrastructure.
For the Mediterranean, this is a strategic domain of particular importance, where intelligence, surveillance, defence and deterrence activities take place.
Its development involves providing a response to the technical and technological needs of both the naval component, an enabler of innovation, and the civil side for the purpose of seabed defence.



Within this sector, Fincantieri can play the role of Prime Contractor and Design Authority for traditional submarines, as a core (physical and logical) integrator according to the concept of a 'network' of systems and sensors, and as an aggregator within a national cluster to develop and enhance a national supply chain.

8 Source: "Is offshore oil and gas back for good?", Rystad, October 19, 2023.

Investment plan

The growth strategy of the Fincantieri Group requires, in addition to the concentration of resources on core business segments and therefore the increase in the order book, an ever greater focus on the highest standards of product safety, quality and efficiency, to be achieved without losing sight of the necessary cost optimization.
The achievement of these objectives requires an across the board commitment throughout the Group and the development and subsequent implementation of multiple initiatives that relate in particular to continuous improvement processes and the enhancement of assets.
In order to ensure that core markets are covered, it is becoming increasingly important to adopt solutions capable of responding to the ever-increasing workload that the market offers, looking at the possibilities offered by technological innovation. 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 911 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 Monfalcone and Marghera, to achieve the increase in production capacity and efficiency necessary to guarantee the ability to meet expected market demand in the segment. The significant production investment plan launched at these two sites has led to the acquisition of the latest machinery and equipment and allowed for a more efficient reconfiguration of production processes. In particular, investments in logistics were completed in 2023, related to the management of outfitting materials and workers' accommodation (changing rooms, services, etc.);
- modernization of shipyards in the US aimed at updating infrastructure, increasing the efficiency of production processes and making sites consistent with the Group's sustainability objectives. Actions to increase production efficiency were mainly driven by the needs of the Constellation frigate program, without neglecting the needs of other core markets;
- the launch, at the Vietnamese Vung Tau shipyard, of a radical transformation process characterized by 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:

- the installation at the Marghera shipyard of the new approx. 300 metre-long semi-automatic panel line, based on Industry 4.0 principles and equipped with robotic solutions for tacking and welding operations, represents the state of the art for this type of production line;
- the start-up of the installation of the new panel line at the Riva Trigoso shipyard, a highly automated line characterized by solutions at the most advanced technological level, proprietary to Fincantieri, that will guarantee greater production capacity at the site but above all an excellent level of quality for the processing carried out by the automatic line;
- the development of prototype robotic solutions for steel welding, also through partnerships with leading companies operating in related sectors. The first step in this process concerns a mobile welding robot, consisting of a man-made arm equipped with a welding head installed on a tracked mobile base controlled by an operator with a remote control system. This solution will make the welding process more efficient by increasing the quality level of execution and reducing processing time;
- 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 marginality on projects, allowing for coverage of any exogenous factors such as, for example, the increase in electricity and raw materials costs related to the changed international environment.
Obviously, alongside these measures aimed at making the production process more efficient, raising product quality and site capacity, the Group's notable commitment to the environment and the social context in which it operates should not be forgotten. In 2023 Fincantieri made significant investments in the area of sustainability, both in Italy and abroad, mainly with the aim of:

- increasing safety in the workplace;

- optimizing energy consumption;
- introducing tools monitoring consumption and reducing waste;
- improving and streamlining smoke extraction systems;
- reducing noise pollution;
- aligning shipyard standards with environmental regulations;
- increasing the welfare of its employees. Of particular note is the completion of the second company crèche at the Monfalcone shipyard in 2023, in addition to the first crèche built at the headquarters of the Merchant Ships Division in Trieste to support parents. There were also further initiatives such as the equipping of new office space, refreshment areas, changing rooms and car parks.

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 management of investments.

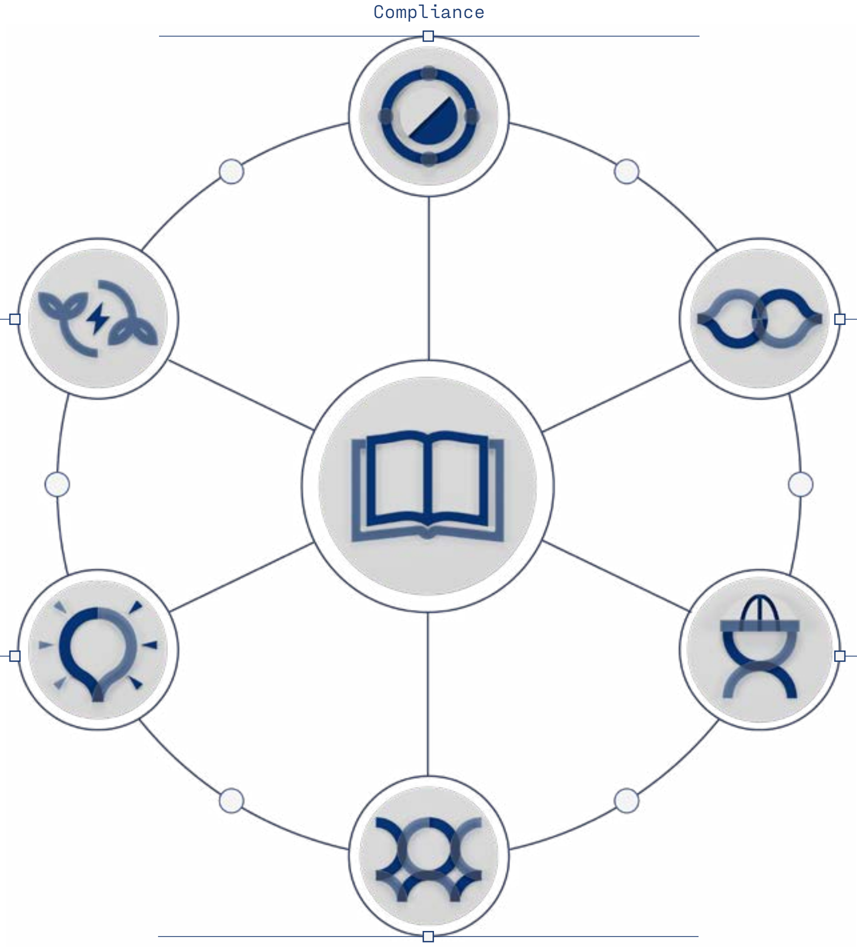
Sustainable supply chain

Fincantieri's vision for the supply chain is to promote a growth path based on innovation and sustainability, driving change and encouraging a new level of cooperation with its partners.
This approach is based on sharing the values contained both in the Supplier Code of Ethics and in the new **Suppliers' Identity,** created at Fincantieri's Supplier Summit held on 17 October 2023 in Genoa.
Fincantieri Group's sustainable supply chain strategy aims to encourage continuous improvement approach, investing in ESG issues and promoting a culture that supports the development and well-being of local communities.
Fincantieri asks its suppliers to respect and promote its guiding principles, which are:

- **Human Rights:** dignity and equality for all, ban on child labour and forced labour, fair wages and a work-life balance.
- **Health and Safety:** risk reduction, zero accidents and a safety culture.
- **Diversity and Inclusion:** respect for differences, teamwork and a focus on people.
- **Innovation:** co-creation, sharing new ideas and exploring new opportunities.
- **Decarbonization:** energy efficiency, development of new green technologies and the Net Zero objective.
- **Compliance:** quality, on-time delivery and compliance with regulations and standards.

The Group is also committed to supporting and guiding this evolution by providing its partners with the tools needed for this development path.
With this in mind, the PartnerSHIP supply chain program has been launched, reflecting the desire to develop a sustainable ecosystem involving the entire supply chain.
PartnerSHIP marks an evolution in terms of supplier engagement and aims to develop more lasting relationships with suppliers in order to tackle and overcome the new strategic challenges together.

Supply chain



Management system for a sustainable supply chain

The Group has developed a system to manage the supply chain in a sustainable way. This system includes:

- Respecting and sharing policies.
- Supplier management processes: qualification, monitoring, ESG assessment and audits.
- Supplier engagement.

Respecting and sharing policies

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.
This is why suppliers are required to comply with the policies adopted by the Group and to share the principles. In particular:

- **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.
- **Supplier Code of Ethics,** which 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 Code is based on three fundamental pillars:

Supplier Code of Ethics

- Respect for and safeguarding of the Environment
- Business ethics and integrity
- Labour and human rights

Suppliers are required to share the Code with their employees, subsidiaries, collaborators and subcontractors, to monitor their compliance and promptly report, through the whistleblowing system, any alleged or actual violations not only of the Supplier Code of Ethics, but also of the Organizational, Management and Control Model pursuant to Legislative Decree No. 231/2001, or of any other contractual agreement with the Company, including violations committed by any employee, consultant, partner, agent or other representative acting in the name of and/or on behalf of the supplier or Fincantieri S.p.A.
Observance of the Code of Ethics is one of the conditions contained in all purchase contracts, and any breach of it may entail a request for corrective measure to remedy the non-compliance in question or, depending on the seriousness of the facts identified, to take any further precautionary measures required to protect the interests of the company and all parties involved.
The **Conflict Minerals Policy** aims to discourage the use of any minerals mined, refined or traded under conditions of armed conflict and human rights violations, mainly in the People's Republic of Congo but also in any conflict-affected or high-risk area.
The Group is committed to ensuring a 'conflict free' supply chain by means of the following actions, which will be implemented in the coming years:

- incorporate, in the contracts signed with suppliers, the logic and commitments of the Policy for the conscious and responsible management of the entire supply chain, from mining the ore to the configuration of the scope of supply;

The Supplier Code of Ethics is available on the website at www.fincantieri.com/globalassets/sostenibilità2/responsabilita-economica/fincantieri_supplier_code_of_ethics2.pdf

- take the necessary steps to identify the risks arising from improper management of conflict minerals and identify products and/or semi-finished products that might contain minerals from conflict zones;
- after the previous risk assessment phase, carry out the following activities on suppliers identified as strategic/critical;
- request additional information on the origin of raw materials and minerals in the supplies in order to adequately ensure their traceability;
- prepare plans and corrective actions for cases where the declarations are not compliant which may also include checks;
- ensure constant monitoring of the supply chain in order to mitigate the risk of sourcing minerals from conflict countries;
- improve employee preparedness (in terms of knowledge and awareness), requiring similar interventions for those engaged in the supply chain, pursuing the contribution of all those involved in the achievement of the corporate objectives.

Supplier management process: qualification, monitoring, ESG assessment and audits

The new e-procurement portal **e-NGAGE** was implemented during the year. Over time it will cover all the main phases of supply chain management: registration, qualification, invoicing, supply progress status, etc. e-NGAGE will make it possible to have a Group Register of Suppliers and share the logic and criteria for supplier inclusion defined by the Parent Company. Fincantieri's digitalization process, which will continue in the coming years, aims to facilitate communication with all suppliers and increase compliance and efficiency in purchasing processes, the supply chain and access to production sites.

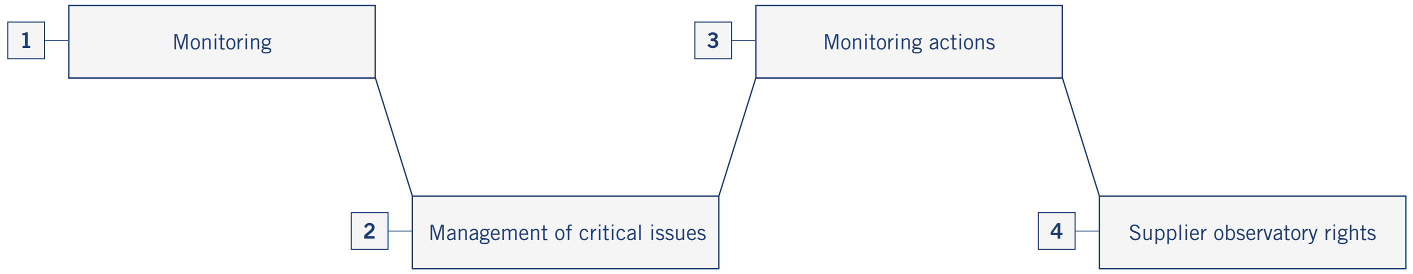
Qualification

Development and efficiency of the Fincantieri supply chain starts immediately at the supplier selection phase, which guarantees 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 that the Group has set itself 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 recognized as a significant asset of the entire Group, 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.
For all new suppliers, 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.
In addition, for all suppliers operating in Fincantieri's Italian production units, it is periodically verified that the contractual minimum is consistent with the relevant National Collective Bargaining Agreement (CCNL), while for foreign companies, workers must be guaranteed at least the minimum levels of working and employment conditions laid down in the collective bargaining agreements in force in the place where they work.
In the US, where Fincantieri is one of the leading manufacturers of medium-sized vessels for government agencies, the selection process has national specifications as it is steered by the choices of the US Government, which requires high-quality, high-performance goods and services that must be provided with skill and proven expertise.
As far as the VARD group is concerned, suppliers must be selected from among those that have been registered as approved suppliers (maker list) through a specific evaluation.

Monitoring

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.
We monitor 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 supply chain by means of ever more frequent exchanges of information and documents with suppliers.

Monitoring of suppliers



As part of the supplier monitoring system, the Group uses 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. The evaluations cover several aspects, including health and safety.
One extremely important body is the Supplier Observatory, which ensures constant monitoring and makes decisions on how to manage any critical issues that emerged during the supplier management process.

ESG assessment

2023 saw the launch of the **ESG assessment program** of the supplier base. The program runs for four years and aims to: ensure suppliers' sustainable performance is measured through the assignment of an ESG score; define specific improvement plans; and set up reward initiatives for virtuous suppliers. The scope of assessment is Group level (excluding US subsidiaries) and the first assessment coverage target set for the year was achieved. In fact, assessments were carried out on major suppliers in terms of expenditure, accounting for a total of 32.4 per cent of the total purchase volume of all suppliers involved in the program.
The model on which the assessment is based, which is integrated in the e-NGAGE platform, was built using criteria defined by a working group from different companies in the industry and reported in the **ESG Supply Chain Guidelines.** It follows that suppliers are assigned a score according to a recognized industry standard, thus ensuring the **objectivity and independence of the assessment.**
A supplier's ESG score is based on the supply categories and is awarded following the completion of a specific questionnaire that is located on the SupplHi platform and is accessed by the supplier via the e-NGAGE portal.
The **ESG score** is calculated separately for each of the three pillars and is based on a score scale ranging from A (highest rating) to E (lowest rating). The environmental section is assessed by considering the environmental management system, energy efficiency, pollution and waste management, etc.; the social section considers elements such as equal opportunities, human rights, working conditions, health and safety management system, etc.; the governance section assesses ethical aspects, responsible information management and sustainable procurement management.
The score gives insight into the strengths and areas for improvement in sustainability in order to be able to meet the challenges that regulations and stakeholders require in this field. Finally, the presence of an ESG badge with a synthetic score is an important element for sharing the assessment with all potential stakeholders (lenders, customers, communities, etc.).
The ESG assessment model is updated periodically by updating the reference guidelines and/or holding specific meetings of the working group, of which Fincantieri is an active member.
In the next three years, work will continue with the aim of increasing the scope covered by the assessment, in line with the 2023-2027 Sustainability Plan.

Audits

Every year Fincantieri conducts periodic checks of its suppliers using various types of audits, both in the area of sustainability and qualification and monitoring.
Sustainability audits are conducted using two checklists: one related to the environment and one related to health, safety and human rights, both divided into thematic areas that take into account the specific aspects of interest. The checklists also include management of chemical products (with reference to European Regulation 1907/2006, known as REACH, and other sector regulations), the verification of environmental, energy, health and safety management systems and the organizational, management and control model pursuant to Legislative Decree 231/2001, as well as compliance with the Supplier Code of Ethics.
During the year, no audit showed results which fell short of expectations. Suppliers are subjected to continuous performance monitoring from the qualification phase for inclusion in the register and subsequent checks are

required, including face-to-face audits at the supplier's site. With regard to the indicator concerning management systems, it should be noted that the assessment is influenced by the fact that Fincantieri does not require suppliers to hold any certification other than ISO 9001 as a binding requirement.
Furthermore, a comprehensive review of the management of sustainability audits was initiated in the second half of the year. This review, with the support of external companies with proven experience in the field, led to **37 additional audits.**
Finally, the remaining **12 audits** relate to supplier qualification and monitoring activities.
In addition to the audits organized by the Parent Company, the subsidiaries, in view of the specific nature of their business, conduct additional visits to their suppliers. In Vard, audit activities are carried out through the shipyard health, safety, environment and quality (HSEQ) managers accompanied by the central procurement department and are focused on compliance with the contractual requirements agreed for the jobs. In 2023, 39 audits based on social and environmental criteria were carried out, 23 of which were carried out by Vard Vung Tau, which holds SA 8000 certification. No audits showed a negative assessment.
No specific sustainability audits are carried out in the US, but site visits are organized to verify the quality and production capacity of suppliers that are critical to the business. In 2023, 30 such audits took place.

Supplier engagement

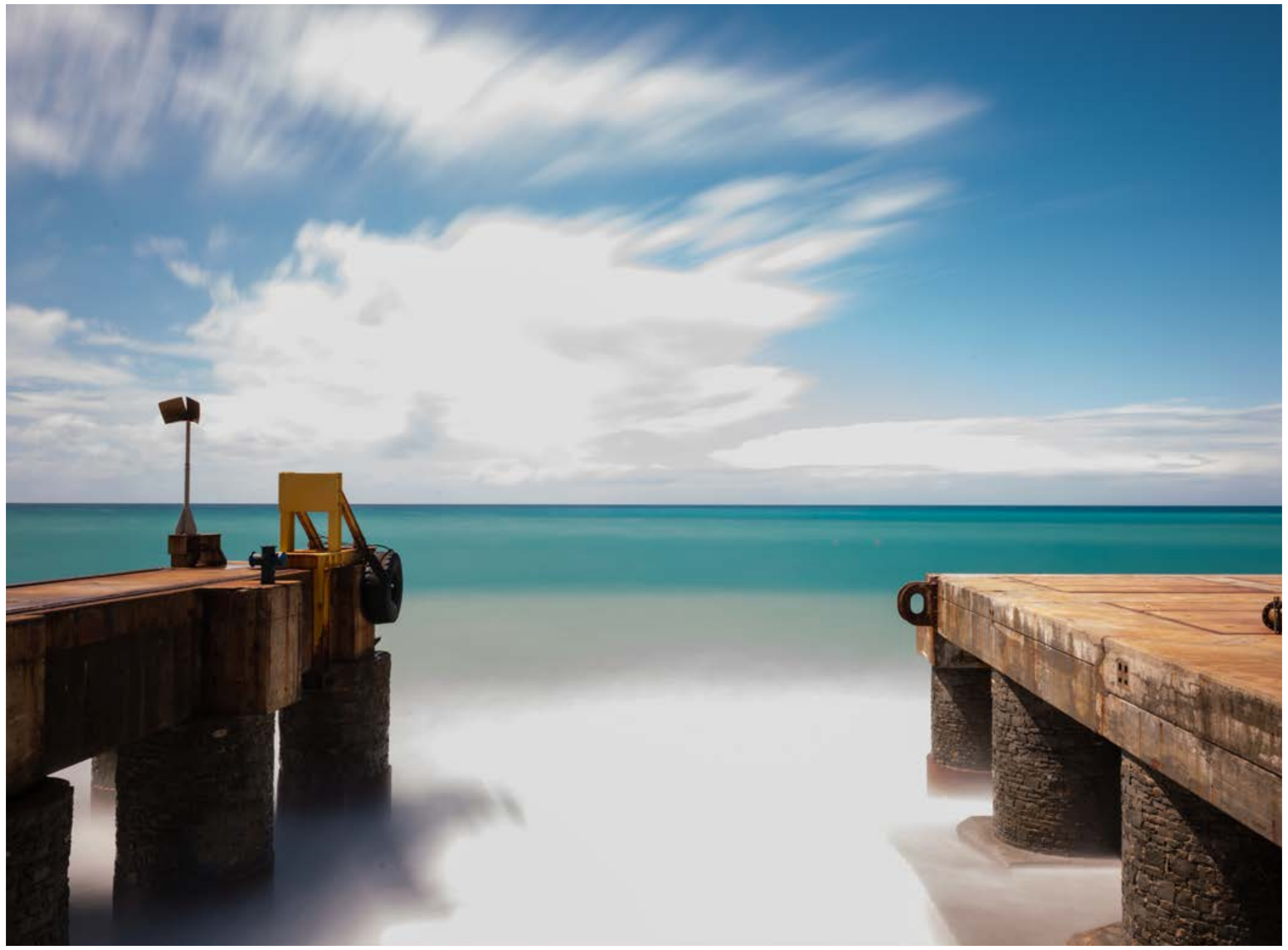
The Group's focus on its relationships with suppliers is constantly evolving. Therefore, constant commitment and communication are essential in order to help Fincantieri promote positive and mutually beneficial relationships. The Group believes that close cooperation with the supply chain is essential in order to achieve high levels of quality in the finished product and in the entire production process. With a view to establishing a stable and long-lasting relationship, based on transparency and cooperation, Fincantieri is actively committed to **promoting dialogue** with suppliers through periodic meetings to share information, including on sustainability.
Our engagement with suppliers continued in 2023, resulting in several events dedicated to them, on strategic topics such as sustainability.
In particular, the **Let's turn Collaboration into Innovation – Fincantieri's Supplier Summit** was held on 17 October at the Acquario di Genova and saw the involvement of the top management of the Group's main strategic suppliers. The event involved over 200 partner companies and was an opportunity to recognize the value of 'Made in Italy' and SMEs as well as the digital and sustainable evolution undertaken by the Company and its supply chain.
The evolution of the Suppliers Engagement path into a new supply chain program, called **'PartnerSHIP'** by those present, was announced on this occasion.
PartnerSHIP aims to:

- steer the ESG and Digital transition;
- ensure the alignment of strategic objectives between supply chain leaders and partners;
- manage a common growth path based on a new type of relationship.

The first initiative stemming from PartnerSHIP was launched in December, namely the **program of thematic webinars** for the supply chain that will focus on finance, ESG and cyber security.
The first **Fincantieri Supply Chain Finance** webinar focused on the credit support tools available to suppliers. The event was realized with the cooperation of major national financial institutions such as CDP, Simest, SACE and SACE FCP and was attended by about 140 suppliers.
Numerous solutions were proposed, including ESG-linked solutions, such as reverse factoring agreements that are linked to the ESG scores obtained from the Group's assessment program on its e-NGAGE portal and can enable suppliers to obtain favourable economic terms.
Also as part of supply chain sustainability, **Carbon Tracker,** an innovative project that estimates the carbon footprint of suppliers, was launched. This is a model that is validated in line with the requirements of ISO14064-1 and the GHG Protocol, which can be found in a specific module of the SupplHi platform on the e-NAGE portal. The activity involved several information exchanges and the organization of a workshop dedicated to an initial pilot group of 20 strategic suppliers selected according to product category.
In addition, the Group is actively engaged in further discussions on supply chain due diligence and new regulatory trends with industry companies and specialised international bodies. On this subject, a position paper on ESG due diligence was drafted at the beginning of the year, the result of the ESG governance Lab sponsored by ET.Group.
Fincantieri was also an active participant in the working tables on Sustainable Procurement organized by the Global Compact Network Italy, which involved major Italian companies exchanging experiences and best practices. This was organized over 3 vertical meetings dedicated to each of the ESG aspects and there was a concluding event in which the final summary report on the activities carried out was presented.
Within the organization, specific training activities are also carried out by the Group Procurement & Supply Chain Department for subsidiaries to offer group guidelines and operational support for sustainability reporting as well as updates on the objectives of the Sustainability Plan.
Finally, Fincantieri promotes the development of supply chain sustainability through the direct involvement of the company's management levels, whose variable remuneration plan (MBO) is also linked to the achievement of specific targets for supplier ESG assessment.

Supply chain numbers

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.
As regards the shipyard, approximately 80% of the finished product is made with the contribution of our suppliers: Fincantieri works as de facto system integrator, taking responsibility for the project as a whole.
As regards the Italian activities, Fincantieri acts as leader and group cluster 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 Italian shipyards, Fincantieri contributes to the maintenance and development of the industrial system of the regions in which it operates.
Throughout the Group, a high percentage value of orders are issued to local suppliers, whose activities are mainly restricted to the same geographic areas as the companies for which they operate. In Italy, 74% of the total value of orders issued is distributed to local suppliers, while for Vard in Norway, 50% of expenditure is on Norwegian companies, in Romania 72% on Romanian companies and in Vietnam 66% on Vietnamese companies, while Fincantieri Marine Group's activities channel 96% of the value of orders to companies in the US.
The latter in particular makes choices with a significant social impact when choosing its suppliers: in addition to supporting small and medium enterprises, it focuses on those run by women, by economically and socially disadvantaged individuals, by veterans and companies covered by the Historically Underutilized Business zones (HUB zones) program. A program, founded in 1997, which aims to promote economic development and employment growth in disadvantaged areas through privileged access to opportunities in the public procurement sector for small businesses located in these areas.



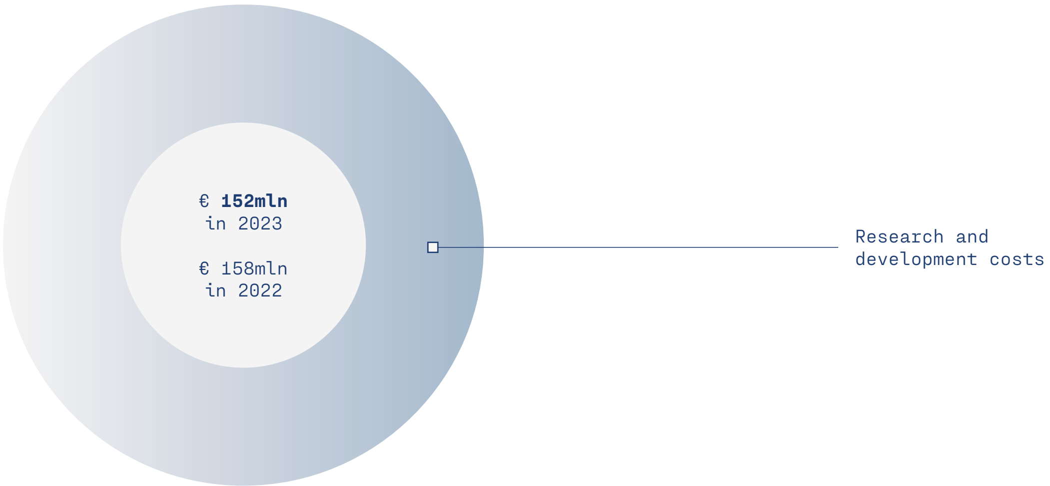
Innovation and sustainability

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 our customers' needs. Its competitive advantage lies in the capability to design and deliver highly technological and customized solutions, especially evident in the integration of complex systems.

In the current environment, where the challenges associated with the green and digital transition, the global geopolitical, social and macroeconomic changes impose a radical transformation of business models, Fincantieri 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 the Group operates and the constant updating of products and processes are therefore the key features of Fincantieri.

Innovation Strategy

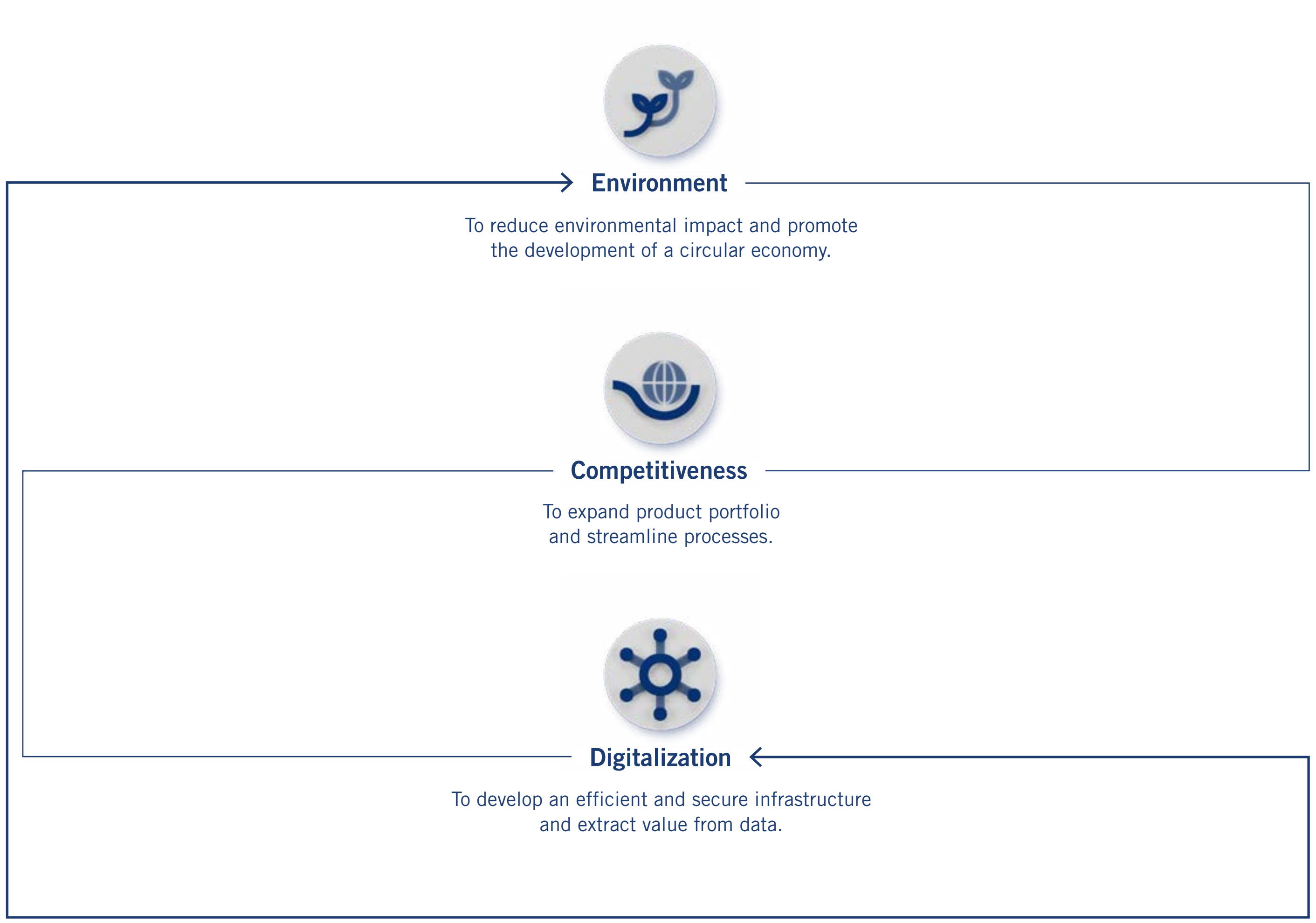


Innovation activity has three main technological directions.

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.

Innovation strategy



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 our vision and stimulate innovation, including reducing air and water emissions, improving onboard 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

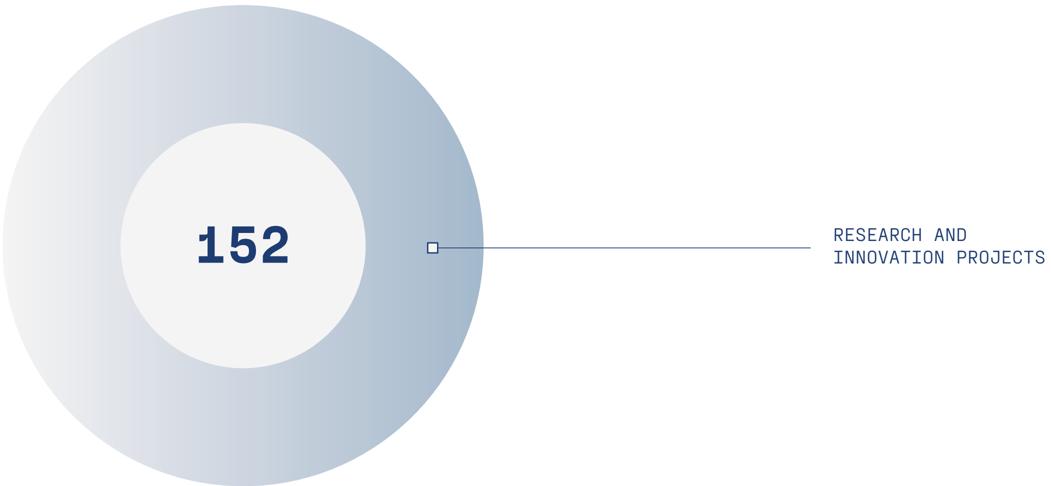
The digital transition is the foundation of the latest industrial revolution, currently underway, which is preparing the ground for a radical change in our business. The pervasive use of smart devices, the Internet of Things (IoT) and artificial intelligence, is already having impacts in most industries, 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 our global competitiveness and leadership is one of our main objectives. 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 Fincantieri 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.
In 2023, at Group level (including foreign subsidiaries), we have carried out over 150 Research and Innovation (R&I) projects and programs, funded either through our own resources or through the use of European, national and regional R&I programs. Several projects are carried out in collaboration 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.
The main projects concerning the environment, digitalization and competitiveness are given below, along with more detail on a specific one for each area.

Main projects



Environment

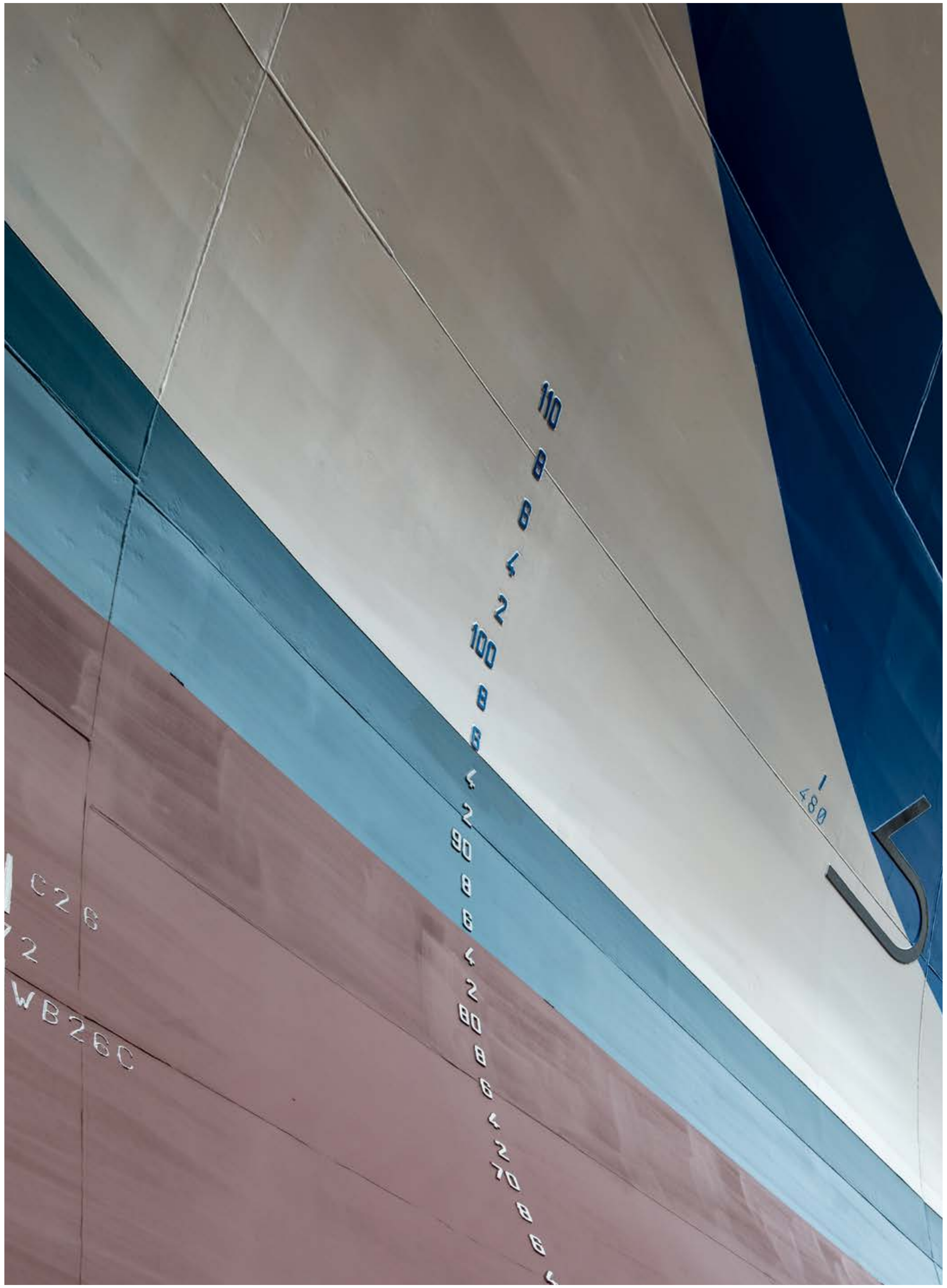
- **FUCELL** (2018-2023): as part of the FUCELL project, in cooperation with the University of Trieste and its spin-off CEnergy, Fincantieri opened a new laboratory in the Area Science Park in Trieste. In particular, a prototype was made of a power generation plant for marine applications, consisting 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.
- **EALING** - European flagship action for cold ironing in ports (2020-2023): the goal of the project was to accelerate the deployment of onshore power supply solutions (OPS) in EU maritime ports.
- **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.
- **POSEIDON** - Propulsion Of Ships with E-Methanol In favour Of the Decarbonization Of Naval transport (2023-2027): the project aims to facilitate the use of e-methanol as e-fuel in maritime transport, demonstrating innovative solutions along the stages of the value chain. These activities will enable the most suitable types of vessels for the integration of e-methanol-based propulsion systems to be identified.
- **V-ACCESS** - Vessel Advanced Clustered and Coordinated Energy Storage Systems (2023-2026): the project aims to analyse, develop and validate a hybrid electrical energy storage system based on innovative technologies such as supercapacitors and superconducting magnetic energy storage systems (SMES). A hybrid system such as this will enable electricity consumption on board ship to be made more efficient by reducing emissions from traditional electric generators in response to demands for power that vary considerably over time.
- **PIAQUO** - Practical Implementation of AQUO (2019-2024): a cooperative project that aims to mitigate issues related to underwater noise and reduce its impact on the marine ecosystem by optimizing propellers and developing a self-assessment model in real time.

Digitalization

- **EDINAF - European Digital Naval Foundation** (2023-2025): the project is financed by the European Defence Fund (EDF) and involves the Parent Company and the companies Fincantieri Nextech and Cetena. It is being developed in cooperation with 28 other partners from 8 countries, including: other shipyards, suppliers, SMEs, research and technology organizations, universities and SEA Europe (the European association of shipyards and naval equipment manufacturers). EDINAF focuses on the development of a digital architecture for ships that offers a coherent set of resources, services and data solutions to support the naval vessel's core operations, and on the definition of a standardized digital platform including the relevant engineering methods, methodologies and tools required to manage the complex System of Systems that is the vessel. The project will allow the Fincantieri Group to develop and introduce innovative technologies to improve the effectiveness and efficiency of its digital capabilities, creating specific know-how and expertise that will enable the Group to maintain and strengthen its competitive advantage. In particular, it will ensure that digital solutions can be developed and maintained on a common and shared basis with major players in the European shipbuilding industry, laying a solid and lasting foundation for future naval programs.
- **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 defence through efficient cross-sectoral partnerships.
- **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.
- **DS** - Digital Ship (2020-2023): the project aims to develop cost-effective simulation tools over the entire life cycle of the ship that will improve design, decision support and predictive maintenance processes and reduce real-world testing.
- **INTERACT** - INTERoperability STandards for Unmanned Armed ForCes SysTems (2021-2023): the project aims to create a basis for future European interoperability standards for unmanned naval systems, integrating the technical knowledge and operational experience available in Europe on the control, monitoring and application of unmanned systems.

Competitiveness

- **ALSO4 - Automated Laser Scanner Operations** (2020-2023): is 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 (for each ship, approximately 10,000 A4 sheets are filled in by hand), reducing the overall time to survey and process data and optimizing the performance of the design and production system. The above-mentioned advantages will also result in less repair work which, it is estimated, would generate an annual saving of around 1.25% on the cost of the hull (a figure that corresponds to around euro 400,000 for a shipyard like Monfalcone). 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 our customers, as well as the creation of know-how and specific skills that will allow us to maintain and strengthen our competitive advantage.



- **Hull 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 sites. 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 shipyards.
- **IFuture** (2020-2024): program agreement for the establishment of a "Innovation and Development Centre (CIS)", opened in March 2023, 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.
- **HEBD 2** - Hybrid emergency emersion device for submarines (2022-2024): the objective of the HEBD project is the design definition and related implementation of an emergency emersion system for the main submarine ballast tanks based on hybrid-type gas generators that, when appropriately activated, produce a gas mixture capable of emptying the submarine's ballast tanks.

Collaborations

To maximize innovative capabilities, the Group adopts an open working method open to collaborations with other industry and academic actors that can contribute systematically to the enrichment of our expertise. Fincantieri 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 it operates.
In this regard, Fincantieri favours long-term relationships through the creation of wide-ranging cooperative development programs. Aware of the significant boost that these can provide, the Group constantly aims to expand its partnership networks at a local and international level.
In embracing the Open Innovation model, Fincantieri takes into account a wide range of stakeholders, shown below:

FINCANTIERI

Network of universities and research centres

These take part in various collaborative projects, giving an important contribution to basic research topics. They cooperate in the development of innovative ideas to transfer onto the product.

Customers

These take part in various collaborative projects, giving an important contribution to basic research topics. They cooperate in the development of innovative ideas to transfer onto the product.

Classification societies

These are constantly involved in the development of new prototypes as well as in various collaborative research projects, supporting the certification and approval processes for new technologies. Cooperation is facilitated by entering into specific agreements.

Start-up

Constantly monitored, they often guarantee the first steps towards the industrialization of new technologies.

Trade associations and industry forums

Represent an attractive opportunity to exchange ideas aimed at consolidating a shared vision on the main Research and Innovation issues.

Suppliers

These are involved in numerous projects to develop specific components. The innovation with suppliers process identifies partners with whom a common technological development strategy can be built.

The Group 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 it operates.

A common strategy: from global to local level

In the context of the Group's collaborations, those activated to implement our vision and to jointly define the documents and actions that contribute to establish and pursue the sectoral strategic priorities, at local, national and supranational level, are particularly important. To this end, we maintain 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 and which the Company launched in 2023. The aim of the Fincantieri project is to contribute to the decarbonization of the economy by promoting the replacement of fossil fuels with hydrogen for ship power generation. The IPCEI Hy2Tech tool aims to create a new hydrogen ecosystem that, starting with green hydrogen production technology, involves all sectors, from transport, distribution, deployment technology to end-user involvement in market creation. This objective cannot be attained without using the Important Project of Common European Interest.
Furthermore, in December 2023, Fincantieri was one of 19 European companies directly participating in the IPCEI Next Generation Cloud Infrastructure and Services (IPCEI CIS), which will launch an equal number of highly innovative projects in the area of cloud-edge continuum technologies. The objective of Fincantieri's project is the digitalization of the shipbuilding segment, both on board ship and in shipbuilding, through the implementation of advanced digital suites to manage ship and shipyard activities in the Edge-Cloud system, with particular reference to the development of the European Cloud and Infrastructure system functionalities. Similar to IPCEI Hy2Tech, IPCEI CIS aims to create an integrated European digital ecosystem.
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 (RLCF 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 sectors. 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 Group cooperates in the activities of:

- **EuroYards,** European Economic Interest Group of leading European shipbuilders, where we actively contribute to the activities of the technical committee and the working group on product and process digitalization.
- **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. The project, co-funded by the Research Council of Norway, ended in 2023.
- **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. The project, co-funded by the Research Council of Norway, ended in 2023.
- **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.
The Fincantieri Group also actively participates in the initiatives promoted within the National Recovery and Resilience Plan (PNRR), aimed at stimulating technology transfer between the various national stakeholders. These include: the **National Research Centre in High Performance Computing, Big Data and Quantum Computing (ICSC),** the **National Centre for Sustainable Mobility (MOST)** and the **Territorial Innovation Ecosystem - Robotics and AI for Socio-economic Empowerment (RAISE).**
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,** 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

Fincantieri invests constantly in improving the Group's People Strategy, in order to make it in step with the times and able to evolve from 'traditional' human resources management to a culture focused on active involvement, employee well-being and growth, core elements for a distinctive employee experience.
Placing people at the centre of the organization remains an essential value for the Group. Fincantieri firmly believes that the job satisfaction of its employees is linked to their performance and therefore to the achievement of corporate objectives and the organization's overall success.
This is why our People Strategy aims to align HR objectives with business objectives and to promote a collaborative working environment that is open to continuous dialogue and feedback, inclusive and capable of recognizing and valuing diversity, thus ensuring a climate in which employees feel motivated to give their best and ready to face the challenges of a market that is in constant flux.
The Group's commitment to the effective implementation of its People Strategy has been recognized 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 2024.**
The workforce as at 31 December 2023 consisted of 21,215 people, in line with 2022 levels. The increase in the workforce recorded in 2022 in Vietnam, Italy and the US, linked to the development of new projects, was confirmed and offset the reduction following the reorganization of production processes in Romania. In addition, the increase in resources in South America is due to the order of the subsidiary FINSO to build a hospital in Chile.

Development and safeguarding of human resources

In line with the Employee Value Proposition (EVP), the Group has implemented employer branding strategies and practical actions for the management, training and growth of Fincantieri people, 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.

Employees

	Employees at year end	Of whom in Italy	Of whom in Parent Company
	21,215 (20,792 in 2022)	**11,112** (10,905 in 2022)	**9,079** (8,936 in 2022)

	Average number of employees	Of whom in Italy	Of whom in Parent Company
	20,793 (20,783 in 2022)	**10,927** (10,756 in 2022)	**8,929** (8,836 in 2022)

In 2023, in line with the new corporate brand positioning, Fincantieri's EVP was updated to "Fincantieri, People On Board".

People on Board - The six key points

- Our excellence in a highly complex environment
- Sharing our values
- Growing as people in a changing world
- Our culture of sustainability
- everyDEI - Make a difference!
- The well-being of our people

Talent acquisition & Employer Branding

In a global 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', we are constantly committed to being recognised as one of the most attractive employers, as confirmed by the 2023 Universum award, awarded to Fincantieri 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. This process 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 2023 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.
Our presence on social networks was further strengthened, also through communication campaigns aimed at describing, through interviews with employees, the different professions in our Group and the various HR initiatives.

The collaboration has continued with recruitment start-ups, including Tutored, an online platform for university students, founded by young entrepreneurs, through which Fincantieri has offered dedicated webinars and interviews with company testimonials.
The **Masters of the Sea** project was unveiled in 2023. It is a major active labour policy initiative that aims to seek out, train and directly employ specialist workers and is based on the concept of 'craftsmanship' evolving into 'intellectual craftsmanship'. The Fincantieri Group is committed to investing in the professional future of young people through a free and paid training course, dedicated to graduates and non-graduates, which supports them in acquiring technical and specialist skills they need for immediate job placement in the shipbuilding segment. This training includes both experienced-based transversal modules for developing organizational and relational skills and purely technical modules with a focus on digital skills, automation and robotics, alternating theoretical learning and hands-on activities in the laboratory. At the end of 2023, the recruitment and selection phase began for candidates who will be involved in the training courses already planned for early 2024.
In order to attract and recruit young people with potential intro the company, we relaunched the national and international **job rotation project** dedicated to the Administration, Finance and Control area, extending it to the Procurement & Supply Chain area. The project includes an online selection process, a gamification activity and an in-person assessment. It is aimed at selecting the best undergraduates and recent graduates, offering them an accelerated growth path related to a professional family in order to develop comprehensive expertise, explore different business functions in the different Group sites and accompany their professional growth.
Positioning ourselves among the most attractive companies, especially with regard to professionals in our industry, means ensuring a positive **candidate experience** throughout the selection process. This is why we 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. Resources 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 our people.

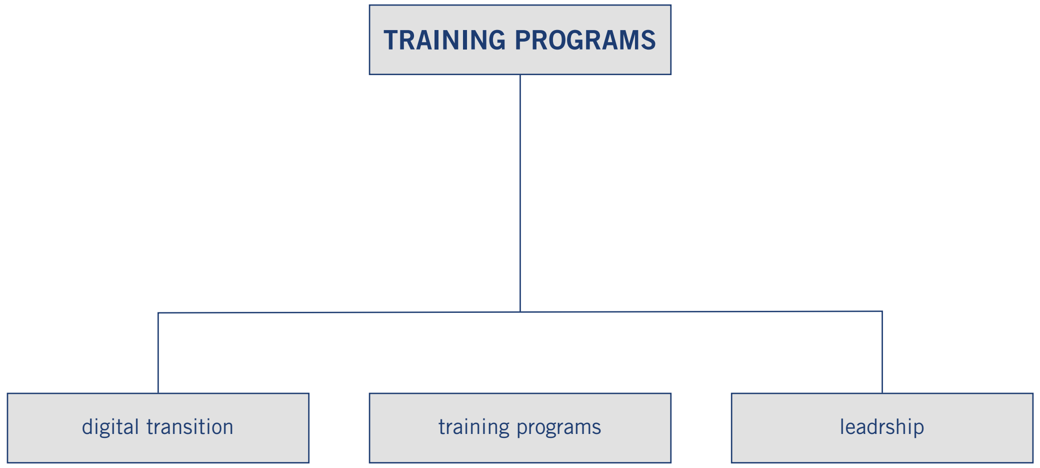
Talent management

Fincantieri Group's Skills Model, called the **Excellence Map,** forms the foundations of the entire Talent Management process and guides the processes that enable human resource development through the identification, development, engagement and retention of talent within the organization. The development of a talent management process integrated with the needs of the business, which enables Fincantieri to strengthen skills, enhance experience, accelerate growth with global mobility actions and realize the aspirations of our people, contributes to the organization's long-term success, ensuring the availability of talent and professionals ready to tackle new challenges and accompany the Group's transformation.

Training

Training is guaranteed to all Group employees on the basis of equal opportunities without distinction of contract, job level, grading or organizational position.
In 2023, Fincantieri invested **euro 8.3 million in training, coaching and mentoring** programs with the aim of enhancing technical, professional and managerial skills and supporting people throughout their career in the Company, stimulating continuous training, and activating upskilling and reskilling processes that enable employees to acquire new skills or keeping those they have already acquired in step with the times in a work environment that is constantly changing.
Over 789,000 hours of training were provided in 2023, an overall increase of 53.6% compared to the previous year. A significant driver of this increase was the corporate training plan dedicated to **Ecological and Digital Transition – T.E.D.,** which made it possible to address issues of great strategic importance for the Company, as they are closely connected to the development of the pillars of the Business Plan and 2023-2027 Sustainability Plan. The training plan consisted of more than 120 training courses involving more than 5,200 people for a total of more than 280,000 training hours delivered. Training involved both direct personnel in design and production as well as indirect personnel and staff with the aim of having an impact, at all levels, on the core processes that enable green and digital transition. This path is an opportunity not only for employees' personal growth, but also to develop the skills necessary for Fincantieri to evolve, thus creating, shaping and leading the green and digital future of the global shipbuilding industry.
To ensure the skills needed to achieve corporate 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 powers, 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 163,200 hours of training** have been provided globally through the **Fincantieri Safety Academy,** 30% more than in 2022.
Training initiatives on diversity, inclusion and human rights management policies or procedures also continued in

2023, involving approximately 23% of the Group's employees.
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 2023, we have been committed to developing and updating employee skills in the areas of Legislative Decree 231/2001, anticorruption, cyber security, personal data protection and risk management.
The main thematic pillars of the 2023 training were:



Digital transition: in recent years, Fincantieri has embarked on a major digital transformation process, necessary to address the ongoing digital transition in the industrial sector, which is radically changing the business in which the Company operates. The pervasive use of smart technologies such as Internet of Things (IoT), artificial intelligence and virtual reality are now an integral part of most corporate processes, from design to production. This digital transformation process required a major investment in upskilling and reskilling training programs, also with the aim of developing a culture that interprets technology as an 'enabler' of change and is capable of enhancing the company's operations and competitiveness.

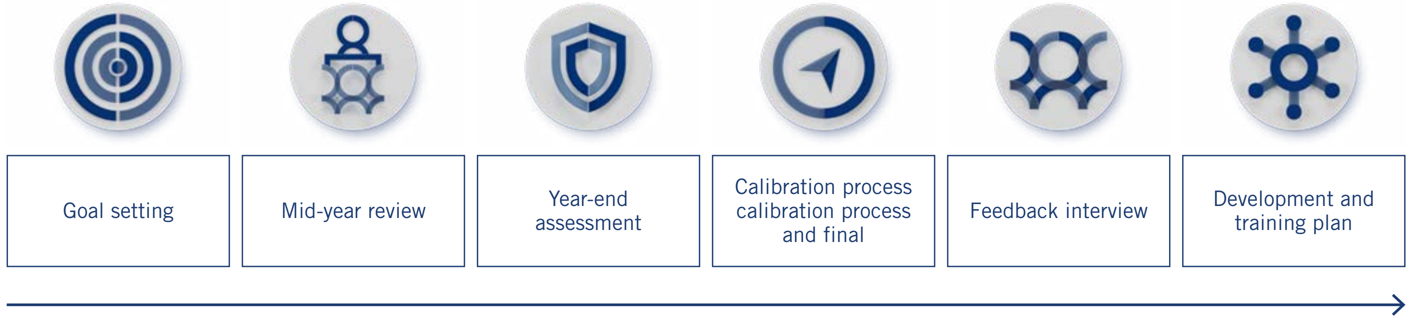
Ecological transition: for several years, Fincantieri has been committed to increasing the level of sustainability of its contracts and reducing their carbon footprint, throughout the product life cycle. These objectives have required considerable investment by the Company to develop training activities that aim, on the one hand, to build a culture that is more conscious of environmental sustainability, raising employees' awareness and making them key players on this path, and, on the other, to support and accelerate the process of ecological transition, investing in specialist skills that can guide the Company in limiting its environmental impact and promoting energy efficiency, a responsible use of resources, decarbonization and the transition to green fuels.

Leadership: the Group continuously invests in the development of an effective, inclusive and 'generative' leadership model for employees already in management positions and for those who have the potential to become the leaders of the future. Leaders at all levels must be able to inspire, engage and motivate people in order to convey the corporate vision and guide them along the Group's evolution. Workshops were organized for Business Leaders during the year precisely with this objective in mind. These workshops included an in-depth study of the issue of intergenerationality. Leaders were guided through understanding the trends and characteristics of the new generations in the workplace in order to link corporate expectations with objectives and convey a coherent vision. Moreover, Fincantieri supplements its leadership training courses with coaching and mentoring activities, dedicated to executives and young talent in the Company, with the aim of amplifying the disseminating this culture.
During the year, offsite initiatives were organized to support **team-building,** a skill of great strategic value for the Group, aimed at promoting a climate of cooperation, encouraging communication and teamwork, creating a shared team identity, enhancing individual characteristics and developing an inclusive work environment. First and foremost, we should mention the program dedicated to the Fincantieri Group's **management team,** activated with the aim of creating a group that is ever stronger and more cohesive and strengthening cross-functional communication and widespread responsibility, which are fundamental elements to enable a rapid implementation of the Strategic Plan.

Evaluation processes

A pivotal element in the development and growth of Fincantieri people is feedback, a key tool for making the working environment more open to listening and dialogue. In 2023, an awareness course on the potential of this tool was launched, with the aim of strengthening the **culture of continuous feedback.** Effective, constructive and objective feedback is a powerful tool for personal and professional growth: it ensures continuous communication that goes beyond the structured evaluation processes that are already in place, fosters the development of authentic relationships, increases mutual trust and thus contributes to encouraging a collaborative culture. The project will continue in 2024 with further initiatives.

Performance appraisal



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 corporate objectives 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.
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 executives) 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, elements that support the creation of a dynamic and motivating work environment, ensuring an alignment between individual goals and the Group's strategic objectives.

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, the Company 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 2023, 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 business continuity, competitiveness and sustainability in the long term and to identify any new talent to be brought in as 'successors'.
People development activities also enable 'high potential' people to be identified, namely resources with greater potential and usefulness within the Group, in which to invest using 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** with the aim of fuelling the pipeline of talent from which the Group's future leadership will be drawn. Participants are selected by pooling their annual performance appraisal, potential appraisal and experience gained in the Company in order to enhance the value of young people and foster their growth within the company. A career development path is defined 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 management skills, a leadership path and involvement in cross-functional projects related to the Business Plan. For the entire duration of the project (24 months), resources are supervised by a mentor, i.e. a fellow executive with significant technical and management experience, who supports them on their growth path.
In order to further encourage both national and international **mobility, job rotation programs** have been developed to which all Group 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.
With a view to continuously improving the employee experience of employees involved in international mobility, during 2023 the **Foreign Secondment Survey** was issued to all Fincantieri S.p.A. personnel (with the aim of extending it to the entire Group) with an secondment in course or completed during the year, in order to guarantee functional monitoring for the protection, support and development of expatriate personnel and the measurement of the relative level of satisfaction. Further initiatives are being developed for the Group's expatriate personnel, such as cross cultural training tools.

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 sense of belonging, confirming our interest and commitment to improving the living conditions and well-being of our 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, thus encouraging adhesion to the pension system. 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 2023, 31% 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.

In the context of the tax-free threshold for **fringe benefits,** this value has always been promptly updated. For the year 2023 only, it has been raised to euro 3,000 for employees with children only, recognizing, for these categories, the possibility of using fringe benefits also for the reimbursement of household utilities for the integrated water service, electricity and natural gas. The portal has therefore has always been kept up-to-date, providing people with a guaranteed service.
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 the benefit of employees and dependent family members, also covered free of charge. Membership of the contractual fund is supplemented by additional coverage specifically provided for by Fincantieri with the same manager as the national fund, guaranteeing additional health benefits. 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 of 27 October 2022, on 20 June 2023 Fincantieri signed with the trade unions at national level and agreement for the introduction of special insurance coverage, at company expense, to guarantee welfare benefits including treatment in cases of loss of self-sufficiency **(Long-Term Care)** and **permanent disability** from non-occupational illness and injuries, to protect workers from serious and dramatic impacts on their personal lives. In addition, employees were given the option of supplementing their Long Term Care insurance cover at their own expense, possibly extending it to family members.
With a view to enhancing the overall well-being of employees and improving the work-life balance, on 18 July 2023 a new **smart working** agreement was signed with the trade unions at national level **as part of the new Work FOR Future organizational model,** through which the importance of always putting people at the centre is reaffirmed, guaranteeing adequate tools to support the reconciliation of work, family and personal commitments while safeguarding the collective well-being of the company population. The new model is aimed at improving the corporate climate with a view to enhancing the autonomy and empowerment of individuals while also promoting the alignment of individual objectives with the common and strategic objectives of the Group.
The new smart working agreement was widely adopted, involving about 65% of the eligible population. The agreement also consolidated the means to support work-life balance as well as protecting parents and workers with health needs of both their own and their family members. In particular, it provides that the number of days that can be carried out remotely is 8 per month and recognises additional days for workers with proven serious health needs of their own and/or their first-degree relatives and for workers who are parents in the period prior to childbirth and up to the child's first birthday.
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 2023, around 8,950 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, Fincantieri has set up a project

to establish **company crèches** which forms part of the wider context of welfare measures designed to encourage childbirth.
The first company crèche, 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. During 2023, the crèche accommodated 38 children.
The implementation of the programme continued with the construction of a facility for the children of employees of the Monfalcone shipyard at the former Albergo Operai, whose first educational year started in October 2023. The crèche accommodates 34 children, both children of Fincantieri employees and local workers.
Fincantieri Marine Group provides benefits to all permanent employees. Benefits include health, dental and ophthalmic coverage, the costs of which are borne partly by the company and partly by the employee, life insurance for accidental death&dismemberment, the retirement plan and the employee assistance programme.
In Norway Romania and Vietnam, Vard provides all permanent employees with medical care, in-house catering services and life insurance.

Industrial relations

The industrial relations model of Fincantieri S.p.A. has evolved in a participatory direction and this direction has been strongly reinforced by the supplementary agreement signed with the trade unions at a national level on October 27th, 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, who will be given an explanation of the economic and financial results and the contents of the Sustainability Report, after the Shareholders' Meeting held to approve the Annual Report.
The supplementary agreement also provides for the following Commissions at national level:

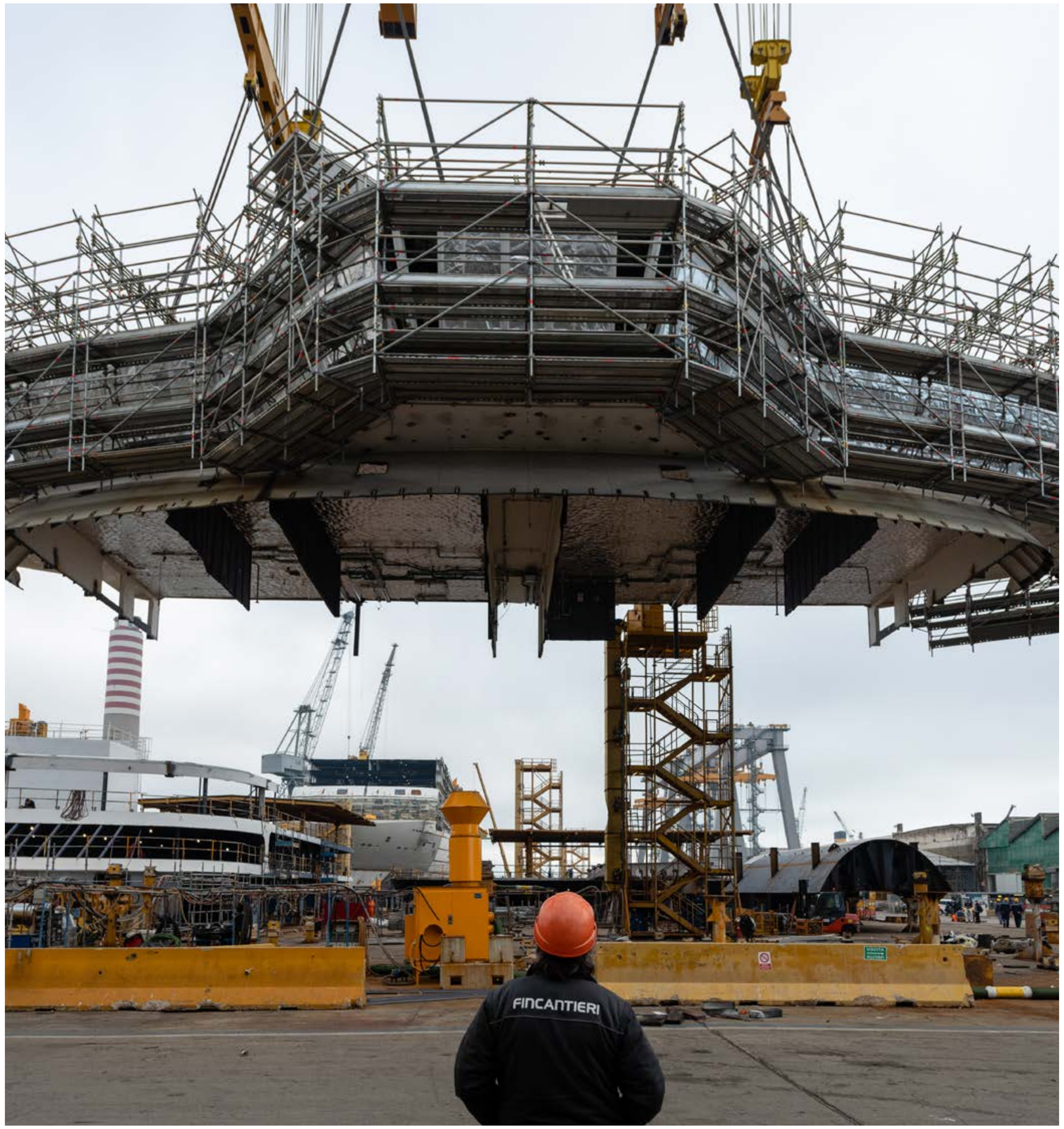
Commission for Diversity & Inclusion: composed of three members from the employer, three national trade union coordinators and three workers' representatives and responsible for deepening the lines of action, jointly proposing and evaluating new initiatives and monitoring their progress in the field 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 National Joint Commission for training 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** have a presence at each operating unit. 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** objective 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).
In addition to the creche 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 creches 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.
Fincantieri is particularly committed to the issues of **diversity and inclusion,** to the valorisation of the intrinsic characteristics of each individual as a factor in wealth creation, and has launched a series of training, communication and awareness-raising initiatives in this area.
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 RSPPs and RLSs.
Finally, the supplement incorporates some of the main trade union agreements signed previously.
These include the agreement establishing **Solidarity Leave** signed on March 26th, 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 by the Company 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 December 7th, 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 green transition in order to meet emerging needs within the Company, whose training has been given in 2023.
In the light of the difficulties in finding specialized professional figures in the shipbuilding industry, and aware of the importance of the employment issue for our reality, Fincantieri has set up the **Maestri del Mare - Pilot Project for Specialized Workers** with which it intends to invest in selection and training paths with the aim of attracting and employing people in highly specialized activities. Following a period of theoretical and practical training at the training organizations, those who pass the exam will be hired directly by Fincantieri S.p.A. On 6 November 2023, minutes of a meeting on this project were also signed with the FIM, FIOM, UILM National Union Coordination Executive, with whom this project was shared.
Employees are guaranteed **freedom of association** throughout the Group. In 2023, 48% 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 for 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.
The percentage of employees covered by **collective bargaining agreements** is 100% in Italy, Norway and Romania, 35% for the Rest of Europe, 46% in North America, 43% in South America, and 95% in Asia, Africa and Oceania.



Healt and safety in the workplace

Safety at work, the health of workers, the maintenance and improvement of work environments have always been our main drivers and the foundation of Group policies, which consider safety a strategic and development factor for the company.
Fincantieri carries out every single action with the health and safety of all workers in mind, whether they are employed by the Group or by subcontractors. The well-being of the individual lies at the centre of each company dynamic, in the awareness that safety is the right of all and the duty of everyone, and it cannot be done without dialogue and collaboration.
To ensure the health and safety of workers, the **Health and Safety Policy, integrated with the environment and energy** has been prepared. The Policy is binding for all Fincantieri employees, is approved by the Chief Executive Officer of Fincantieri S.p.A. and is addressed to all suppliers. It is shared, in particular, through the coordination activities carried out continuously in the various production sites. The Health and Safety at Work, Environment and Energy Policy defined by Fincantieri S.p.A dictates the guidelines that the individual units must follow by adopting specific site policies, consistent with and aligned to the specific characteristics of the situation. Italian and foreign subsidiaries may adhere to the principles and inalienable commitments declared by Fincantieri S.p.A., by adopting their own policies that are in line with those aspects that for years have represented the cornerstones of action in Fincantieri sites.
We continued the implementation and consolidation of management systems in the field of health and safety at work in our operating units, with the aim of supporting the implementation of the Policy. Occupational health and safety certification, in compliance with the **ISO 45001** standard, covers **100% of Italian production sites and 89% at Group level.** The adoption of a Management System according to the highest international reference standards, entails analysing the risks with respect to all those involved in the production process, whose involvement is also pursued through joint inspections in the different areas of the site.

Safety Improvement Plan

Over the years, the **Towards Zero Accidents** project – fiercely and continuously supported by the various company structures – has involved both direct employees and those of subcontracted companies in numerous planned initiatives.
The **Safety Improvement Plan** was launched in early 2023 with the aim of maintaining continuity and consolidating the actions taken over recent years. This plan saw the proactive involvement, through the development of numerous initiatives, of all corporate bodies and reference figures, HSE Executives and Workers' Safety Representatives (RLS), as well as suppliers operating at Group sites.
The Improvement Plan is founded on three pillars that dictated the guidelines for identifying the initiatives implemented during the year. The pillars are: **Raising Awareness, Reporting and Continuous Improvement.**
The **Zero Accidents Future On Board #SAFETYONBOARD** institutional communication campaign was launched on 28 April, the World Day for Safety and Health at Work. This project, organized in three phases, involved the development of videos and social media posts (Linkedin and IG Carousel) and launched at sites by displaying posters. This initiative is the company-wide debut of the Safety Improvement Plan.
With a view to constant sharing between the parties and a participatory approach, the **Perceptions Alignment** initiative was started immediately by setting up a monthly meeting for the key functions of the shipyards (director, HR Business Partner and HSE Executive) on Health & Safety topics in which perceptions on climate, collaboration, performance, action plan are aligned. Further awareness-raising sessions, as part of the **Safety on the Job** activity, include the Safety and Environment Meetings, inspections carried out in the workplace aimed at detecting and recording anomalies as well as compliant situations, and the **Accident Committees,** meetings set up following an accident in order to carry out an in-depth analysis of the incident with the injured party and the supervisor. It was in this climate that the **Safety Walk Arounds** were developed. These started at the Monfalcone shipyard and were subsequently extended to all Italian shipyards and involved inspections carried out in areas carrying out the same type of activity, enabling field training on risk perception and exercise of the supervisor's role. This training is carried out by the first levels of the operational areas, with the support of the Prevention and Protection Services, and involves supervisors, both in the Fincantieri Group and subcontractors, in the illustration of risks, anomalies to be reported or best practices in the field of Safety-related behaviours (in particular, near misses, unsafe conditions, unsafe behaviour and positive feedback).
As part of the same improvement process, the **First in class Shipyard** initiative was also launched. It involves the monthly sharing of Safety-related indicators developed with reference to the performance of each shipyard, indicating to everyone who is 'first in class' while generating healthy competition between the Group's shipyards.
Again with a view to making Safety issues central and a priority, the Shipyard Safety First initiative was also developed. This initiative envisages the sharing of safety information on a monthly basis at the beginning of each meeting/session with shipyard personnel; starting from management meetings, through production meetings to the more capillary meetings held by the Workshop Managers in the presence of the Supervisors. The agendas of individual meetings are restructured, with the first topic being the sharing of performance indicators and communications on occupational health and safety issues, such as Safety Bulletins.

To support the initiatives illustrated above, the **Management of Accidents, Near Misses, Unsafe Conditions/ Behaviour and Positive Feedback** procedure was revised and published, detailing the methods for carrying out the surveys, which demonstrate the continuity of the entire organizational structure, and more specifically by the figure of the Supervisor, in overseeing and supervising compliance with legal obligations and company provisions on occupational health and safety. The release of the procedure was accompanied by the creation of a suitable IT tool that allows the Supervisor to complete a digital form for recording and managing **Unsafe Observations** during the performance of daily activities directly in the field, also accompanying these observations with photographic evidence, and indicating which corrective actions were immediately put in place, in accordance with company procedures and instructions, for the purposes of collective and individual protection.
The Safety Improvement Plan did not focus solely on direct personnel. With a view to encouraging a proactive and collaborative partnership with all our contractors, **Stream Pressing for Contractors** was launched in June. The aim of this project is to stimulate effective collaboration between identified suppliers and the shipyard Health, Safety & Environment (HSE) bodies in order to pursue continuous improvement through the implementation of corrective measures. The stream started by meeting seven suppliers indicated by the Group's Italian shipyards, during which they were asked to draw up a specific Improvement Plan containing those initiatives identified by them to align with the required performance standards. At the end of the first implementation phase, which was developed with the support of the local HSE teams, a new meeting was held in December, during which the results obtained were analysed and further lines of action were identified where necessary. In the United States, the Fincantieri Marine Group organizes meetings each month that involve HSE contact persons and union representatives to analyse and share the results of accident monitoring, performance indicators and the main updates to the safety management system.
In 2023, the Shipbuilders Council of America (SCA) awarded the **Excellence in Safety Award to Fincantieri Marinette Marine** for improving operations and promoting safety and accident prevention. To be eligible for the annual SCA safety awards, member organizations must submit an SCA Injury & Illness survey for all four quarters. In addition, they must have recorded zero fatal accidents and have a Total Recordable Incident Rate (TRIR) below the SCA average or reduce the TRIR by 10% or more compared to the previous year.
To prevent any kind of accident affecting both people and the environment, the subsidiary Vard continues to implement its **Vision Zero** project which aims to establish additional tools and initiatives:

- using the Safety Observation tool to report any anomalies found;
- reporting health and safety indicators at the monthly management meetings;
- electing an internal commission for the prevention of accidents;
- setting targets for continuous improvement, on an annual basis, by individual Business Units (BUs) based on the previous year's performance.

At the various sites of the foreign subsidiaries, numerous initiatives were also carried out in various areas, such as work risks 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 injury, 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.
Analyses of the main accident dynamics identified the behavioural attitudes of individual workers as the main cause of the most frequent events in movements around the workplace. As provided for in the Sustainability Plan objectives and as anticipated, a number of actions and communication and technological aids have been prepared and will be carried out to make employees and the Supervisor in particular aware of the importance of maintaining their vigilance with respect to the context they are working in and the activities they are required to perform.
In the past, **company coordination meetings,** involving the HSE managers and the heads of the prevention and protection services of each production site and the main Italian subsidiaries, were convened on a quarterly basis but are now convened monthly and chaired by the Group HSE manager.
During 2023, the agenda of coordination meetings was further expanded with the addition of monthly meetings involving, in addition to the HSE managers and heads of the prevention and protection services of each production site, also the Directors and HR Business Partners of the individual shipyards.
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 clusters 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 clusters 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.
As part of the feasibility study, the reference architecture was defined and two pilot scenarios were identified:

- quality control of welds carried out by drone in critical areas;
- fully automated assembly material transport by rover, in planned and on-demand mode.

The development of robotic systems is part of the application of state-of-the-art technologies in complex environments and is a research and development activity.

Security

The protection of resources, starting with human capital as well as tangible and intangible assets, is of vital importance for the entire Group.
Based on this conviction, Fincantieri is committed to developing, applying and disseminating within the Group the best practices for the identification, management and mitigation of security risks in respect for human rights and in the belief that effective prevention and protection strategies are an ethical as well as an economic value in management and business activities.
With this in mind, a process of constant security risk management is ensured, aiming to guarantee the highest level of protection for employees and the tangible and intangible assets required to achieve our social development and business goals.
As also stated in our **Corporate Security Policy,** Fincantieri protects people, information, physical assets and business integrity.
People are our main success factor in the definition and achievement of the Group's objectives. Fincantieri undertakes to protect their safety and security, in Italy and abroad, by supporting Top Management in fulfilling their Duty of Care provided for by Italian, EU and, where applicable, destination country regulations.
As part of the commitment to continuous improvement, Fincantieri has signed a Protocol with the Ministry of Foreign Affairs to fully integrate the guidelines contained in the international standard **ISO 31030:2021 Travel Risk Management,** which, following a rigorous Risk Management approach, allows risks present at destinations to be identified and assessed, the people concerned to be informed and trained, and prevention and/or mitigation measures to be activate. For this reason, the **Travel Risk Management Policy** was drafted in 2023.
Fincantieri constantly monitors the emergence of possible threats (Early Warning) and coordinates the response to critical situations through Crisis Committees chaired by the Employers and composed of those functions considered necessary.

Initiatives to handle travel safety

15 foreign security services
- 9 protection services for high-risk areas
- 6 on-site **Risk Assessments**

232 transfers subjected to the Security check-in program

614 employees trained in travel risks

24,101 travel routes monitored, of which over **10,000** were foreign

15,070 security alerts forwarded to travelling personnel on accidents or events with potential impact

1,468 transfer requests in at-risk areas subject to a double verification and validation process

4,957 pre-departure information notes

56 service requests handled

In 2023, 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. Maritime security regulations, which are mandatory in some shipyards (Arsenale Triestino San Marco, Muggiano, Palermo, Monfalcone and Marghera), continue to be taken as reference standards to ensure an effective corporate governance and risk management system, including in the other shipyards and company offices where such regulations are not mandatory.

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. Europe confirms its priority declared in previous years to become the first climate-neutral continent by 2050, and is currently more than on track to meet its interim target of reducing greenhouse gas emissions by 55% from 1990 levels by 2030 (a commitment it increased to 57% at COP 27 and subsequently reconfirmed at COP 28). In support of this ambitious plan, the European Union is pursuing all the various proposals of the 'Fit for 55' package, which are transforming the regulatory landscape with important repercussions for businesses. Our Group's commitment in this area takes the form of a series of mitigation and adaptation actions. As a key player, we want to contribute to the fight against climate change through a strong commitment on three main areas:

- reducing the impacts directly generated by our 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.

Our commitments to a sustainable economy

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

To work in partnership with institutions and other market players

- Support for research to improve the analysis and management of risks associated with climate change

Climate Risk Analysis

Physical and transition climate risks

For the purpose of identifying, assessing and monitoring the main business 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 seven climate-related risks to which the Group is exposed fall within the six risk macro-categories outlined below.

Fincantieri climate risks	Risk macro-categories
1. Impact on business for acute climate risks	**Physical** Risks **- Acute**
2. Impact on business for chronic climate risks	**Physical** Risks **- Chronic**
3. Technological risk of the production process and products	**Transition** Risks **- Technological**
4. Market risk for raw materials and commodities	**Transition** Risks **- Market**
5. Market risk due to changing customer needs and/or increased competition	**Transition** Risks **- Market**
6. Evolution of laws and regulations	**Transition** Risks **- Policies and Laws**
7. Reputational risk	**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.
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.

IMPACT OF PHYSICAL RISKS

The physical risk analysis was carried out on the 18 Fincantieri Group shipyards.

Impact on business for acute climate risks

Description of risk

This refers to the impact on the business due to **acute extreme weather events.** The expected consequences of climate change include more frequent acute extreme weather events (storms, floods, fires or heat waves) that may directly affect company activities or the supply of both goods and services and energy from the supply chain. Company activities can be impacted in the event of acute events, delaying or halting the production cycle, damaging assets and changing the distribution of production among the Group's sites. These phenomena can compromise business operations by causing business interruptions and damage to strategic assets, affecting ship delivery dates and resulting in possible penalties to the Group and increasing repair and/or replacement costs, as well as possible increases in supply chain costs. Finally, given the increase in the frequency and magnitude of extreme weather events, further risks to consider could be the increase in insurance premiums on structural assets and the increase in transport-related costs across the entire value chain. Looking forward, the Group will increase its mitigation actions for the risks to which it is most exposed to withstand acute weather events and assess the extent of the risk. If these mitigating actions are not sufficient to cope with the impacts on the Group, measures will be required to remedy the damage suffered in order to limit the loss of profits and to resume operations.

Management methods

Shipyards are located on the coast and in adjacent areas; therefore, they can be very exposed to the risk of damage to property and structures caused by acute weather events such as storms, resulting in power outages. Huge financial losses could be caused by site closures and production delays. In addition, damage to equipment may result in costs for replacement and repair. Finally, should a ship under construction be lost or damaged due to a major natural disaster, there is a risk of substantial costs and penalties due to late delivery. The Group has performed a detailed analysis of acute physical risks that considers various future climate scenarios in the short, medium and long term. Following this analysis, as a mitigation action for the shipyards identified as most exposed to these risks, the Group has equipped the outside areas of the shipyards with cranes with periodically tested **storm brake** systems from the company responsible. In addition, the 'Mooring Plan for Ships Under Construction' is prepared by a specialised third party, which issues a study containing the impact of winds and potential storms. As far as the risk of flooding is concerned, all the water drains at the most exposed shipyards, where appropriate, are equipped with **clap** (non-return) **valves** that do not allow high water from the lagoon to enter. This system is checked every six months. In addition, the Group has a **lightning risk assessment** system, updated in 2021, the results of which showed that all structures are protected against lightning strikes (according to standard CEI EN 62305-2): all earthing and lightning protection systems are subject to periodic checks and inspections. In addition, regular meetings are held on quality and safety, as laid down in the 'Management Review' procedure. 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, the Group has clauses in its contracts that protect it from incurring costs due to possible production delays and has taken out specific insurance policies to protect its sites from damage resulting from catastrophic events. As far as the **supply chain** is concerned, climate risks were analysed for the Group's main suppliers, distributed worldwide and predominantly in Europe. Of the more than 3800 suppliers analysed, those most exposed to slowdown and/or interruption of activities due to acute climatic events were identified in order to assess and identify potential new suppliers in less exposed geographic areas. In addition, measures have been adopted to identify and analyse potential and alternative new suppliers through periodic direct (internet, exhibition, 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, visits to suppliers are organized to check the suitability of quality, health, safety and environmental management systems.

Opportunities

In addition to ensuring the proper functioning of all described mitigation measures that are already in place, keeping track of all acute weather events that occur over time will have an advantage in the preventive identification of further possible improvements to be implemented, in order to avoid days of business interruption due to extreme events. 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.

Impact on business for chronic climate risks

Description of risk

This refers to the impact on the business due to acute extreme weather events. Expected consequences of climate change include **chronic weather events,** i.e. long-term climate changes (temperature changes, rising sea levels, reduced water availability, etc.). Company activities may be slowed down or interrupted in the event of chronic physical events, and production strategy may have to be changed, affecting the production cycle, assets and the distribution of production among the Group's sites. These phenomena, if left unmanaged, can jeopardise the operation of the business by causing business disruptions and damage to strategic assets, affecting delivery dates of ships and leading to possible penalties for the Group. Looking ahead, the Group will increase investments to prevent the risks to which it is most exposed and respond to chronic atmospheric events by adapting and upgrading the structure of offices, production sites and facilities (construction of dams, parapets, water collection and disposal) or systems for the environmental and energy management of production facilities.

Management methods

Production sites are particularly exposed to various climatic hazards, including **abnormal temperatures.** Employees working in outdoor workplaces may be exposed to abnormally high temperatures for a long time. In this case, there may be consequences for the health of employees and a decrease in productivity may be observed. Furthermore, this would lead to higher energy costs due to the increased use of air conditioners in workplaces and production facilities. On the other hand, with regard to welding work in the shipbuilding process, in situations of abnormally low temperatures, welding temperatures cannot be met, which can lead to delays in welding work and the risk of quality defects. Furthermore, as in the previous case of high temperatures, there may be increases in energy costs for heating workplaces and facilities. Changing wind and rainfall directions can also lead to impacts, e.g. on outdoor construction site structures such as cranes and ships under construction on the quays. The Group has performed a detailed analysis of chronic physical risks that takes into account various future climate scenarios in the short, medium and long term. Based on this analysis, 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. In addition, **the Mooring Plan** for the outfitting quays of ships under construction is prepared by a specialist third party entity, which issues a study including the impact of prevailing winds and storms. Finally, the Group undergoes internal and third-party audits to ensure the correct application and precise monitoring of plant operating instructions.

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 2023.

Opportunities

Continuous investment in the adaptation of safeguards will result in a strengthened ability to respond to chronic climatic events, minimising the effects and impacts on production processes and the health of Group employees.

IMPACT OF TRANSITION RISKS

Technological risk of the production process and products

Description of risk

Delays and/or inability to **develop technologies** related to the energy transition and the application of circular economy practices resulting in the reduction of air, soil, water and noise pollution for the production process and product manufacturing may cause a loss of competitiveness and profitability for the Group. This risk may arise due to insufficient research, innovation and eco-design or inadequate use of new green technologies in both the structuring of the production process and the product. Consequently, there is a risk of increased investments related to the ecological transition driven by the need to develop integrated solutions to reduce environmental impact and pollutant emissions (fuel substitution, more efficient machinery, etc.).

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. Furthermore, Fincantieri participates in initiatives and collaborations with leading innovation centres such as universities and research centres. 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, a dedicated team was set up for the introduction of technologies other than LNG for cruise ships. Already the latter drastically reduces emissions of nitrogen and sulphur oxides compared to traditional fuels and will certainly be a key player in the ecological transition of the shipping world. 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. 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. 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. Following the delivery in 2020 of Vard's first self-driving electric container ship capable of reducing pollutant emissions in highly populated urban areas, Fincantieri is building a series of multipurpose robotic vessels with a significantly reduced carbon footprint for operator Ocean Infinity. The vessels will be activated from land and have the option of using green ammonia as an alternative fuel, as well as being equipped with on-board fuel cell technology.

Opportunities

A further opportunity to be explored will be methanol-fuelled ships, which are able to almost completely reduce emissions of sulphur oxides (SOx), nitrogen oxides (NOx) and part of the greenhouse gas emissions compared to conventional marine fuels, in line with MARPOL regulations to reduce these hazardous gases. Methanol, which can be stored and transported as a liquid at room temperature and decomposes naturally without causing marine pollution, also has the advantage of being easy to handle.

Market risk for raw materials and commodities

Description of risk

The increase in costs due to raw materials and commodity price developments may limit the development of certain products, which may also be impacted by new regulations and customs policies, e.g. on carbon intensive products (CBAM / EU ETS). Catastrophic events that affect the entire supply chain, decreasing the availability of raw materials, can lead to an increase in prices and consequently in production and development costs. The competitiveness of these products will also depend on the evolution of the price of carbon, which, in an inflationary environment, will in turn drive up the price of raw materials, resulting in higher costs for the Group and increasing difficulties in managing market supply in terms of reduced competitiveness/marginality. With the adaptation to low-emission policies and reduced availability of resources, the costs of fuels and electricity, both conventional and renewable, may also increase due to changing climate patterns (e.g. changing rainfall patterns, changing wind patterns) with additional costs for production processes and operations.

Management methods

Based on increasingly stringent environmental regulations, the demand for environmentally friendly ships is rapidly increasing in the shipping world. Aware of the impacts of climate change, the Group continuously **monitors commodity price trends,** the evolution of technologies and products, as well as the regulatory and environmental impact on stakeholders, through collaboration with sector specialists (e.g. collaboration agreement with T-commodity companies) and participation of the Procurement Department in periodic dedicated webinars. 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, geographic factors or changing regulatory and geopolitical environment (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. To manage fluctuating commodity prices, Fincantieri implements preventive measures through in-depth analyses of the prices of key commodities such as energy and steel. Specific projections are developed to mitigate the risk associated with volatile energy prices, both conventional and renewable, by forecasting significant increases in Guarantees of Origin for energy, especially in a more restrictive Net Zero scenario. 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). In addition, the Group set up a ‘Market Working Group’ consisting of the sales representatives of Fincantieri’s divisions in order to identify priority projects to be included in the Innovation Plan. As an example of this commitment, with the TecBIA project Fincantieri built a 25.6 m laboratory ship (Zeus) to study environmentally sustainable technologies for on-board energy production, delivered in October 2022 and certified by the Italian Shipping Register. Fincantieri is also implementing in-house power generation projects through photovoltaic plants to reduce dependence on the electricity market, diversify raw material costs, and guarantee of origin. The company explores energy efficiency and electrification initiatives for utilities currently powered by fuels. In the context of steel procurement, the constant monitoring of trade dynamics and protectionist international policies is accompanied by a continuous search for new suppliers. The selection of partners is guided by the quality and certifications required in the shipping industry. The commitment to reducing CO2 emissions is reflected in the active search for raw materials that can be classified as ‘green’. Fincantieri is aware of the evolving environmental regulations, in particular the EU ETS and CBAM, and also recognises the potential impact of adverse weather conditions due to climate change such as hurricanes, storms and floods, which could lead to additional costs on transport and insurance premiums for property and casualty policies.

Opportunities

Continuous scouting for innovative solutions and monitoring the evolution of green technologies on the market offer the opportunity to develop products with innovative technologies with a lower environmental impact. In addition, constant analysis of the changing regulatory environment underpins the Group’s strategic planning to reduce the impact of commodity hurts.

Market risk due to changing customer needs and/or increased competition

Description of risk

Inability to meet new customer demands in a highly competitive market, due to inadequate monitoring of their needs and expectations, and insufficient analysis of the products offered by competitors, can lead to a loss of market share and customer dissatisfaction. The Group is exposed to the risk of not adequately exploiting technological innovation that can reduce the environmental impact of its products to offer competitive solutions in the face of stringent regulatory constraints. Competitors can anticipate regulatory scenarios by developing technologically more innovative products in terms of, for example, CO_2 emissions reduction and energy efficiency, establishing a sustainable competitive advantage that prevents the Group from meeting market demand and achieving its profitability targets.

Management methods

In today’s context of continuous regulatory changes and economic and environmental pressures, the market is becoming increasingly competitive and achieving customer satisfaction is more and more complex and necessary, especially for companies with significant market shares to defend. In order to avoid low or inadequate supply compared to direct competitors in the sector, it is increasingly essential to carry out adequate market monitoring and give due weight to Competitive Intelligence activities. In order to mitigate this risk, the Group is implementing various strategies to address market challenges and ensure its competitiveness. First, it is focusing on cost control, using a dedicated team that provides continuous feedback in order to use real data in business proposals. It also ensures that the equipment for steel structures is always up-to-date, thus maintaining a high standard in the supply of products. With regard to investments, the Group plans capital costs well in advance and promotes training programmes for employees, ensuring that skills are always at the cutting edge. In monitoring the market and competition, market and technology trends are closely analysed, actively participating in major initiatives and collaborating with key innovation players such as universities and research centres. There is also a focus on developing a medium- and long-term innovation plan, which is implemented in the short term and updated annually. This plan guides the Group’s actions and exploits European funding opportunities for solutions consistent with the maritime sector’s priorities.

Opportunities

The diversification of the Group’s activities, which include steel supply, maritime, healthcare and facility management, offers the possibility of increasing orders and balancing the company’s portfolio, thus mitigating the risks associated with a single business area. Furthermore, the Group’s vision focused on continuous investment in the digital transition ensures greater competitiveness towards the market.

Evolution of laws and regulations

Description of risk

Changes and tightening of the national and international legal and regulatory environment (changes in laws, regulations and bylaws, primary or secondary regulations of emerging countries, as well as sector-specific regulations including those concerning climate change adaptation and mitigation) may generate negative impacts in terms of profitability, jeopardise the achievement of strategic objectives, and compromise the operations of corporate bodies and/or business continuity. This risk may materialise due to a failure to/ inadequate monitoring of developments in regulations concerning the shipping industry (IMO, EU ETS), production processes (CBAM) and sustainability reporting (Decree 254 of 2016, Regulation (EU) 2020/852 (Taxonomy) and CSRD), their misinterpretation and/or inadequate application, or incorrect or untimely transposition into corporate processes of the regulations.

Management methods

The Group is obliged to comply with the regulations in force in the countries where it operates, including those protecting the environment and occupational health and safety. Fincantieri bases its product development assessments on the decarbonization strategy and the directives defined by the regulatory bodies. Violations of these rules and regulations could result in civil, tax, administrative or criminal penalties, and have a negative impact on the Group's business and management. Within the Group, therefore, a system is in place to monitor and update the regulatory framework (EU ETS and CBAM) every six months, which is useful for the Group to design plants and ship systems that comply with current and emerging environmental regulations. 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. As a further risk mitigation factor, Fincantieri plays a proactive role in the **development of** international safety **regulations,** being an accredited representative to the IMO, the United Nations Specialised Agency for the Protection of Life at Sea and the Environment. 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. Although it does not directly concern Fincantieri, the Group is paying attention to the **Poseidon principles,** which establish a framework for assessing and reporting on the alignment of direct ship financing with environmental objectives. They impact the possibility of receiving support from the financial world; therefore, the Group is focusing on aligning future emissions with IMO trajectories, using recognised sources for emission calculations and estimates, and transparently sharing its emissions portfolio. In line with Net Zero targets, Fincantieri is assessing the feasibility of developing a decarbonization strategy and submitting its decarbonization targets to SBTi. The Group also works towards the EU Taxonomy Regulation 2020/852, which establishes criteria for determining whether an economic activity can be considered environmentally sustainable (also according to the DNSH criteria, Do Not Significant Harm, a principle that ensures that an activity supported for its beneficial effects does not produce undesirable damage to other relevant environmental aspects), creating security for investors and protection from greenwashing. In fact, the Group has worked extensively to meet all requirements and publishes information on the alignment of its economic activities and related Revenues, Opex and Capex in the Sustainability Report every year. In order to provide evidence of environmental compliance, the 'Principles of environmentally sustainable design' procedure is defined 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. In addition, the procedure for drafting the Sustainability Report was updated, all in accordance with the international standards of the Global Reporting Initiative updated to 2021. The collection of non-financial information (concerning ESG aspects) is done through the software, which is also used for the quarterly monitoring of a reduced set of indicators linked to the Sustainability Plan (KPIs). Concerning emission reporting, the GHG Assist software was developed in-house to support the calculation of indirect Scope 3 emissions related to the ship product. This tool will soon also be able to calculate the carbon footprint of a ship and was also conceived with a view to possible sale on the market. Throughout the risk management procedure, audits are carried out by the Internal Audit function and the Multifunctional Working Group is updated to ensure the proper handling of ESG information, including by benchmarking against peer-reviewed financial statements.

Opportunities

With regard to future regulations in the field of sustainability, the Group is also working to follow all the guidelines required by the CSRD directive approved in November 2022 and which will apply from 2025, ensuring that the next sustainability report will be prepared in accordance with the European Sustainability Reporting Standards (ESRS), together with the recommendations of the TCFD and future ISSB (International Sustainability Standards Board) standards, as described in IFRS (International Financial Reporting Standards) S1 and S2.

Reputational risk

Description of risk

An inadequate decarbonization strategy and/or inadequate communication on ESG issues can lead to dissatisfaction with the expectations of stakeholders, particularly the financial community, who are increasingly sensitive to climate and energy transition issues. Failure to achieve the objectives of reducing polluting emissions, maintaining environmental certifications, and having a supply chain aligned with the Group's sustainability strategy and values, together with inefficient/effective management of relations with local, national and international counterparts (entities, local associations, institutions, SMEs, etc.) can damage the company's image and reputation, diminish its credibility and creditworthiness, and compromise its competitiveness and operations. In particular, financial stakeholders may require Fincantieri to meet certain technical efficiency criteria on products and processes, and to set even more challenging decarbonization targets in order to access green financial instruments.

Management methods

Stakeholders are becoming increasingly sensitive to climate and energy transition issues, and increased concern about sustainable performance or negative feedback from stakeholders can damage the Group. Fincantieri's interest in sustainability is very high; in fact, it has prepared the 2023-2027 Sustainability Plan and is working on the development of decarbonization strategies and concrete actions. Part of Fincantieri's good reputation is also linked to its commitment to publicizing its sustainability performance, particularly in relation to climate issues, including by continuously updating the dedicated section of its website. In 2023, a specific ESG Communication function was also created within the Corporate Group Strategic Communication Department, with the aim of consolidating and disseminating the Group's ESG identity with a dedicated internal and external communication plan. 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 addition, Fincantieri oversees all activities aimed at drawing up the Sustainability Report, the integration of additional information required by rating companies with a view to transparency and completeness. The Group carries out audits with key suppliers, requiring compliance with environmental and social regulations, as well as ethics, in line with the sustainability principles Fincantieri has adopted, by signing the Supplier Code of Ethics through a dedicated clause in orders and contracts. Sustainability criteria are integrated into Fincantieri's supplier evaluation system through the development of a Sustainable Supply Chain project as an objective of the Sustainability Plan and ESG documentation is requested in a dedicated portal (e-NGAGE). 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. A continuous monitoring of the communication strategy in line with management's vision and market trends is carried out, interfacing with all Group functions and subsidiaries to ensure consistency of initiatives and fulfilment of investors' and ESG rating agencies' expectations, e.g. the Investor Relations and Sustainability functions seek to maintain a positive reputation in relation to climate issues by responding to the latter's requests. 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 Group also reports greenhouse gas emissions for all 3 scopes, in particular from this year it integrates Scope 3 emissions also with the end-of-life treatment of ships (Category 12, End-of-Life Treatment of Products Sold). Fincantieri has implemented specific projects for the TCFD report, in line with the Task Force recommendations and international best practices, and is evaluating the possibility of setting GHG emission reduction targets that comply with the requirements of the SBTi initiative. 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, an initiative promoted by Borsa Italiana. Finally, Fincantieri supports the principles of the UN Global Compact, thus becoming the largest shipbuilder, and the first in the cruise sector, to adopt the principles of the Global Compact in its strategy.

Opportunities

The continuous updating of the Sustainability Plan allows for an alignment with the evolution of the international economic, regulatory and social context in which it operates. In addition, Fincantieri, aware of the importance of continuously consolidating relations with its stakeholders, aims at an increasingly complete and exhaustive disclosure, taking the opportunity to strengthen its image by making itself a point of reference on sustainability and climate change issues.

Cyber security

The Fincantieri Group has steadily intensified its interest in and commitment to cyber security development. It has implemented a comprehensive transformation program aimed at bringing into the Group specialist expertise in this area, with the dual intent of strengthening its resilience capabilities, while at the same time supporting naval product development with the introduction of cyber defence solutions and services for the main civil and naval platforms.
With regard to the program to defend the corporate perimeter from continuous and sophisticated forms of threats perpetuated in the digital domain, this commitment is reflected in the implementation of an ambitious Group program aimed at gradually bringing the level of cyber resilience of the main subsidiaries in line with the Parent Company's standards. This is also in response to the recent attack launched against the US subsidiary Fincantieri Marine Group, which caused a temporary interruption of some of the overseas shipyard's numerical control production systems, the central coordinated management of which prevented more significant impacts on the company's business.

Cyber Security Governance

In order to standardize and ensure high standards of cyber security at Group level, in line with the provisions of the existing regulatory framework for strategic national companies, the **Group Cyber Security function** has been placed as reporting to the Group Operations, Corporate, Strategy and Innovation Department, 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 front line.

With reference to the Group resilience plan, the following initiatives were completed in 2023:

- implementation of centralized security platforms in the areas of browsing control, e-mail filtering, phishing simulation campaigns and cyber monitoring, and definition of a simultaneous phased roll-out plan to the various subsidiaries;
- definition of the Operational Technology (OT) security framework for machinery supporting naval production, which includes architectural protection standards and operational monitoring models for anomalies attributable to cyber attack attempts;
- activation of an information sharing process among the most critical subsidiaries operating both in Italy and abroad, aimed at establishing information flows on attack campaigns taking place worldwide, in order to disseminate the distinguishing features of the compromise techniques, facilitating their timely recognition;
- insourcing the process of periodic cyber security assessments aimed at proactively identifying the presence of cyber vulnerabilities on the company's critical platforms, consistent with current regulations to which the company is subject;
- implementation of awareness campaigns aimed at employees to improve awareness of cyber risks through simulated attacks and training sessions on the most widespread social engineering techniques and the most effective organizational and behavioural methods for neutralizing them.

As regards the last point, according to the most authoritative international sources such as MITRE ATT & CK on the classification and modelling of cyber attacks, the human factor is still the main vehicle of infection of even the most sophisticated forms of cyber compromise. Therefore a cyber attack simulation program has been implemented involving all employees of the Parent Company. Its aim is to train staff to recognize the most common forms of phishing used by organized groups attempting the first step of intrusion.

Similar to 'internal' protection needs, the naval platforms produced by Fincantieri, which are a complex integration of heterogeneous digital systems (Computer Based Systems – CBS) that sometimes communicate with the outside world, are also potential targets of modern and sophisticated forms of attack unleashed by extremely organized groups. The purpose of such groups can range from being purely 'opportunistic' (in the case of digital extortion) to more targeted, such as the theft of industrial know-how from national military industries, driven by the intent to acquire increased geopolitical dominance.
In this scenario, Fincantieri – as the design authority of the on-board electronic architecture of the vessels it produces – plays a leading role in the design of tailor-made solutions to be applied to its naval platforms, which can accompany the product throughout its entire life cycle, from its conception, design and production, according to the **cyber security-by-design** approach, to after-sales with the delivery of services to maintain vessels' security level. In this capacity, through its subsidiary Fincantieri NexTech, Fincantieri has designed an innovative platform which is based on Italian technology and is capable of identifying potential cyber attacks on board and triggering automated response actions. In 2023, Fincantieri also entered into contract negotiations with the Italian Navy for a major cyber evolution program.
Lastly, as a strategic company for the national economic system and an international leader, Fincantieri continues its close collaboration 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, reporting every attempt to compromise it to the authorities.
An extensive webinar 'Understanding cyberbullying' was held in 2023 with the State Police, focusing on parenting and included in the company's program to promote diversity, equity and inclusion issues. This webinar was aimed at raising awareness among all employees in the Italian companies about the modern and increasingly widespread sources of risk from new digital channels, such as cyberbullying and sexting, with the aim of providing simple guidelines for recognizing even the earliest occurrences of offences in this area, dealing with them and reporting them to the authorities.

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 Parent 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 Personal 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, Fincantieri undertakes 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 principles of Fincantieri's privacy policy

Lawfulness, transparency and fairness in the processing of personal data

Data minimization

Data accuracy

Limits on the purpose of personal data processing

Storage limitation of personal data

Integrity and confidentiality

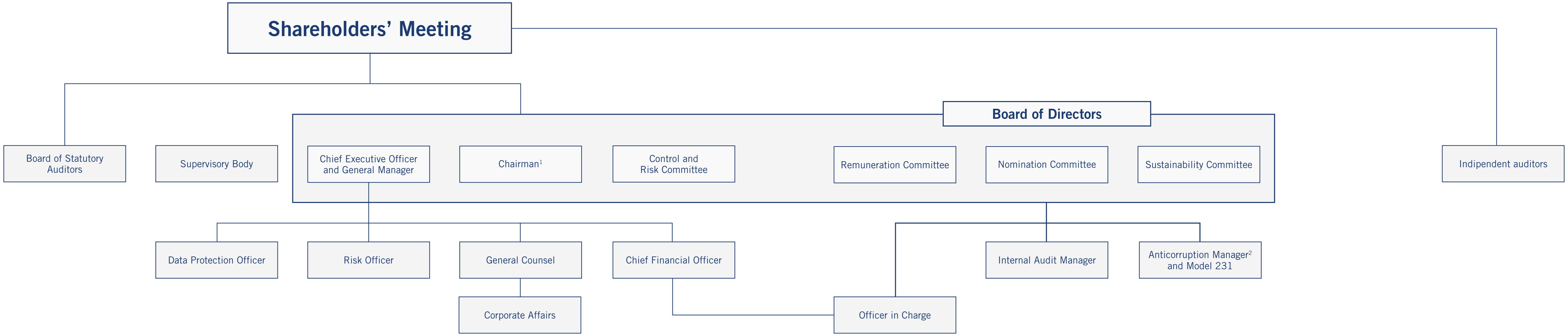
The personal data protection system was laid out in detail in a specific Personal Data Protection System Manual and by operational procedures that identify certain processes that are especially critical such as management of data breaches and management of requests from data subjects asserting their rights.
During the 2021 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 2023, the DPO, in continuation with the previous year, supported Fincantieri S.p.A. in the planned review and updating of the Company's Personal Data Protection System and has provided advice and training in the field of data protection to company functions, responding to around one hundred and fifty 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.
The US subsidiary Fincantieri Marine Group suffered a cyber attack in 2023 that was dealt with promptly by implementing the protective measures for its network and launching a detailed investigation into the incident to understand its scope. The company then took additional technical measures to strengthen cyber security and prevent future unauthorized access.
In the subsidiary VARD, the Information, Communication and Technology department and the Human Resources department work together to implement polices that comply with GDPR. The VARD group introduced the Employee Privacy Policy – in line with the GDPR – highlighting the company's commitment to promoting a sustainable corporate culture.

Corporate governance

The "Report on Corporate Governance and Ownership Structure" (the "Report") required by art. 123-bis of the Italian Consolidated Law on Finance (TUF) is a stand-alone document approved by the Board of Directors on 7 March 2024, 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 internal control and risk management system; it contains a description of the operation and composition of the management 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" (the "Remuneration Report"), prepared in compliance with the requirements of art. 123-ter of the Italian Consolidated Law on Finance (TUF) and art. 84-quater of the Consob Issuer Regulations, approved by the Board of Directors on 7 March 2024, 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.

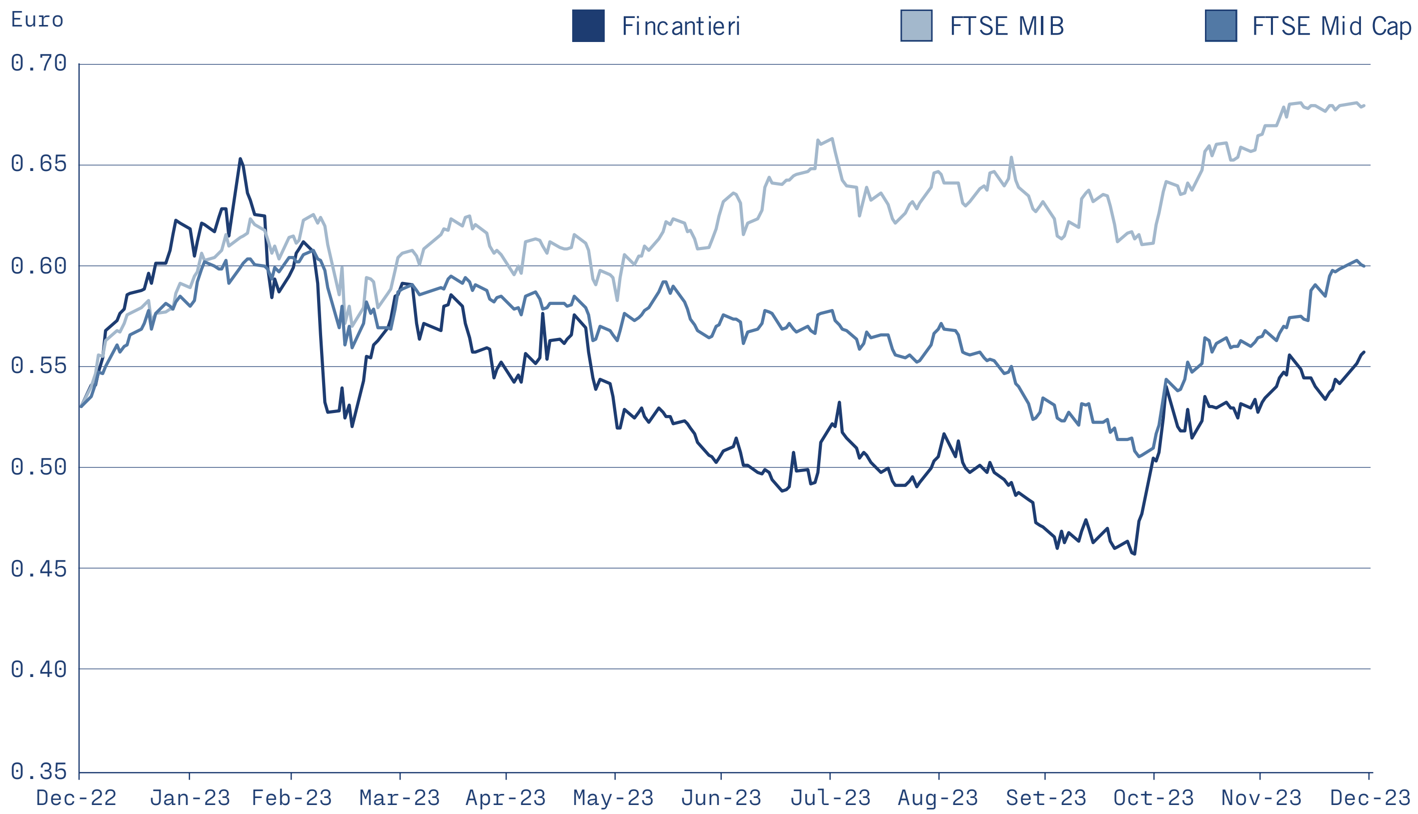
Other information

Stock performance

The performance of the stock in 2023 recorded a positive trend, rising from a price of euro 0.53 per share on 30 December 2022 to euro 0.56 per share on 29 December 2023, with an increase of around 5.2%. Over the same period the FTSE MIB, the index comprising Italy's 40 largest stocks, rose by 28.0%, while the FTSE Mid Cap index, which includes Fincantieri, rose by 13.1%.
The average price of the stock during the year was euro 0.54 per share, with a peak value for the period of euro 0.65 recorded on 13 February. The stock closed the year, on 29 December 2023, with a price of euro 0.56 per share corresponding to a market capitalization of approximately euro 948.4 million.
In terms of volumes, a total of 567.2 million shares were traded, with an average daily trading volume of around 2.2 million shares.
At 31 December 2023, Fincantieri's Share Capital of euro 862,980,725.70 was held as follows: 71.32% by CDP Equity S.p.A., 28.21% by the general market and 0.47% in treasury shares.

Key figures		**31.12.2023**	**31.12.2022**
Share Capital	Euro	862,980,726	862,980,726
Ordinary shares issued	Number	1,699,651,360	1,699,651,360
Treasury shares	Number	8,059,914	1,128,666
Market capitalization*	Euro/million	948	902
Performance		**31.12.2023**	**31.12.2022**
Price at year end	Euro	0.56	0.53
Year high	Euro	0.65	0.63
Year low	Euro	0.46	0.46
Average price	Euro	0.54	0.55

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



Other significant events in the period

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, with the objective of creating new business opportunities in the local and international market with high value-added technological solutions.

On 9 May 2023 during DEFEA 2023, the Athens Defence Exhibition, Fincantieri and the Greek ONEX Shipyards & Technologies Group presented the joint strategy to be adopted should the Group, as prime contractor, be awarded the Hellenic Navy corvette program pursued by the Ministry of Defence of Greece.

On 18 May 2023, Fincantieri announced the opening of a new chapter in its history by renewing its brand communication. The Group has, in fact, launched an ambitious communication project, with a new, advanced equity story at the heart of the project, summarized by the new claim, "Future on board", inspired by the pillars of the Business Plan: the progressive expansion of distinctive skills for the transition to digital and zero-emission ships, as well as the strengthening of the high value-added shipbuilding business in the cruise, defence and offshore segments.

On 31 May 2023, Fincantieri received parliamentary approval for the construction of the third next-generation submarine for the Italian Navy's U212NFS program.

On June 1, 2023, during CANSEC 2023, Canada's most important Defence exhibition, Fincantieri and its subsidiary Vard signed a Memorandum of Understanding with Heddle Shipyards, Thales Canada and SH Defence, to confirm the partnership that will bid for the Vigilance Class Offshore Patrol Vessel, part of the Canadian government's next ship acquisition strategy to replace the Kingston Class.

On the same date, Fincantieri set up a scholarship in memory of the historic Chief Executive Officer Dr Bono, intended for the children of Group employees who, having graduated from high school in the 2022-2023 school year, demonstrate a desire to enrol in a university faculty of naval, mechanical, electronic and computer engineering for the 2023-2024 academic year.

On 12 June 2023, as part of the governmental and industrial cooperation program between Italy and Germany on the U-212A submarine class, Fincantieri signed a contract with the Naval Armaments Directorate of the General Secretariat of Defence and National Armaments Directorate for on-demand assistance to the German Navy's submarines.

On June 20, 2023, Fincantieri, with a view to promoting and improving the well-being of its workers, placing people at the centre of its operations, and in line with the provisions of the Supplementary Agreement of October 27, 2022 concerning health and supplementary health care, signed an agreement with the FIM, FIOM and UILM National Unions and the National Trade Union Coordination Executive, to establish special insurance coverage for its workers to provide guarantees for the following events: (i) permanent disability from illness; (ii) permanent disability from non-occupational accidents; (iii) risk of non-self-sufficiency (long term care).

On 28 June 2023, Comau and Fincantieri presented the first result of their joint partnership at Automatica 2023: MR4Weld (Mobile Robot for Weld), an innovative outdoor automation solution designed to improve the quality, performance and well-being of operators during labour-intensive welding activities.

On 19 July 2023, Orizzonte Sistemi Navali, the joint venture owned by Fincantieri and Leonardo with 51% and 49% stakes respectively, signed, with the Naval Armaments Directorate of the General Secretariat of Defence, the Framework Agreement for Maintenance in Operational Condition for the Italian Navy's aircraft carrier Cavour and the Italian Navy's Orizzonte class destroyers Andrea Doria and Caio Duilio.

On the same day, Fincantieri signed with the FIM, FIOM and UILM national unions and the National Trade Union Coordination Executive an important and innovative agreement on the new organizational model called 'Work FOR Future' and, as the first important objective in this area, on the application of the smart working tool. The agreement continues the record of highly participative industrial relations that has characterized the recent period and is aimed at further improving the work-life balance, well-being and centrality of people. Smart working will be made an integral part of the new organizational model, which is based on work by objectives and result orientation through the monitoring of specific KPIs (Key Performance Indicators).

On 20 July 2023 Explora I was delivered at the Monfalcone shipyard. The ship, the first of four, marks the official launch of Explora Journeys, the new luxury travel brand of the MSC group. All the vessels will be equipped with the latest environmental and marine technologies, including selective catalytic reduction technology, connectivity to the shore power grid, underwater noise management systems to protect marine life, and a wide range of energy-efficient equipment on board to optimize engine use and further reduce emissions.

On 21 July 2023, OCCAR exercised its option to build the third next-generation submarine for the Italian Navy's U212NFS program awarded to Fincantieri.

On 25 July 2023, Fincantieri signed an agreement with Newcleo, a clean and safe nuclear technology company engaged in the development of innovative Generation IV reactors using existing nuclear waste as fuel, and RINA, a multinational ship inspection, certification, classification and engineering consultancy company. The agreement includes the feasibility study for nuclear ship propulsion through the application of a closed mini-reactor for use on large ships, thus contributing to the decarbonization of the shipping industry.

On 3 August 2023, Fincantieri and C.A.B.I. Cattaneo, a leading Italian company in the design, development and supply of underwater vehicles for the Italian Naval Special Forces, signed a Memorandum of Understanding for the evaluation of commercial and industrial cooperation in the field of underwater vehicles and their integration with larger vessels.

On 20 September 2023, Fincantieri and its subsidiaries Fincantieri NexTech and IDS (Systems Engineering) announced their partnership with the Italian Navy's CSSN (Naval Support and Experimentation Centre) during REPMUS (Robotic Experimentation and Prototyping augmented by Maritime Unmanned Systems) 2023, an annual military exercise organized and hosted by the Portuguese Navy and NATO with the participation of foreign military forces, universities and hi-tech companies. REPMUS allows NATO and partner countries, NATO Centres of Excellence and the NATO Maritime Research and Experimentation Centre, to test Fincantieri's advanced solutions in the field of remote and unmanned systems in a realistic environment, which include the Multi Mission MUS Toolkit, a platform based on the SAND (Surface Advanced Naval Drone) together with the innovative UMS (Unmanned Management System).

On 20 October 2023 Fincantieri became a co-founding member of the Venice Sustainability Foundation (VSF). The Group intends to contribute its expertise in particular in the areas of hydrogen (by taking part in the development of a hydrogen valley in Porto Marghera), energy transition and environmental protection. This is to foster the development of new renewable energy chains and to benefit the entire area and its energy-intensive production districts.

On 13 November 2023, Fincantieri and the Central Adriatic Port System Authority (ADSP) signed a programme agreement to foster the development of the port of Ancona. The agreement responds to the need to proceed with the development of the infrastructure currently present in the port - fitting-out quays, dry dock, technological and lifting facilities - and to adapt it for the construction of vessels of greater size and tonnage, both in the cruise and merchant segments.

On 22 November 2023 Fincantieri and the Italian Institute of Technology (IIT) signed a letter of intent to evaluate the possibility of launching joint initiatives in the field of robotics applied to operator assistance and safety. The aim of the collaboration is to improve safety levels at work and to make production processes more efficient.

On the same day, Fincantieri opened its second company crèche in Monfalcone, 'Fincantesimo', confirming the group's commitment to supporting parenthood by offering a quality, local service for its employees and their families.

On 19 December 2023, the first scholarship was awarded in memory of Giuseppe Bono, Fincantieri's Chief Executive Officer from 2002 to 2022, the year of his death. The award is intended to recall the values of training and dedication to work, which always distinguished Dr Bono's work.

Key events after the reporting period ended 31.12.2023

On 4 January 2024 Fincantieri received Gender Equality Certification from RINA. The Group is the first in the shipbuilding industry in Italy to obtain it, demonstrating its commitment to labour equality and inclusion.

On 18 January 2024 Fincantieri was given the Top Employer Italy award for the third consecutive year. It is a form of certification awarded only to companies that meet high standards in Human Resource strategies and policies to contribute to well-being for people and improve the working environment.

On 22 January 2024, the Windward Offshore consortium exercised its options, which were contained in the contract signed with Vard in October 2023, for the design and construction of two hybrid CSOVs. As part of the order, four vessels were ordered from the Group's Norwegian subsidiary.

On 8 February 2024, Fincantieri inaugurated the 'Maestri del Mare' project in Rome, launching a paid training program aimed at recruiting, training and hiring shipbuilding workers.

On 9 February 2024 Fincantieri was awarded an A- rating for the fourth consecutive year by CDP (formerly the Carbon Disclosure Project) - the independent non-profit body of reference for environmental reporting - thus placing the Group in the Leadership bracket.

On 15 February 2024, the Group, through its subsidiary Vard, signed a contract to design and build a hybrid, state-of-the-art, customized SOV for Cyan Renewables, an operator specializing in offshore wind energy vessels in Asia.

On 15 February 2024 Fincantieri completed the acquisition of 100% of Remazel Engineering S.p.A. from Advanced Technology Industrial Group S.A. The consideration paid was approximately euro 65 million. With this transaction Fincantieri intends to accelerate the growth of its technological, engineering and construction expertise in the offshore and subsea segments. The transaction allows the Group to acquire highly specialized capabilities in the design and supply of state-of-the-art top side equipment, enhancing its role as a partner of the main international operators in the marine and subsea energy sector, and consolidating its after-sales activities, with a particular focus on digital services and logistics support with high operational complexity.

On 21 February 2024, Fincantieri and EDGE, one of the world's leading advanced technology and defence groups, signed a term sheet for the creation of a joint venture to take advantage of global shipbuilding opportunities, with a focus on the production of a wide range of naval vessels and a UAE-based business worth an estimated euro 30 billion. EDGE will hold a 51% stake in the joint venture while its management will be entrusted to Fincantieri. The Abu Dhabi-based joint venture will have first refusal on non-NATO orders, capitalizing in particular on the attractiveness of the UAE's G2G agreements and export credit financing packages, together with a number of strategic orders placed by selected NATO member countries.

On 4 March 2024, Fincantieri joined the prestigious Industrial Liaison Program (ILP) of the Massachusetts Institute of Technology (MIT). By joining this program, the Group will be able to engage with researchers, faculty members and students to stay at the forefront of innovation. This partnership is part of the course towards the implementation of the 2023-2027 Business Plan. This agreement will become part of Fincantieri's commitment to innovate and be at the forefront of the development of new technologies on strategic topics, such as Digital Transformation, with a focus on Artificial Intelligence, the Energy Transition and Maritime Sustainability.

On 6 March 2024, Fincantieri started the first Italian language course for foreign personnel in Riva Trigoso. The initiative follows a Memorandum of Understanding signed between the Group and the CPIA Levante Tigullio and supported by the Sestri Levante Social Policies Department.

On the same date, Fincantieri and the Alexandria shipyard in Egypt signed a Memorandum of Understanding (MoU) in Doha. The MOU aims to define the principles for discussions that will mainly focus on finding new opportunities with the Alexandria shipyard for the construction of new ships by the Alexandria shipyard or other facilities, to be mutually agreed upon. The collaboration will focus on possible new programs for the Egyptian Navy concerning any type of ship of interest.

On 8 March 2024, subsidiary Vard and Navigare Capital Partners, in close cooperation with Norwind Offshore, signed a contract for the design and construction of a customized CSOV. The parties also agreed new options for two additional ships.

On 12 March 2024, Fincantieri signed two MoUs in Doha. The first with the naval shipyard in Alexandria, Egypt, which aims to define the principles for discussions that will mainly focus on finding new opportunities for the construction of new ships. The partnership will concentrate on potential new ship programs of various types for the Defence sector. The second with Qatar Emiri Naval Forces (QENF) with the aim of starting discussions with the goal of entering into new contracts for the provision to QENF personnel of cutting-edge education and training courses.

On 19 March 2024 Fincantieri and Saipem, global leader in the engineering and construction of infrastructure for the energy sector, both offshore and onshore, signed a Memorandum of Understanding to evaluate commercial and industrial opportunities for cooperation in the field of autonomous subsea vehicles and their integration with surface and underwater units. The Memorandum is among the initiatives aimed at promoting and developing national excellence in the Underwater sector.

Business outlook

In the **Cruise** sector, 2023 saw a consolidation of the recovery that began the previous year, confirmed by a positive trend in all the main indicators for the sector. 39 million cruise passengers are expected by 2027 and around 46 million by 2030[1], recording a CAGR for the period 2023-2030 of 5.5%. It is also expected that the gap in the value proposition

1 Source: CLIA - Cruise Industry August 2023, Environmental Technologies and Practices.

between cruises and land-based holidays will shift further towards cruising with an upturn in orders in led by the luxury segment in the wake of the two-year period 2022-2023.

These dynamics, together with the energy transition and the spread of digital technologies, which are set to influence all markets, including shipping, guarantee additional opportunities and the spread of new business models capable of meeting the growing demand for cruise ships.

As far as the **Defence** segment is concerned, the current geopolitical scenario is particularly in South-East Asia and the Middle East, is giving a strong boost to increased investment in the sector, including on the maritime front, which could open up further business opportunities for the Group. In the coming years, the global **defence** budget is expected to grow (CAGR 2023-27 2.6%) with continued support for investments allocated to the naval domain, increasing demand for all ship calsses and the integration of increasingly advanced technological requirements.

The strategic submarine segment also presents significant opportunities, reflecting the increasing focus on the underwater domain, which is becoming more important due to the presence of critical infrastructure, resources and activities. In the Mediterranean, where intelligence, surveillance, defence and deterrence activities are carried out, the underwater domain has particular strategic importance.

In the **Offshore** market, unprecedented institutional support for green transition policies, simplified authorization processes for new wind farms and slowing inflation suggest an acceleration of investment in offshore wind from 2028. The expected result is a doubling of the average GW installed per year and the need for an expansion of the supply network, resulting in a growth in demand for specialized CSOV, SOV and cable-laying vessels.

The positive trend is also reflected in the Floating Offshore Wind (FOW) and oil & gas segments, where increased activity is expected to reabsorb oil & gas (Tier 2/3) vessels currently operating in wind projects, thus favouring investment in more efficient and profitable (Tier 1) specialized vessels for the wind segment.

In this context, the Group continues its activities to execute the backlog, ensuring operational excellence and optimal risk management. In order to achieve these goals, careful resource planning continues in line with the requirements of the production programs, with a focus on expanding the workforce, strengthening the supply chain and introducing new technologies.

In particular, the Group planned to commit to the following strategic initiatives during 2024:

- **increasing operational efficiency and modernizing the shipyards,** including bringing maximizing performance for onshore outfitting at Ancona and Riva Trigoso, continuing production automation initiatives and introducing artificial intelligence to support processes;
- strengthening **system integrator** expertise and skills in the naval field;
- **containing the purchase cost of material and services and production facilities** by extending the processes identified in 2023 to the entire Group;
- **continuing on the path mapped out in terms of sustainability and energy and digital transition objectives;**
- expanding the **underwater** product range, moving from being solely a supplier of submarines to acting as an **orchestrator** and **distributor of complete solutions,** setting strategic directions for the segment.

Fincantieri confirms its business volume growth forecast for 2024 at around 5%, in line with the 2023-27 Business Plan, **guaranteeing marginality** of around 6% up by one percentage point compared to 2023.

The **Net financial position** for 2024 is expected to improve from the guidance provided at the Capital Markets Day on 10 May 2023 (6.0-7.0x) to between 5.5 and 6.5x in 2024, accelerating the expected deleveraging over the plan period.

Transactions with the controlling company and other Group companies

In compliance with the provisions of art. 2391-bis of the Italian Civil Code and the Regulation on related party transactions adopted by Consob Resolution No. 17221 of 12 March 2010 and subsequent amendments and additions (the "CONSOB Regulation"), also taking into account the guidelines provided by the Consob Communication of 24 September 2010, on 5 May 2014 the Board of Directors of Fincantieri S.p.A. adopted the Regulations governing related party transactions (the "RPT Regulations"), which identify the principles to which Fincantieri adheres in order to ensure the transparency and substantive and procedural propriety of related party transactions entered into by the Company, directly or through its subsidiaries.

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, defining the responsibilities of the various company organizational units involved in such operations carried out Fincantieri directly or through its subsidiaries as defined by the RPT Regulations.

On 10 June 2021, the Board of Directors, after receiving the opinion of the Committee for Related Party Transactions, approved the new text of the RPT Regulation in order to incorporate the amendments made by Consob with Resolution No. 21624 of 10 December 2020 to the CONSOB Regulation. The Company has also made the necessary adjustments to the Procedure.

The related party transactions concluded during the year do not qualify as either atypical or unusual, since they fall within the normal course of business of the Group's companies. These transactions benefit from the exclusions from the procedural regime provided for ordinary transactions concluded at arm's length or standard terms or for transactions with subsidiaries.

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 2023.

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 20 March 2023, started the program for the purchase of treasury shares to service the incentive plan called "2019-2021 Performance Share Plan". This program ended on 6 April 2023 with the purchase on the market of 10,000,000 treasury shares, equal to about 0.59% of the Share Capital, at a weighted average net price of euro 0.5685 per share, for a total countervalue of euro 5,685 thousand. At 31 December 2023, the treasury shares in portfolio amounted to 8,059,914 (equal to 0.47% 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 controlling companies for 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 2023, the Fincantieri subsidiaries falling under the scope of the above article are the Vard Group AS and Fincantieri Marinette Marine LLC, part of the FMG group. Suitable procedures have been adopted for these to ensure compliance with the 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 2023.

Sustainability report

Fincantieri Group's 2023 Sustainability Report was approved by the Board of Directors on 7 March 2024 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 marginality 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.

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 pre-tax earnings, before financial 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 asbestos-litigation;
  - costs relating to reorganization plans and other non-recurring 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) for the year: 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 ordinary operations 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, Other 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: this is calculated as the sum of Net fixed capital, 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;
  - Net non-current cash/(debt): non-current bank debt and other non-current financial payables.
- 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 financial debt/Total Equity: this is calculated as the ratio between Total financial 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 Net financial position and Total Equity.
- Revenue and income: this is equal to the sum of Operating revenue and Other revenue and income.
- 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 for which the 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).

	31.12.2023		31.12.2022	
(euro/000)	Equity	Profit/loss for the year	Equity	Profit/loss for the year
Parent Company Financial Statements	**1,234,242**	**7,587**	**1,320,799**	**(509,916)**
Share of equity and net result of consolidated subsidiaries, net of carrying amount of the related investments	(733,553)	(12,480)	(683,111)	269,614
Consolidation adjustments for difference between purchase price and corresponding book value of equity	142,787	(6,381)	155,159	(73,366)
Reversal of dividends distributed by consolidated subsidiaries		(37,098)		(21,951)
Joint ventures and associates accounted for using the equity method	(4,965)	(2,222)	(6,854)	(3,384)
Elimination of intercompany profits and losses and other consolidation adjustments	(88,100)	(6,680)	(88,725)	30,133
Exchange translation differences from line-by-line consolidation of foreign subsidiaries	(117,291)		(111,772)	
Equity and profit for the year attributable to owners of the parent	**433,120**	**(52,830)**	**585,496**	**(308,870)**
Non-controlling interests	1,041	(281)	1,408	(15,083)
Total consolidated equity and profit/(loss) for the year	**434,161**	**(53,111)**	**586,904**	**(323,953)**

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

CONSOLIDATED INCOME STATEMENT (euro/million)	31.12.2023		31.12.2022	
	Mandatory scheme	Amounts in reclassified statement	Mandatory scheme	Amounts in reclassified statement
A - Revenue		**7,651**		**7,482**
Operating revenue	7,448		7,349	
Other revenue and income	203		133	
B - Materials, services and other costs		**(5,960)**		**(6,002)**
Materials, services and other costs	(5,964)		(6,008)	
Recl. to I - Extraordinary or non-recurring income and expenses	4		6	
C - Personnel costs		**(1,219)**		**(1,186)**
Personnel costs	(1,219)		(1,186)	
D - Provisions		**(75)**		**(73)**
Provisions	(132)		(140)	
Recl. to I - Extraordinary or non-recurring income and expenses	57		67	
E - Depreciation, amortization and impairment		**(235)**		**(231)**
Depreciation, amortization and impairment	(235)		(396)	
Recl. to I - Extraordinary or non-recurring income and expenses			165	
F - Financial income/(expenses)		**(169)**		**(80)**
Financial income/(expenses)	(169)		(80)	
G - Income/(expense) from investments		**4**		**(2)**
Income/(expense) from investments	4		(2)	
H - Income taxes		**(4)**		**(16)**
Income taxes	11		6	
Recl. to L - Tax effect of extraordinary or non-recurring income and expenses	(15)		(22)	
I - Extraordinary or non-recurring income and expenses		**(61)**		**(238)**
Recl. from B - Materials, services and other costs	(4)		(6)	
Recl. from D - Provisions	(57)		(67)	
Recl. from E - Depreciation, amortization and impairment			(165)	
L - Tax effect on extraordinary or non-recurring income and expenses		**15**		**22**
Recl. from H - Income taxes	15		22	
Profit/(loss) for the year		**(53)**		**(324)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (euro/million)	31.12.2023		31.12.2022	
	Partial values mandator y scheme	Amounts in reclassified statement	Partial values mandator y scheme	Amounts in reclassified statement
A - Intangible assets		**474**		**509**
Intangibile assets	474		509	
B - Rights of use		**125**		**127**
Rights of use	125		127	
C - Property, plant and equipment		**1,684**		**1,636**
Property, plant and equipment	1,684		1,636	
D - Investments		**60**		**118**
Investments	60		118	
E - Non-current financial assets		**668**		**162**
Non-current financial assets	683		171	
Recl. to F - Derivative assets	(15)		(9)	
F - Other non-current assets and liabilities		**12**		**1**
Other non-current assets	67		49	
Recl. from E - Derivative assets	15		9	
Other non-current liabilities	(70)		(57)	
G - Employee benefits		**(54)**		**(54)**
Employee benefits	(54)		(54)	
H - Inventories and advances		**801**		**864**
Inventories and advances	801		864	
I - Construction contracts and client advances		**632**		**1,669**
Construction contracts - assets	2,498		3,085	
Construction contracts - liabilities and client advances	(1,599)		(1,152)	
Recl. from N - Onerous Contracts Provision	(267)		(264)	
L - Trade receivables		**767**		**770**
Trade receivables and other current assets	1,150		1,177	
Recl. to O - Other current assets	(383)		(407)	
M - Trade payables		**(2,471)**		**(2,694)**
Trade paybles and other current liabilities	(2,872)		(3,021)	
Recl. to O - Other current liabilities	401		327	
N - Other provisions for risks and charges		**(237)**		**(191)**
Previsions for risks and charges	(504)		(455)	
Recl. to I - Onerous Contracts Provision	267		264	
O - Other current assets and liabilities		**192**		**200**
Deferred tax assets	231		183	
Income tax assets	34		22	
Derivate assets	35		23	
Recl. from L - other current assets	383		407	
Deferred tax liabilities	(72)		(83)	
Income tax liabilities	(18)		(25)	
Recl. from M - Other current liabilities	(401)		(327)	
NET INVESTED CAPITAL		**2,705**		**3,118**
P - Assets held for sale		**52**		**1**
Assets classified as held for sale and discontinued operations	52		1	
Q - Equity		**434**		**587**
R - Net financial position		**2,271**		**2,531**
SOURCES OF FUNDING		**2,705**		**3,118**

Fincantieri Group
Consolidated Financial Statements

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Consolidated Statement of Financial Position

(euro/000)	Note	31.12.2023	of which related parties Note 33	31.12.2022	of which related parties Note 33
ASSETS					
NON-CURRENT ASSETS					
Intangible assets	6	474,440		508,724	
Rights of use	7	124,865		127,115	
Property, plant and equipment	8	1,683,784		1,635,602	
Investments accounted for using the equity method	9	33,459		85,538	
Other investments	9	26,161		32,406	
Financial assets	10	684,173	*18,293*	171,166	*19,694*
Other assets	11	67,038	*696*	50,040	*723*
Deferred tax assets	12	231,390		182,917	
Total non-current assets		**3,325,310**		**2,793,508**	
CURRENT ASSETS					
Inventories and advances	13	801,073	*45,664*	863,517	*64,040*
Contract Assets	14	2,497,790		3,085,159	
Trade receivables and other assets	15	1,149,878	*122,167*	1,176,661	*89,624*
Income tax assets	16	34,102		22,026	
Financial assets	17	92,124	*16,161*	204,273	*25,062*
Cash and cash equivalents	18	757,273		564,576	
Total current assets		**5,332,240**		**5,916,212**	
Assets classified as held for sale and discontinued operations	**36**	**52,496**		**703**	
TOTAL ASSETS		**8,710,046**		**8,710,423**	
EQUITY AND LIABILITIES					
EQUITY	**19**				
Attributable to owners of the Parent Company					
Share Capital		862,981		862,981	
Reserves and retained earnings		(429,861)		(277,486)	
Total Equity attributable to owners of the parent		**433,120**		**585,495**	
Attributable to non-controlling interests		1,041		1,408	
Total Equity		**434,161**		**586,903**	
NON-CURRENT LIABILITIES					
Provisions for risks and charges	20	404,717		406,984	
Employee benefits	21	54,346		53,845	
Financial liabilities	22	1,779,405	*4,328*	1,344,554	*6,322*
Other liabilities	23	70,282		57,290	*98*
Deferred tax liabilities	12	72,321		82,699	
Total non-current liabilities		**2,381,071**		**1,945,372**	
CURRENT LIABILITIES					
Provisions for risks and charges	20	99,347		48,278	
Employee benefits	21	49		28	
Contract liabilities	24	1,599,078		1,151,502	
Trade payables and other current liabilities	25	2,871,749	*138,850*	3,021,203	*162,366*
Income tax liabilities	26	18,227		25,443	
Financial liabilities	27	1,306,364	*55,514*	1,931,694	*84,145*
Total current liabilities		**5,894,814**		**6,178,148**	
Liabilities directly associated with Assets classified as held for sale and discontinued operations		**-**		**-**	
TOTAL EQUITY AND LIABILITIES		**8,710,046**		**8,710,423**	

Consolidated Statement of Comprehensive Income

(euro/000)	Note	2023	of which related parties Note 33	2022	of which related parties Note 33
Operating revenue	28	7,447,567	*365,140*	7,349,147	*181,424*
Other revenue and income	28	203,180	*15,450*	132,717	*17,312*
Materials, services and other costs	29	(5,963,622)	*(209,178)*	(6,007,932)	*(370,362)*
Personnel costs	29	(1,218,388)		(1,185,684)	
Depreciation, amortization and impairment	29	(235,960)		(395,108)	
Provisions	29	(132,151)		(141,394)	
Financial income	30	102,980	*1,482*	160,651	*3,134*
Financial expenses	30	(271,767)	*(3,066)*	(240,868)	*(2,252)*
Income/(expense) from investments	31	1,988		(1,406)	
Share of profit/(loss) of investments accounted for using the equity method	31	2,222		(785)	
PROFIT/(LOSS) FOR THE YEAR BEFORE TAXES		**(63,951)**		**(330,662)**	
Income taxes	32	10,840		6,709	
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**(53,111)**		**(323,953)**	
Net profit/(losses) from discontinued operations	36				
PROFIT/(LOSS) FOR THE YEAR (A)		**(53,111)**		**(323,953)**	
attributable to owners of the Parent Company from continuing operations		*(52,830)*		*(308,870)*	
attributable to non-controlling interests from continuing operations		*(281)*		*(15,083)*	
Net basic earnings/(loss) per share (euro)	33	(0,03114)		(0,18197)	
Net diluted earnings/(loss) per share (euro)	33	(0,03073)		(0,17985)	
Net basic earnings/(loss) per share from continuing operations (euro)	33	(0,03114)		(0,18197)	
Net diluted earnings/(loss) per share from continuing operations (euro)	33	(0,03073)		(0,17985)	
Other comprehensive gains/(losses), net of tax					
Gains/(losses) from remeasurement of employee defined benefit plans	19-21	(1,239)		6,322	
Total gains/(losses) that will not be reclassified to profit/(loss) for the year, net of tax	**19**	**(1,239)**		**6,322**	
- attributable to non-controlling interests		***3***		***15***	
Effective portion of gains/(losses) on cash flow hedging instruments	4-19	(89,258)		53,154	
Gains/(losses) arising from changes in the OCI for the year 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		(50)			
Exchange gains/(losses) arising on translation of foreign subsidiaries' financial statements	19	(5,769)		13,501	
Total gains/(losses) that may be reclassified to gains/(loss), net of tax	**19**	**(95,077)**		**66,655**	
- attributable to non-controlling interests		***(143)***		***1,555***	
TOTAL OTHER COMPREHENSIVE INCOME/(LOSSES), NET OF TAX (B)	**19**	**(96,316)**		**72,977**	
- attributable to non-controlling interests		***(140)***		***1,570***	
TOTAL COMPREHENSIVE INCOME/(LOSSES) FOR THE YEAR (A) + (B)		**(149,427)**		**(250,976)**	
attributable to owners of the Parent Company		*(149,006)*		*(237,463)*	
attributable to non-controlling interests		*(421)*		*(13,513)*	

Consolidated Statement of Changes in Equity

(euro/000)	Note	Share Capital	Reserves, retained earnings and gains/ (losses)	Equity attributable to owners of the Parent	Equity attributable to non-controlling interests	Total
1.1.2022	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)	
Put option recognition on non-controlling interests						
Other changes/roundings			(138)	(138)	(83)	(221)
Total transactions with owners			***4,376***	***4,376***	***(734)***	***3,642***
Net Profit/(Loss) for the 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 year			***(237,463)***	***(237,463)***	***(13,513)***	***(250,976)***
31.12.2022	**19**	**862,981**	**(277,486)**	**585,495**	**1,408**	**586,903**
Business combinations					1,515	1,515
Share Capital increase						
Share Capital increase - non-controlling interests			1,503	1,503		1,503
Acquisition of non-controlling interests			(71)	(71)	71	
Dividend distribution					(120)	(120)
Reserve for long-term incentive plan			(2,563)	(2,563)		(2,563)
Reserve for purchase of treasury shares			(3,873)	(3,873)		(3,873)
Put option exercised on non-controlling interests			1,412	1,412	(1,412)	
Put option recognition on non-controlling interests						
Other changes/roundings			223	223		223
Total transactions with owners			***(3,369)***	***(3,369)***	***54***	***(3,315)***
Net Profit/(Loss) for the year			(52,830)	(52,830)	(281)	(53,111)
OCI for the year			(96,176)	(96,176)	(140)	(96,316)
Total comprehensive income for the year			***(149,006)***	***(149,006)***	***(421)***	***(149,427)***
31.12.2023	**19**	**862,981**	**(429,861)**	**433,120**	**1,041**	**434,161**

Consolidated Statement of Cash Flows

(euro/000)	Note	31.12.2023	31.12.2022
GROSS CASH FLOWS FROM OPERATING ACTIVITIES	**34**	**509,958**	**251,467**
Changes to working capital			
- inventories and advances		56,462	11,709
- contract assets and liabilities		493,654	(408,458)
- trade receivables		3,459	165,390
- other current assets and liabilities		116,345	(38,009)
- other non-current assets and liabilities		(18,387)	(16,187)
- trade payables		(213,437)	204,799
CASH FLOWS FROM WORKING CAPITAL		**948,054**	**170,711**
Dividends paid		(120)	
Interest income received		29,089	44,941
Interest expense paid		(203,564)	(88,091)
Income taxes (paid)/collected		(59,614)	(141,501)
Utilization of provisions for risks and charges and for employee benefits	20-21	(77,113)	(43,784)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**636,732**	**(57,724)**
- Continuing operations			
NET CASH FLOWS FROM OPERATING ACTIVITIES			
- Discontinued operations			
NET CASH FLOWS FROM OPERATING ACTIVITIES		**636,732**	**(57,724)**
- of which related parties		*(35,523)*	*32,170*
Investments in:			
- intangible assets	6	(55,300)	(70,781)
- property. plant and equipment	8	(203,030)	(224,095)
- equity investments	9	(3,708)	(999)
- cash acquired following change in scope of consolidation		765	1,749
Disposals of:			
- intangible assets	6	2,879	184
- property. plant and equipment	8	2,338	2,714
- equity investments	9	7,403	9,518
- change in other current financial receivables	33	139,248	87,005
Change in medium/long-term financial receivables			
- disbursements	33		(39,257)
- repayments	33	2,949	8,950
CASH FLOWS FROM INVESTING ACTIVITIES		**(106,456)**	**(225,012)**
- of which related parties		*8,740*	*6,372*
Change in medium/long-term financial payables			
- disbursements	33	1,096,421	654,219
- repayments	33	(127,861)	(40,929)
Change in current bank loans and credit facilities			
- disbursements	33	2,143,409	2,688,325
- repayments	33	(3,523,381)	(3,532,785)
Change in current bonds/commercial papers			
- disbursements	33	495,500	506,700
- repayments	33	(430,200)	(646,200)
Repayment of financial liabilities for leasing	33	(24,985)	(22,394)
Change in other current financial payables	33	45,657	4,742
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)
Net capital contributions by non-controlling interests	33	1,503	
Purchase of treasury shares	33	(5,700)	(1,143)
CASH FLOWS FROM FINANCING ACTIVITIES	**33**	**(329,637)**	**(389,518)**
- of which related parties		*112,709*	*(19,528)*
NET CASH FLOWS FOR THE YEAR		**200,639**	**(672,254)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	**18**	**564,576**	**1,236,180**
Effect of exchange rate changes on cash and cash equivalents		(7,942)	650
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	**18**	**757,273**	**564,576**

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Note 1 - Form, contents and other general information

This document is an English language translation of the official Italian version and is not provided in the European Single Electronic Format (ESEF) and hence it is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. The legally required ESEF-format is filed in Italian language on the eMarket Storage platform (www.emarketstorage.com), as well as on Company website (www.fincantieri.com).

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 the Euronext Milan market, organized and managed by Borsa Italiana S.p.A.

As at 31 December 2023, 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 between private investors (none of whom held significant interests of 3% or above) and treasury shares (of around 0.47% of shares representing the Share Capital of the Parent Company). 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, which are available on the website www.cdp.it in the "CDP Group" section.

Principal industrial activities of the Group

The Group operates through the following three segments:

- **Shipbuilding**: encompassing the Cruise Ships, Naval Vessels and the Accommodation Cluster (renamed "Ship Interiors") business areas;
- **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, unmanned vessels, offering innovative products with reduced environmental impact;
- **Equipment, Systems and Infrastructure**: includes the following business areas: i) Electronics Cluster, which focuses on advanced technological solutions, from the design and integration of complex systems (system integration) to telecommunications and critical infrastructure, ii) Mechatronics Cluster, i.e., integration of mechanical components and power electronics in naval and onshore applications and iii) Infrastructure Cluster, which includes the design, construction and installation of steel structures for largescale 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.

It should be noted that the Service and Accommodation Cluster business areas were reallocated in 2023 from the Equipment, Systems and Services segment to the Shipbuilding segment, as they are largely designed to support shipbuilding activities. Following this reclassification, the Equipment, Systems and Services segment was renamed Equipment, Systems and Infrastructure. The comparative figures at 31 December 2022 have been restated accordingly. In addition, the activities of the Group's Romanian shipyards, previously included in Shipbuilding, were reallocated to Offshore and Specialized vessels from 2023 onwards following the closure of Vard Cruise Ships division.

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.

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 the Group's main subsidiaries.

The present Consolidated Financial Statements at 31 December 2023 were approved by the Company's Board of Directors on 7 March 2024.

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 2023 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 statements for the year ended 31 December 2023

A brief description of the accounting standards, amendments and interpretations applicable to financial statements as at and for the year ended 31 December 2023 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 2023

- On 12 February 2021, the IASB published two amendments entitled "Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates - Amendments to IAS 8". The changes are intended to improve the disclosure of accounting policies in order to provide more useful information to investors and other primary users of financial statements as well as to help companies distinguish changes in accounting estimates from changes in accounting policies.
- On 23 May 2023, the IASB published an amendment entitled "Amendments to IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules. The document, whose adoption process by the EU was completed on 8 November 2023, introduces a temporary exception to the recognition and disclosure requirements for deferred tax assets and liabilities related to the Pillar Two Model Rules and provides for specific disclosure requirements for entities affected by the relevant International Tax Reform. The document provides, in particular, for the immediate application of the temporary exception, while the disclosure requirements will only be applicable to annual financial statements commencing on or after 1 January 2023.
- In this regard, Directive no. 2022/2523 - based on the paper "Tax Challenges Arising from the Digitalisation of the Economy- Global Anti-Base Erosion Model Rules (Pillar Two)" issued by the OECD on 14 December 2021 - introduced a minimum effective taxation regime for domestic and multinational groups at the rate of 15% for each jurisdiction in which they are located, providing for the application of a supplementary tax in cases where the effective tax rate per country, with the adjustments provided for in the implementation rules, is lower than the 15% minimum taxation. This legislation was transposed into domestic law by Legislative Decree 209 of 27 December 2023 ("Pillar II" or "global minimum tax") with effect from the 2024 tax year. In 2023, the Fincantieri Group applied the temporary exception from obligations concerning recognition and information on assets and liabilities for deferred taxes under the Pillar Two Model Rules introduced with the amendment to the aforementioned IAS 12 and, in coordination with the Parent Company CDP, took part in a specific project, with the support of a leading advisor, aimed at: i) mapping the relevant entities for Pillar II purposes; ii) collecting the information needed to determine the Transitional Country-by-Country safe harbour; iii) collecting the information needed to calculate the Globe Income and Adjusted Covered Taxes, which are necessary to compute the minimum 15% tax rate; iv) preparing the Gap Analysis. This work was carried out with reference to data for the 2022 tax year, which is expected to be reasonably indicative of the situation in the first year of application of the new regulations. As a result of the work performed to date in relation to the 2022 year, Fincantieri qualifies for the purposes of the aforesaid regulations as a Partially-Owned Parent Entity with respect to the Parent Company CDP and, based on currently available information, the impact of any additional tax is not expected to be significant. The Pillar Two compliance project will continue during 2024 with the aim of bridging the gaps that have emerged by implementing the management model for (i) the collection of relevant information, (ii) the calculation of the global minimum tax and (iii) the fulfilment of the reporting obligations provided for by the regulations, also via a specific technological platform.
- On 7 May 2021, the IASB published "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The document clarifies how deferred taxes are to be accounted for on certain transactions that may generate assets and liabilities of equal amount at the date of initial recognition, such as leases and decommissioning obligations.

The amendments entered into force on 1 January 2023 and the adoption of these amendments has had no significant impact on the Consolidated Financial Statements and separate Financial Statements at 31 December 2023.

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

- On 22 September 2022, the IASB published "Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback. The amendments to IFRS 16 concern how a company should recognize, measure, present in the financial statements and disclose information about leases, i.e. how the lessee and seller subsequently accounts for sale and leaseback transactions.
- On 23 January 2020, the IASB published "Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities as current or non-current" and on 31 October 2022 published an amendment entitled "Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants". These changes aim to clarify how to classify debts and other short-term or long-term liabilities. The amendments also improve the information that an entity must provide when its right to defer settlement of a liability for at least twelve months is subject to compliance with specific parameters (i.e. covenants).

All the amendments will enter into force on 1 January 2024 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 25 May 2023, the IASB published Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosures: Supplier Finance Arrangements. With the amendments, the IASB introduced new disclosure requirements in the IFRS standards to increase the transparency and, thus, the usefulness of information provided by entities on supplier financing arrangements ("Supply Chain Finance") and their effects on the liabilities, cash flows and liquidity risk exposure of companies. The latter will have to provide information on the amount of payables covered by Supply Chain Finance agreements, their maturities and their classification in the financial statements. The amendments will enter into force on 1 January 2024.
- On 15 August 2023, the IASB published "Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates": Lack of Exchangeability. The amendment clarifies when one currency cannot be converted into another, how to estimate the exchange rate, and the disclosures to be made in the notes to the financial statements. The amendment will enter into force on 1 January 2025.

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 2023 the following companies were incorporated and included in the scope of consolidation::

- on 10 March 2023, Marine Interiors S.p.A. established Operae - a Marine Interiors Company S.r.l. in which it holds 85% of the Share Capital. The company, based in Trieste, has as its object the business of customized furniture in the high-end segments (hotels, retail shops, villas and yachting);
- on 8 June 2023, Fincantieri S.p.A. incorporated MTM S.c.a.r.l., in which it holds 41% of the share capital. The company, based in Venice, has as its object the execution of works and the provision of services for the maintenance of the sluice gates and taps of the Lido Treporti inlet;
- on 20 September 2023, Fincantieri S.p.A. incorporated Fincantieri Naval Services - Sole Proprietorship LLC in which it holds 100% of the share capital. The company, based in Abu Dhabi, has as its object the sale, management, operation, repair and maintenance of ships, technology and materials and ancillary activities.

During 2023 the following extraordinary transactions were recorded:

- on 22 December 2022, the company Marine Project Solutions S.r.l., a wholly-owned subsidiary of MI S.p.A., was merged by incorporation into its parent company. The transaction took effect as of 1 January 2023;
- on 1 January 2023 Power4Future, previously a joint venture of Fincantieri SI S.p.A. and consolidated using the equity method, as a result of the Shareholders' Agreements signed at the time of its incorporation became a subsidiary of Fincantieri SI S.p.A. (52% interest in the share capital) and was therefore consolidated on a line-by-line basis;
- on 14 February 2023, the date of cancellation from the local Companies Registry, the dissolution of the subsidiary Fincantieri Sweden AB, wholly owned by Fincantieri S.p.A., took effect. The company was therefore removed from the consolidation scope of the Group from that date;
- on 1 March 2023, Fincantieri Infrastructure S.p.A. transferred to its wholly-owned Fincantieri Infrastructure Opere Marittime S.p.A. the business branch comprising the equity investment in the associate 2F per Vado S.c.a.r.l. The effectiveness of the transfer was subject to the authorization of the contracting authority for the Vado Ligure contract for Fincantieri Infrastructure Opere Marittime S.p.A. to take over the position of Fincantieri Infrastructure S.p.A.; this authorization was received on 13 April 2023, therefore the transfer took effect on 14 April 2023;
- on 25 April 2023, the company Vard Piping AS, a wholly-owned subsidiary of Vard Group AS, was merged by incorporation into Vard Interiors AS, also a wholly-owned subsidiary of Vard Group AS;
- on 3 August 2023, the Extraordinary Shareholders' Meeting of IDS Ingegneria Dei Sistemi S.p.A. resolved to increase the share capital by issuing new shares, offered for subscription to the parent company Fincantieri Nextech S.p.A. The latter released the shares through the contribution in kind of the entire interest held in the subsidiary S.L.S. - Support Logistic Services S.r.l. As of 28 August 2023, IDS Ingegneria Dei Sistemi S.p.A. became the sole shareholder of S.L.S.;
- on 14 December 2023, the company Vard Engineering Brevik AS, a wholly-owned subsidiary of Vard Group AS., was merged by incorporation into its parent company. As a result of this merger, Vard Group AS became the parent company of Vard Marine Gdańsk Sp. Z.o.o., previously wholly-owned by the merged company Vard Engineering Brevik AS;
- on 31 December 2023, the company Vard Braila SA, 94.12% controlled by Vard RO Holding S.r.l. and 5.88% by Vard Group AS, was merged by incorporation into the company Vard Shipyards Romania SA, previously named Vard Tulcea SA, 97.1057% controlled by Vard RO Holding S.r.l. and 2.8943% by Vard Group AS. As a result, the merged company was removed from the Group's consolidation scope from that date.

With regard to movements in shareholdings in associates and joint ventures, consolidated using the equity method, the following transactions took place during 2023:

- on 21 March 2023 Vard Group AS sold its 29.50% shareholding in the associate Olympic Green Energy KS, which was therefore removed from the Group's scope of consolidation.
- on 27 November 2023, the formalities for the closure of Issel Middle East Information Technology Consultancy LLC, a 49% associate of Issel Nord S.r.l., were completed, resulting in its removal from the Group's scope of consolidation.

The Consolidated Financial Statements at 31 December 2023 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 included in the Consolidated Financial Statements from the date that control is obtained until the date control ceases. Costs incurred during the acquisition process are expensed in the year incurred.
Assets and liabilities, revenue and expenses arising from transactions between companies included in the scope of 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 losses and impairment reversals relating to investments in consolidated companies and intragroup dividends. The portion of capital and reserves attributable to non-controlling interests in consolidated subsidiaries and the portion of profit or loss for the year attributable to non-controlling interests are identified separately within the financial statements. Losses attributable to non-controlling interests that exceed the non-controlling interest in an investee's capital are allocated to equity attributable to non-controlling interests.

Changes in a parent's ownership interest in a subsidiary that do not result in acquisition/loss of control are accounted for as equity transactions. The difference between the price paid and the share of equity 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/(losses) for the year 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 comprehensive income for that subsidiary, in the same way as if the parent had disposed of the related assets or liabilities directly. This may result in a reclassification of such gains or losses from equity to gains/(losses) for the year.

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 rights. 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.

Profits or Losses attributable to the Group are accounted for from the date on which the significant influence begins and until the date on which the significant influence ceases; if, as a result of losses, an associate valued using the equity method reports negative net equity, the carrying value of the investment is reduced to zero and the Group recognizes a liability for the additional losses in a special provision 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 companies accounted for using the equity method that are not represented in profit or loss are recognized directly as an adjustment to equity reserves.

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 held 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;
- revenues 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:

	2023		2022	
	12-month average	Closing rate at 31-Dec	12-month average	Closing rate at 31-Dec
Australian Dollar (AUD)	1.0813	1.105	1.053	1.0666
UAE Dirham (AED)	1.6288	1.6263	1.5167	1.5693
Canadian Dollar (CAD)	3.971	4.0581	3.8673	3.9171
Brazilian Real (BRL)	1.4595	1.4642	1.3695	1.444
Norwegian Krone (NOK)	5.401	5.3618	5.4399	5.6386
Indian Rupee (INR)	11.4248	11.2405	10.1026	10.5138
New Romanian Leu (RON)	89.3001	91.9045	82.6864	88.171
Chinese Yuan (CNY)	4.9467	4.9756	4.9313	4.9495
Yuan Cinese (CNY)	7.66	7.8509	7.0788	7.3582

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 equity acquired/sold is accounted for as an adjustment to the Group's equity.

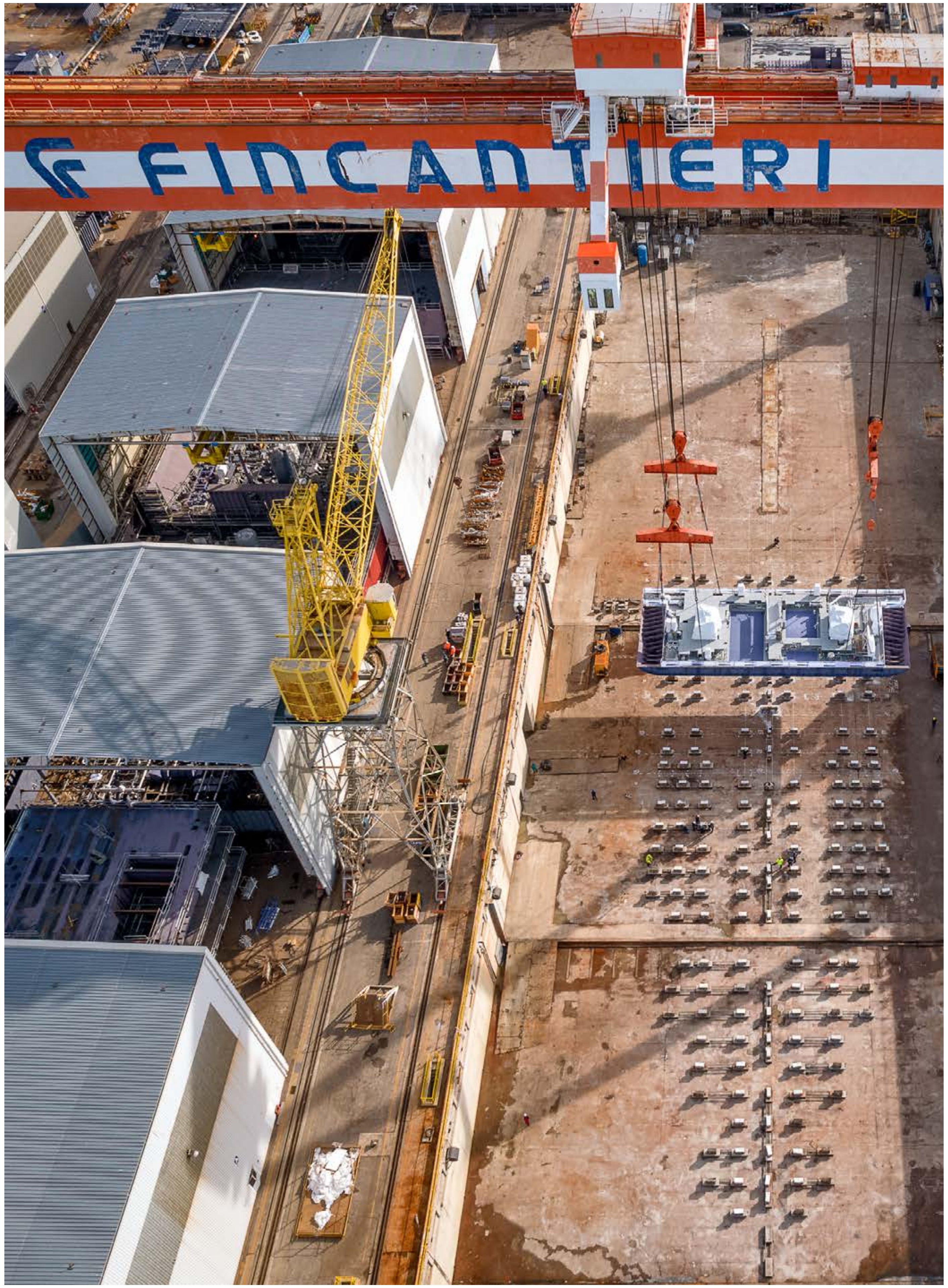
When controlling interests of less than 100% are acquired, only the portion of goodwill attributable to the Parent Company is recognized. The value of non-controlling equity interests is determined in proportion to the non-controlling interest in the acquiree's net identifiable assets. Acquisition-related 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., Fincantieri INfrastrutture SOciali 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 year 2024.



Note 3 - Accounting standards
Material accounting policy information

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 through profit or loss 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 revenues 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 capitalisation 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 through profit or loss 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 through 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 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 year-end reporting date 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 flows that are largely independent of the cash flows 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 the statement of 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; only the dividends distributed by the investee company are recorded in comprehensive income 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/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 legal regulations 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; where, instead, control is transferred upon final delivery of the goods or completed provision of all the services promised, the assets are recognized at the 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 goods 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 margins 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 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".

Ship orders 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 financial payables, 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 with leading financial institutions, typically in the technical form of reverse factoring, which suppliers are invited to adhere to. Based on these agreements, the supplier has the discretionary option to sell receivables due from the Parent Company or some of its 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;
- assets measured at fair value through OCI for the year (FVOCI);
- assets measured at fair value through profit or loss for the year (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 the OCI for the year. Any impairment losses, interest income 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 losses 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 profit/loss for the year 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 at the year-end reporting date, 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 core 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 revenue under "Other non-current liabilities". This deferred revenue is then recognized as income through profit or loss on a straight-line basis over the useful life of the asset for which the grant was received.

10.2 Operating grants
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 assumptions 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 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 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 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 income taxes.

Current income taxes are calculated on taxable profit for the 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 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 tax 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 with judgements based on past experience and 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 consolidated 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
As with other large, long-term contracts, shipbuilding contracts, like those relating to infrastructure which constitute the business purpose of some companies in the Group, are dated well before product completion, sometimes even a long time before. Moreover, these projects are inherently higly compex. 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, including 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 and based on the information available at the reporting date.

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
Deferred tax assets are accounted for on the basis of expectations of their recoverability by the legal entities in which they accrue, including on the basis of forecasts of positive taxable income in future years, and taking into account, where applicable, the possibility of transferring certain tax benefits to companies participating in the forms of 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 are subject to impairment testing when events occur that indicate that their carrying value may not be recoverable, and at least annually in the case of assets with an indefinite life.

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 or "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 impairment 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. The difference is allocated by first recognizing the identified 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

The year 2023 saw a gradual stabilisation of the global macroeconomic scenario, which remains, however, subject to a highly unstable geopolitical context, as well as a level of interest rates and inflation that is higher than the average for recent years.

The recent tensions in the Middle East have resulted in a new wave of uncertainty, adding to a landscape already impacted by the continuing Russian-Ukrainian conflict. This represents a new risk and instability factor, especially in view of an expansion of the conflict and possible involvement of other countries.

Inflation slowed down substantially during 2023 compared to levels of the beginning of the year. In particular, the last quarter of 2023 saw a consolidation of the drop in inflation at various latitudes, with reductions of around 3-4% compared to the previous year. Inflation in the euro area is still expected to fall in 2024 and to reach its target (2%) only in 2025.

The restrictive monetary policies of the major central banks are having a positive effect on price dynamics. Following the latest meetings, the reference rates remained unchanged, confirming a reversal from previous periods, raising expectations of a possible cut in the short term. However, uncertainty remains high, with geopolitical aspects and changes in global trade being important elements to monitor.

In this context, the Group remains constantly committed to implementing price risk mitigation policies on the purchase of copper, gas and energy, in addition to marine fuel, as well as supplier diversification, including through the scouting of new international partners, especially with reference to strategic materials such as steel.

Similarly, the interest rate risk management strategy, implemented through the negotiation of derivative financial instruments (interest rate swaps), made it possible to contain the economic-financial impact of rising interest rates. As a result of the strategy described, more than 85% of the Parent Company's financial debt outstanding at the end of 2023 benefited from a fixed rate.

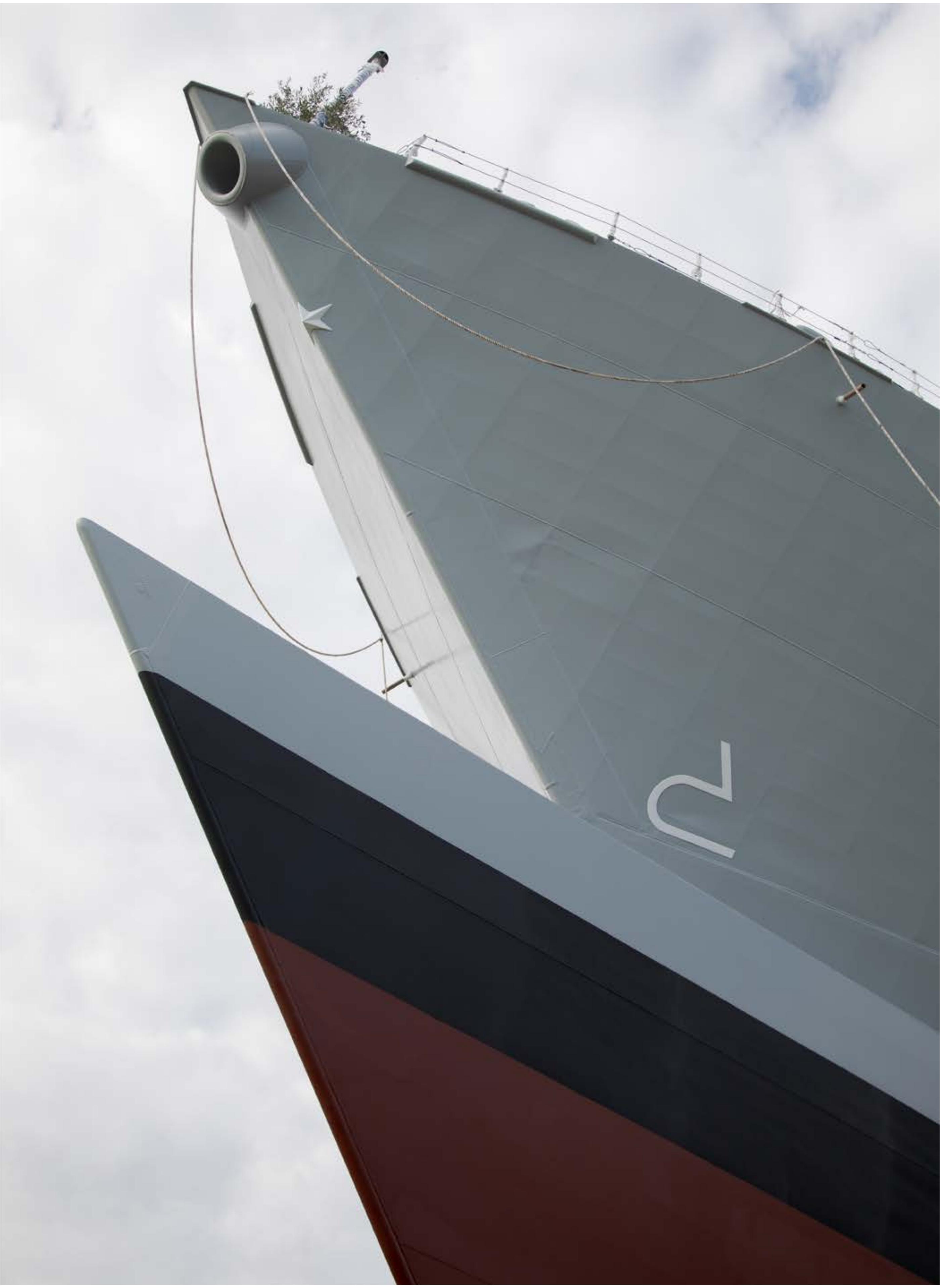
With reference to the effects of the Russian-Ukrainian conflict, as explained in the 2022 annual financial statements and in the 2023 interim financial statements, the Group has no current activities or investments in Russia or Ukraine, or financing relationships with companies or financial institutions operating in these countries, or employees based in these areas. The Group's exposure to the Middle East area affected by recent hostilities is contained and limited to Israel. To date, no critical situations have emerged that could have a significant impact on the financial statements.

19.9 Impacts of climate risk

As more fully described in the section "Fincantieri for the Climate" in the Group's Report on Operations included in the 2023 Consolidated Financial Statements, the Group has adopted Enterprise Risk Management processes and systems, aimed at assessing exposure to risks and defining actions to mitigate them, integrating sustainability risks and climate risks and considering both physical risks and those related to transition.

The possible impacts of climate risks and the mitigation actions defined by the Group, as identified following the above process, have been considered in preparing the financial statements. In this regard, no significant financial impacts were identified by the main estimation processes during the year under review. 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 in line with the expected developments in response to transition risks, with the aim of seizing market opportunities. Finally, acute physical risks with potential direct impacts on the Company's production sites are mitigated through 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, generally 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; moreover, in the recent past, the support of the Export Credit Agencies has allowed shipowners to obtain the necessary flexibility to meet their commitments to shipyards even in situations of systemic crisis (for example the "debt holiday" initiative during the COVID-19 pandemic).

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. In the case of any agreements with shipowners that deviate from what has already been represented, albeit in the presence of appropriate guarantees, the Group monitors the counterparty risk, reporting to top management in order to assess any actions to be taken and to reflect any accounting impacts.

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 2023 and 2022 based on the nominal value of receivables before any provision for impairment losses of receivables.

31.12.2023									
(euro/000)	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	867	348	133	71	7,093	8,512		8,512
- indirectly from public entities*	15	12,714	8,300	7,040	5,573	8,935	42,562		42,562
- from private shipowners	15	430,292	64,322	82,102	31,506	96,731	704,953	(58,777)	646,176
- from associates and joint ventures	15	18,365	7,108	3,826	4,685	35,786	69,770		69,770
TOTAL TRADE RECEIVABLES		**462,238**	**80,078**	**93,101**	**41,835**	**148,545**	**825,797**	**(58,777)**	**767,020**
Other receivables:									
- from associates	11				696		696		696
- for government grants	11-15	103,776	28			56	103,860		103,860
- from others	11-15	128,419	2,452		130	26,286	157,287	(24,333)	132,954
- from controlling companies (tax consolidation)	15	35,228					35,228		35,228
- from related parties	15								
- for income and indirect taxes	15-16	96,636	1,867	181	102	2,132	100,918	(1,216)	99,702
TOTAL OTHER RECEIVABLES		**364,059**	**4,347**	**181**	**928**	**28,474**	**397,989**	**(25,549)**	**372,440**
CONTRACT ASSETS	**14**	**2,497,790**					**2,497,790**		**2,497,790**
Financial receivables:									
- from associates and joint ventures	10-17	32,783					32,783		32,783
- other	10-17	699,826	19				699,845	(51,858)	647,987
TOTAL CURRENT FINANCIAL ASSETS		**732,609**	**19**	**-**	**-**	**-**	**732,628**	**(51,858)**	**680,770**
Advances, prepayments and accrued income									**161,900**
TOTAL		**4,056,696**	**84,444**	**93,282**	**42,763**	**177,019**	**4,454,204**	**(136,184)**	**4,479,920**

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

31.12.2022									
(euro/000)	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 shipowners	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)**	**769,933**
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.

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 2023, the Group recorded a negative Net financial position, presented in accordance with ESMA recommendations, of euro 2,271 million (negative for euro 2,531 million in 2022).

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 payables.

The Group can count on 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.

The Net financial position cited above does not include Payables to suppliers for reverse factoring; these refer to agreements aimed at guaranteeing easier access to credit for the Group's 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 290 additional days.

Payables to suppliers for reverse factoring at 31 December 2023 amount to euro 493 million and represent the value of invoices assigned by suppliers and formally recognized as liquid and collectable by the Group and subject to deferment at the year-end reporting 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 2023 the Group had euro 2.4 billion of unused financial capacity, including euro 0.8 billion of cash and cash equivalents and euro 1.6 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.

				31.12.2023			
(euro/000)	Notes	On demand	Within 1 Year	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	15,471	877,062	1,663,926	101,797	2,658,256	2,467,345
BIIS loans	27		1,101	2,915		4,016	4,016
Bond and commercial papers	27		146,000			146,000	146,000
Financial payables for leasing IFRS 16	22-27	867	24,466	75,532	47,591	148,456	130,517
Other financial liabilities	22-27	554	174,581	5,004	160	180,299	176,438
Liabilities included among "Trade payables and other current liabilities"							
Payables to suppliers	25	389,424	1,553,024	36,863	57	1,979,368	1,978,811
Payables to suppliers for reverse factoring	25		493,263			493,263	493,263
Indirect tax payables	25	5,994	6,997	70		13,061	13,061
Other payables	25	30,622	387,784	1,384	5,093	424,883	418,951
Advances, prepayments and accrued income	25						55,292
Income tax liabilities							
Income tax liabilities	26	3,474	14,753			18,227	18,227
TOTAL		**446,406**	**3,679,031**	**1,785,694**	**154,698**	**6,065,829**	**5,901,921**

				31.12.2022			
(euro/000)	Notes	On demand	Within 1 Year	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 payables 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 payables, 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 materials prices.

In pursuing its corporate 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 materials 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 materials price changes on production costs, there is a continuous review of risk exposure by monitoring price trends and implementing commercial (steel, gas and electricity) 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, monitoring of the market and Authority resolutions on electricity and gas continues.

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 flows 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.

As at 31 December 2023, there were interest rate swaps in place to hedge interest rate risk for a total notional amount of euro 3,963 million.

At the end of 2023, more than 80% of financial debt was either fixed-rate or hedged by interest rate swaps, and this percentage is expected to remain stable on average in the period 2024-27.

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)	31.12.2023			
	Positive fair value	Notional amount	Positive fair value	Notional amount
CASH FLOW HEDGING DERIVATIVES				
Interest rate swaps	29,942	913,125	77,219	3,050,000
Forward contracts			28	4,081
FAIR VALUE HEDGING DERIVATIVES				
Forward contracts	32,601	1,206,207	45,465	1,372,916
HEDGING DERIVATIVES WHICH DO NOT QUALIFY FOR HEDGE ACCOUNTING				
Forward contracts	12,320	592,526	11,911	268,975
Futures	1,891	67,456		

(euro/000)	31.12.2022			
	Positive fair value	Notional amount	Positive 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

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 and therefore no ineffective portion has been recognized.

Hedged items are recorded under the following headings in the Group balance sheet: Non-current financial assets (Note 10), Contract assets (Note 14), Current financial assets (Note 17), Non-current financial liabilities (Note 22), Contract liabilities (Note 24) and Current financial liabilities (Note 27).

The balance and movements of the cash flow hedge reserve in the year are shown in the table to this Note.

The fair value hedging instruments cover changes in the fair 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)	31.12.2023 Within 1 year	Between 1 and 5 years	Beyond 5 years	Total
CURRENCY RISK MANAGEMENT				
Outflow	2,115,782	1,599,218		3,715,000
Inflow	2,093,593	1,601,343		3,694,936
INTEREST RATE RISK MANAGEMENT				
Outflow	861	76,358		77,219
Inflow	26,204	3,738		29,942
RAW MATERIALS PRICE RISK MANAGEMENT				
Outflow	63,790	40,570		104,360
Inflow	65,252	40,999		106,251

(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		28,765		28,765
RAW MATERIALS PRICE RISK MANAGEMENT				
Outflow	52,310	34,895		87,205
Inflow	56,435	40,119		96,554

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
1.1.2022	**(5,240)**	**1,227**	**(4,013)**	**(23,357)**
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)**
Change in fair value	(52,366)	12,229	(40,137)	
Utilizations	(64,336)	15,195	(49,141)	49,141
Other income/(expenses) for risk hedging				(52,230)
Financial income/(expenses) relating to trading derivatives and time-value component of hedging derivatives				47,751
31.12.2023	**(52,366)**	**12,229**	**(40,137)**	**44,662**

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)	31.12.2023 A	B	C	D	Total	*Fair value*
Investments measured at fair value	4,533	21,625			**26,158**	***26,158***
Derivative financial assets	50,520	29,942			**80,462**	***80,462***
Other financial assets			669,631		**669,631**	***493,627***
Other non-current assets			67,038		**67,038**	***67,038***
Trade receivables and other current assets			1,149,879		**1,149,879**	***1,149,879***
Cash and cash equivalents			757,272		**757,272**	***757,272***
Derivative financial liabilities	(66,738)	(77,246)			**(143,984)**	***(143,984)***
Other financial liabilities	(9,393)			(2,932,392)	**(2,941,785)**	***(2,948,324)***
Other non-current liabilities				(68,982)	**(68,982)**	***(68,982)***
Trade payables and other current liabilities				(2,871,749)	**(2,871,749)**	***(2,871,749)***

(euro/000)	31.12.2022 A	B	C	D	Total	*Fair value*
Investments measured 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)***

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 2023 and 2022, according to their level in the fair value hierarchy.

(euro/000)	31.12.2023			
	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	4,315		218	4,533
Debt instruments				
Financial assets at fair value through the statement of comprehensive income				
Equity instruments	1,056		20,569	21,625
Debt instruments				
Hedging derivatives		80,462		80,462
Trading derivatives				
Total assets	**5,371**	**80,462**	**20,787**	**106,620**
Liabilities				
Financial liabilities at fair value through profit or loss			9,393	9,393
Hedging derivatives		143,984		143,984
Trading derivatives				
Total liabilities	**-**	**143,984**	**9,393**	**153,377**

(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**

Financial assets at fair value through profit or loss and the statement of comprehensive income classified as Level 3 relate to equity investments measured at fair value calculated using valuation techniques whose inputs are not observable on the market. The Level 3 decrease in the financial assets at fair value through profit or loss refers mainly sale of shares held in the company Norwind Shipholding AS. Further information can be found in Note 9.

The reduction in Financial liabilities at fair value through profit or loss at Level 3 mainly reflects the exercise of the option on the minority shares of the subsidiary HMS IT S.p.A. Further information can be found in Note 22.

Note 5 - Sensitivity analysis

Currency risk
With regard to currency risk, the Group has performed a sensitivity analysis, both including and excluding the effect of hedging derivatives, in order to estimate the impact on pre-tax profit of a reasonable variance in the principal exchange rates to which the Group is most exposed against the functional currencies of the Parent Company and its subsidiaries (involving an appreciation/depreciation of the foreign currency against the functional one). The analysis looks at exposure to currency risk, as defined by IFRS 7, and therefore does not consider the effects arising from translation of financial statements of foreign companies with a functional currency other than the Euro. In addition, the analysis has not examined the effect of exchange rate fluctuations on the valuation of 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 2023 for individual exchange rates.

(euro/million)	31.12.2023		31.12.2022	
	Pre-tax effect on profit	Pre-tax effect on equity	Pre-tax effect on profit	Pre-tax effect on equity
USD vs EUR				
Including hedging derivatives				
Appreciation of the USD vs EUR	2	2	15	14
Depreciation of the USD vs EUR	(2)	(1)	(13)	(12)
Excluding hedging derivatives				
Appreciation of the USD vs EUR	40	40	31	31
Depreciation of the USD vs EUR	(35)	(35)	(26)	(26)
EUR vs NOK				
Including hedging derivatives				
Appreciation of the EUR vs NOK	(1)	(45)		(45)
Depreciation of the EUR vs NOK	1	55		55
Excluding hedging derivatives				
Appreciation of the EUR vs NOK	(14)	(58)	(14)	(59)
Depreciation of the EUR vs NOK	17	71	17	72
USD vs BRL				
Including hedging derivatives				
Appreciation of the USD vs BRL	(2)	(2)		
Depreciation of the USD vs BRL	2	2		
Excluding hedging derivatives				
Appreciation of the USD vs BRL	(9)	(9)	(13)	(13)
Depreciation of the USD vs BRL	9	9	13	13
Other currencies				
Including hedging derivatives				
Appreciation of other currencies	(6)	(6)	(4)	(4)
Depreciation of other currencies	6	6	4	4
Excluding hedging derivatives				
Appreciation of other currencies	(8)	(8)	(6)	(6)
Depreciation of other currencies	8	8	6	6

Interest rate risk
Similarly, a sensitivity analysis has also been performed to estimate the impact of a potential generalized variation of benchmark interest rates of +/- 100 basis points on an annualized basis. The estimated effects on profit or loss involve a negative impact of approximately euro 3,984 thousand in the event of a 1.00% increase in interest rates and a positive impact of euro 3,984 thousand in the event of a 1.00% 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	Assets under construction and advances to suppliers	Total
- 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 01.01.2022	**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	(4,684)
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**
Movements in 2023									
- change in the scope of consolidation	(1)		3	57	12				71
- additions			4,855	19,885	229		2,517	27,814	55,300
- net disposals			(2)	(15)	(13)		(3)	(2,747)	(2,780)
- reclassifications/ other	2	(1)	21,792	981	375			(23,259)	(110)
- amortization		(13,298)	(18,311)	(22,192)	(3,021)	(14,378)	(2,508)		(73,708)
- impairment losses									
- exchange rate differences	(7,170)	(4,453)	(105)	(163)	(846)		(165)	(155)	(13,057)
Closing net carrying amount	**116,133**	**111,487**	**52,013**	**66,403**	**25,243**	**25,055**	**10,137**	**67,969**	**474,440**
- cost	250,255	242,112	248,982	255,594	53,212	108,887	26,566	87,216	1,272,824
- accumulated amortization and impairment losses	(134,122)	(130,625)	(196,969)	(189,191)	(27,969)	(83,832)	(16,429)	(19,247)	(798,384)
Net carrying amount at 31.12.2023	**116,133**	**111,487**	**52,013**	**66,403**	**25,243**	**25,055**	**10,137**	**67,969**	**474,440**

The change in the scope of consolidation relates to Power4Future, a company incorporated in 2021 and previously consolidated using the equity method, which the Group acquired control over in 2023.

Capital expenditure in 2023 amounted to euro 55,300 thousand (euro 70,781 thousand in 2022) and mainly related to:

- the strengthening of the Group's digital transformation process mainly focused on: (i) expanding the scope of intervention within the production processes, extending solutions to the various work phases in line with the strategic guidelines defined in the Business Plan (e.g. digitalization of auxiliary processes, introduction of machine learning processes, first approach to the use of artificial intelligence solutions, digital twin, IoT, virtual reality) and (ii) the use of advanced analysis/reporting tools;
- the completion of the project to upgrade the IT environment through the implementation of a high-tech multi-cloud infrastructure;
- the development of information systems to: (i) support the Group's growing activities with particular reference to the upgrade of management systems and the standardization of management platforms and digital tools among the main subsidiaries and (ii) optimize process management with a focus on production (operational excellence);
- the continuous implementation of new cyber security tools.

As in previous years, capital expenditure in renewing the Group’s network infrastructure and hardware continued. During 2023, the Group also spent euro 152 million in research costs for various projects involving product and process innovations (euro 158 million in 2022) 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 15,900 thousand for trademarks with indefinite useful lives, reflecting the expectation for their use and deriving from the acquisition of the US 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 subjected to an impairment test from which no need for impairment emerged. 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 analysis showed that a negative change of 30 basis points in the WACC (see definition below) or 10 basis points in the EBITDA margin used for terminal value calculation purposes would result in a total impairment of the brand.

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 116,133 thousand at 31 December 2023. Changes compared to 31 December 2022 are due exclusively to fluctuation in the Euro/Norwegian Krone exchange rate.

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 used the projections of future cash flows of the CGUs taken from the 2023-2027 Business Plan approved by the Board of Directors of each subsidiary, 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. These data were updated with the 2024 budget prepared by the subsidiaries for the purpose of defining the Group's budgeting process.

The long-term 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, in line with the relevant cash flows.

It should be noted that following the reallocation of Vard Electro group from the Mechatronics Cluster to the Electronics Cluster, the relative cash flows, previously allocated to the Vard Systems and Components CGU, were transferred to the new Vard Electro CGU, in line with the criteria that Group management uses for operating segment data in its decision-making processes. In line with this approach, the carrying value of the goodwill was also reallocated to the new CGU in proportion to the fair value of the Vard Electro group determined based on its value in use (calculated using the discounted cash flow method) at the date of the last impairment test (31 December 2022), which represents the fair value of the CGUs at that date.

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 forecasting period reflected in the cash flows.

CGU (euro/000)	Goodwill 31.12.2022	Goodwill 31.12.2023	Recognition currency	Recoverable amount	WACC post-tax	g rate	Cash flow period
Vard Offshore and Specialized vessels	55,319	51,902	NOK	Value in use	8.7%	2.4%	4 years
Vard Electro		52,862	NOK	Value in use	8.5%	2.5%	4 years
Vard Systems and Components	56,516		NOK				
Fincantieri NexTech group	11,467	11,467	EUR	Value in use	8.2%	2.3%	4 years
Total	**123,302**	**116,231**					

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

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.

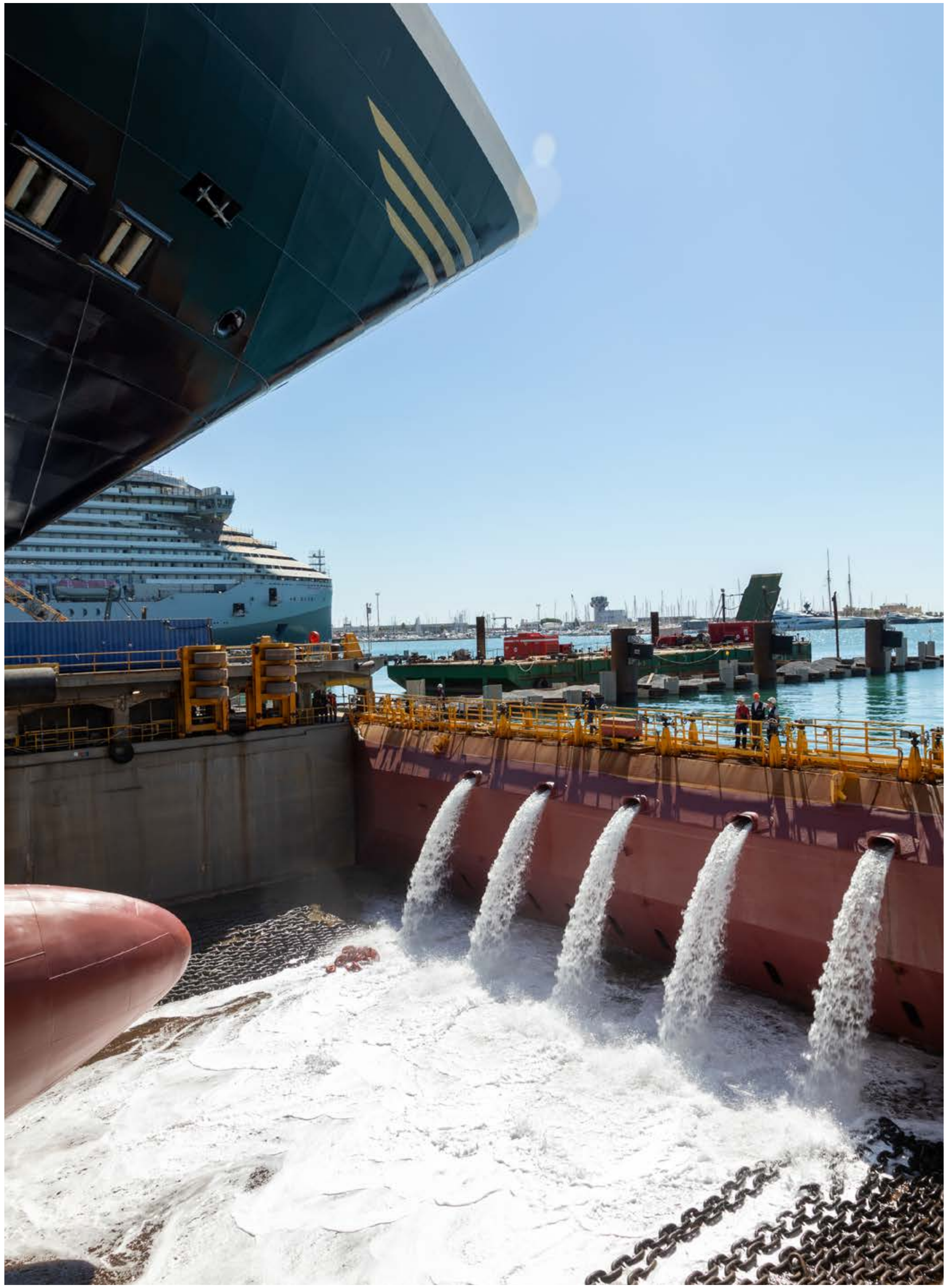
The results obtained have been subjected to sensitivity analysis for those assumptions, changes in which might reasonably cause the test results to change materially. This has shown that if WACC were to increase or if growth rates (g rate) or EBITDA margins used in the terminal value calculation were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

Vard Electro CGU
The impairment test has shown that the recoverable amount of the CGU exceeds its carrying amount, meaning that no impairment loss needs to be recognized.

The results obtained have been subjected to sensitivity analysis for those assumptions, changes in which might reasonably cause the test results to change materially. This has shown that if WACC were to increase 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.

Fincantieri NexTech group CGU
The impairment test has shown that the recoverable amount of the CGU exceeds its carrying amount, meaning that no impairment loss needs to be recognized.

The results obtained have been subjected to sensitivity analysis for those assumptions, changes in which might reasonably cause the test results to change materially. This has shown that if WACC were to increase 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	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 01.01.2022	**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**
Movements 2023							
- change in the scope of consolidation							
- increases	15,289	4,743	1,435	1,824	10	1,339	24,640
- decreases	(2,884)	(4)	(6)	(6)	(18)		(2,918)
- reclassifications/other	139	(126)		8	3	(2)	22
- amortization	(16,235)	(2,333)	(1,560)	(1,379)	(84)	(448)	(22,039)
- exchange rate differences	(1,795)	(66)		(33)	21	(82)	(1,955)
Closing net carrying amount	**85,054**	**27,310**	**1,770**	**2,425**	**48**	**8,258**	**124,865**
- cost	135,286	34,345	6,366	6,412	406	9,159	191,974
- accumulated amortization and impairment losses	(50,232)	(7,035)	(4,596)	(3,987)	(358)	(901)	(67,109)
Net carrying amount at 31.12.2023	**85,054**	**27,310**	**1,770**	**2,425**	**48**	**8,258**	**124,865**

Increases in 2023 amounted to euro 24,640 thousand (euro 38,908 thousand in 2022) and mainly related to contracts signed by the Parent Company for euro 12 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	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 01.01.2022	**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)
- other changes/reclassifications	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**
Movements in 2023							
- change in the scope of consolidation	1,684	2,773			30		4,487
- additions	12,520	39,446	5,305	540	7,537	137,821	203,169
- net disposals	(664)	(2,300)	(77)	(320)	(717)	(1,617)	(5,695)
- other changes/reclassifications	44,650	46,562	2,973	652	6,897	(101,873)	(139)
- amortization	(27,833)	(83,593)	(7,851)	(1,436)	(17,338)		(138,051)
- impairment losses	(39)						(39)
- exchange rate differences	(7,264)	(2,356)		(1)	(1,406)	(4,525)	(15,552)
Closing net carrying amount	**668,570**	**568,538**	**67,749**	**9,785**	**141,684**	**227,458**	**1,683,784**
- cost	1,022,364	1,706,625	232,303	36,015	351,201	227,458	3,575,966
- accumulated amortization and impairment losses	(353,794)	(1,138,087)	(164,554)	(26,230)	(209,517)		(1,892,182)
Net carrying amount at 31.12.2023	**668,570**	**568,538**	**67,749**	**9,785**	**141,684**	**227,458**	**1,683,784**

The change in the scope of consolidation relates to Power4Future, a company incorporated in 2021 that was previously consolidated using the equity method and became a subsidiary in 2023.

Capital expenditure in 2023 has resulted in additions of euro 203,172 thousand, mainly related to:

- the finalization of the macro-project for works on the operating areas and infrastructure of the Marghera shipyard which, with the completion of the pre-outfitting workshop and the new logistics buildings for materials destined for the final phases of ship outfitting, has made it possible to achieve greater production capacity and operating efficiency at the site to deal with the development of the backlog acquired;
- significant progress at the Riva Trigoso shipyard on the package of works for highly automated plant engineering and the general reorganization of the prefabrication workshop, due to the increased production capacity of the shipyard and increased efficiency of construction activities for naval projects;
- the plant engineering works related to the extensive reconfiguration of the Sestri Ponente shipyard, which will allow the site to overcome the current size limitations for ships under construction;

- the continuous upgrading of plant and equipment standards at the Tulcea and Braila shipyards in Romania; in particular in 2023 the ship handling systems, the fleet of welding machines, automated welding and sheet metal bending equipment and the IT network were modernized according to the Group's high quality and safety standards;
- progress towards the completion, in the US shipyards of Marinette Marine and Bay Shipbuilding, of the major investment program shared with the US Navy during the acquisition phase of the Constellation program; in particular, in 2023, the infrastructure for the new launching system and new workshops for the surface treatment of hull parts were built;
- significant progress on the investment plan in support of FMSNA, on the Jacksonville operating site, to adapt its configuration and infrastructure, as well as production facilities, to ensure maintenance activities mainly for the surface vessels of the Constellation program, as well as other US Navy surface vessels, without neglecting the merchant ship repairs business segment;
- the continuation, in the Vietnamese yard of Vung Tau, of the site expansion program aimed at increasing production capacity to strengthen the company's leadership position in the construction of VOCs, anticipating market trends driven by growth forecasts for offshore wind;
- 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 ongoing process of modernization and gradual replacement of poorly performing or obsolete assets with more advanced and efficient technological solutions in line with new operating requirements and the highest sustainability criteria;
- initiatives to research and implement safety levels beyond the legal requirements;
- specific initiatives for energy efficiency in production infrastructure, equipment and buildings, with the possibility of monitoring, managing and thus reducing environmental impact at the Group level;
- sustainability initiatives related to personnel and in general to the workers operating within Fincantieri. In particular, during the year a new crèche was built and started up at the Monfalcone shipyard, the second after the one in Trieste, as well as various initiatives to expand the accommodation capacity of changing rooms, offices, car parks and refreshment areas.

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 2023, the amount of the Group’s property, plant and machinery pledged as collateral against loans received was approximately euro 110 million (euro 96 million at the end of 2022).

Contractual commitments already given to third parties as of 31 December 2023 for capital expenditure not yet reflected in the financial statements amounted to approximately euro 160 million, of which euro 125 million for Property, plant and equipment and euro 35 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**
1.1.2022	**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**
Business combinations			**-**			**-**	**-**
Investments	78	3,000	**3,078**	50		**50**	**3,128**
Revaluations/(Impairment losses) through profit or loss	(232)	2,454	**2,222**			**-**	**2,222**
Revaluations/(Impairment losses) through Equity			**-**	(50)		**(50)**	**(50)**
Disposals	(626)	(517)	**(1,143)**	(12)	(6,243)	**(6,255)**	**(7,398)**
Dividends from investments accounted for using the Equity method			**-**			**-**	**-**
Reclassifications/Other	(50,382)	(1,467)	**(51,849)**		96	**96**	**(51,753)**
Exchange rate differences	(4,384)		**(4,384)**		(89)	**(89)**	**(4,473)**
31.12.2023	**988**	**32,474**	**33,462**	**21,625**	**4,533**	**26,158**	**59,620**

Investments made during the year totalled euro 3,128 thousand, mainly for the capital contribution to the joint venture Naviris S.p.A., through waiver of credit, amounting to euro 3,000 thousand.

The item Revaluations/(Impairment losses) through profit or loss, positive for euro 2,222 thousand, refers to the Net Result and in particular the pro-rata share for the year of the companies valued using the equity method, i.e. based on the equity held in the associates Centro Servizi Navali S.p.A. and Castor Drilling Solution AS and the joint ventures Orizzonte Sistemi Navali S.p.A., Etihad Ship Building LLC, CSSC - Fincantieri Cruise Industry Development Ltd. and Naviris S.p.A.

The item Revaluations/(Impairment losses) through Equity, negative for euro 50 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 50 thousand in the delta fair value reserve present in the OCI reserves of Fincantieri S.p.A.'s shareholders' equity.

Disposals, amounting to euro 7,398 thousand, mainly relate: i) for euro 626 thousand to the sale by the subsidiary SOF S.p.A. of some of the shares held by the latter in the company Nord Ovest Toscana Energia S.r.l., a former 34% associate; ii) for euro 500 thousand to the liquidation of the joint venture Pergenova S.c.p.a.; iii) for euro 17 thousand to the closure of the company Issel Middle East Information Technology Consultancy LLC, with consequent removal from the consolidation area; iv) for euro 6,243 thousand to the sale by the subsidiary Vard Singapore Shipholding Pte Ltd. of the shares held in the company Norwind Shipholding AS.

It should be noted that the column Other investments (euro 26,158 thousand at 31 December 2023) includes equity instruments measured at fair value by hierarchical level, as explained in Note 4. In particular it includes: i) for euro 5,371 thousand, investments measured at fair value, calculated on the basis of the related prices if quoted in active markets (Level 1); ii) for euro 20,787 thousand, investments valued based on valuation techniques whose inputs are not observable on the market (Level 3).

The item Reclassifications/Other, amounting to euro 51,753 thousand, mainly relates to: i) euro 50,377 thousand for the decrease in the investments in the associates Island Diligence AS and Island Offshore XII Ship AS, which are expected to be sold in the near future and whose carrying value has therefore been reclassified to current assets; ii) for euro 1,482 thousand to the joint venture Power4Future S.p.A., which from 1 January 2023, as a result of the shareholders' agreements signed for its incorporation, became a subsidiary of Fincantieri SI S.p.A. (interest held 52% of the share capital) and is therefore now consolidated on a line-by-line basis.

For more details on the value of investments as at 31 December 2023, see the tables below.

Investments at 31 December 2023

Investments in associates accounted for using the equity method

Company name	Registered office	% owned	Carrying amount
Centro Servizi Navali S.p.A.	Italy	10.93	448
Prelios Solution & Technologies S.r.l.	Italy	49	25
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	156
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.	Italy	25	3
Castor Drilling Solution AS	Norway	34.13	111
Brevik Technology AS	Norway	34	68
Island Diligence AS	Norway	39.38	
Island Offshore XII SHIP AS	Norway	46.9	
CSS Design Ltd.	British Virgin Islands	31	
Total investments in associates accounted for using the equity method			**988**

The investments held in these companies, which are consolidated using the equity method, are considered to indicative of significant influence based on the shareholder agreements signed with the other shareholders.

As at 31 December 2023, the investments in 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. The investments in Island Diligence AS and Island Offshore XII SHIP AS have been reclassified to Assets held for sale as their sale is considered highly probable. More information can be found in Note 36.

Investments in joint ventures accounted for using the equity method

Company name	Registered office	% owned	Carrying amount
Orizzonte Sistemi Navali S.p.A.	Italy	51	17,982
BUSBAR4F S.c.a.r.l.	Italy	60	24
PERGENOVA S.c.p.a.	Italy	50	
Naviris S.p.A.	Italy	50	1,818
FINMESA S.c.a.r.l.	Italy	50	10
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
4TCC1 S.c.a.r.l.	Italy	80	80
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
Consorzio F.S.B.	Italy	58.36	5
Etihad Ship Building LLC	Arab Emirates	35	88
CSSC - Fincantieri Cruise Industry Development Ltd.	Hong Kong	40	12,255
Total investments in joint ventures accounted for using the equity method			**32,474**

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.

Other investments in companies carried at fair value through the statement of comprehensive income

Company name	Registered office	% owned	Carrying amount
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	3,985
Webuild S.p.A.	Italy	0.066	1,213
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	2
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	12.3	76
Consorzio MedITech - Mediterranean Competence - Centre 4 Innovation	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. (ex 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
S.Ene.Ca S.r.l.	Italy	5	355
T.e.n.o.v. S.r.l.	Italy	5	50
EEIG Euroyards	Brussels	14.29	10
Banque Populaire Mediterranee	France	3	5
Total other investments in companies carried at fair value through the statement of comprehensive income			**21,625**
Other investments in companies carried at fair value through profit and loss			
Friulia S.p.A.	Italy	0.58	4,315
Other intangibles	Italy Romania Norway		218
Total other investments in companies carried at fair value through profit and loss			**4,533**

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

During 2022, the associate Gruppo PSC S.p.A. filed for composition with creditors and, therefore, the carrying value of the investment was written off in 2022 as it was deemed not recovera.ble (impairment in the income statement of euro 2,721 thousand). The value of the investment did not change in 2023.

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	2,054
Other components of the statement of comprehensive income	
Total of the statement of comprehensive income	**2,054**

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 2023 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)	**31.12.2023**
Balance sheet	
Current assets	127,650
of which cash and cash equivalents	108,959
Non-current assets	441
Current liabilities	(91,368)
of which current financial liabilities	
Non-current liabilities	(190)
of which non-current financial liabilities	
Statement of comprehensive income	
Revenue	479,827
Depreciation, amortization and impairment	(113)
Interest income and expenses	2,191
Income taxes	(163)
Profit/(loss) for the year	798
OCI for the year	
Total of the statement of comprehensive income	798
Reconciliation with carrying amount	
Equity	36,533
Interest @ 51%	18,632
Other changes	(650)
Carrying amount	17,982

No dividends were received from Orizzonte Sistemi Navali S.p.A. during 2023.

With regard to the other 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	(232)
Other components of the statement of comprehensive income	
Total of the statement of comprehensive income	**(232)**

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)	31.12.2023	31.12.2022
Receivables for loans to joint ventures		
Derivative assets	19,346	37,728
Other non-current financial receivables	646,534	113,744
Non-current financial receivables from associates	18,293	19,694
NON-CURRENT FINANCIAL ASSETS	**684,173**	**171,166**

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 decrease is mainly attributable to the change in the fair value of the interest rate swaps held by Fincantieri S.p.A. Further details can be found in Note 4.

"Other non-current financial receivables" mainly refer to the non-current portion of loans to third parties bearing market rates of interest. The change compared to the previous year is mainly due to the granting of a new loan, backed by collateral, to a shipowner in connection with the delivery of a ship in December 2023; the loan amounts to euro 588 million and matures in December 2025 at the latest.

Other non-current financial receivables were written down by euro 51,858 thousand in accordance with IFRS 9.

"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.

Note 11 - Other non-current assets

Other non-current assets are analyzed as follows:

(euro/000)	31.12.2023	31.12.2022
Other receivables from investee companies	696	723
Government grants receivable	42,578	30,514
Firm commitments	12,463	7,385
Other receivables	11,301	11,418
OTHER NON-CURRENT ASSETS	**67,038**	**50,040**

Other non-current assets are stated net of the related provision for impairment amounting to euro 10,179 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)	31.12.2023	31.12.2022
- between one and two years	9,937	6,289
- between two and three years	8,159	6,289
- between three and four years	8,159	6,249
- between four and five years	8,159	6,076
- beyond five years	8,163	5,610
TOTAL	**42,577**	**30,513**

"Firm commitments" of euro 12,463 thousand (euro 7,385 thousand at 31 December 2022) 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 11,301 thousand (euro 11,418 thousand at 31 December 2022) 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 6,439 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 1.1.2022	**8,712**
Business combinations	
Utilizations	
Provisions / (Releases)	750
Total at 31.12.2022	**9,462**
Business combinations	
Utilizations	
Provisions / (Releases)	717
Total at 31.12.2023	**10,179**

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
1.1.2022	**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**
Changes 2023								
- business combinations								
- through profit or loss	6,988	655	12,286		180	2,473	5,364	27,946
- impairment losses	(206)	(335)	(79)			(4,038)	(488)	(5,146)
- through other comprehensive income				27,423	271			27,694
- tax rate and other changes	53	(1)	1		95		1,284	1,432
- exchange rate differences	(87)	(3)	(2)			(133)	(3,228)	(3,453)
31.12.2023	**43,708**	**15,767**	**35,254**	**12,229**	**2,070**	**13,513**	**108,849**	**231,390**

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 329 million (euro 278 million at 31 December 2022) 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
1.1.2022	**41,113**	**28,988**	**70,101**
Changes in 2022			
- business combinations	2,391		(138)
- 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**	**80,170**
Changes in 2023			
- business combinations			
- through profit or loss	(3,292)	(5,326)	(8,618)
- impairment losses			
- through other comprehensive income			
- tax rate and other changes	(227)	1,686	1,459
- exchange rate differences	(1,365)	(1,854)	(3,219)
31.12.2023	**34,343**	**37,978**	**69,792**

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 tax values of fixed assets, mainly for the American subsidiaries.

Note 13 - Inventories and advances

These are analyzed as follows:

(euro/000)	31.12.2023	31.12.2022
Raw materials and consumables	462,782	458,534
Work in progress and semi-finished goods	13,117	23,698
Finished products	18,807	15,378
Total inventories	**494,706**	**497,610**
Advances to suppliers	306,367	365,907
TOTAL INVENTORIES AND ADVANCES	**801,073**	**863,517**

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 decrease compared to 2022 is attributable to the absorption of inventories generated by the production volumes developed in 2023.

The items "Work in progress and semi-finished goods" and "Finished products" include the manufacture of engines and spare parts. The change in this item compared to 31 December 2022 is due to the completion of some products delivered to customers.

The values of Inventories and advances are shown net of the relevant provision for impairment. The levels and changes in the provisions representing these adjustments are summarized in the table below:

(euro/000)	Provision for impairment - raw materials	Provision for impairment - work in progress and semi-finished goods	Provision for impairment - finished products
1.1.2022	**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**
Changes in the scope of consolidation			
Provisions	7,759	382	144
Utilizations	(3,157)		(17)
Releases	(161)		(652)
Exchange rate differences	1,582		(94)
31.12.2023	**24,399**	**1,708**	**4,071**

"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 year with the estimated realizable value.

Note 14 - Contract assets

These are analyzed as follows:

(euro/000)	31.12.2023			31.12.2022		
	Construction contracts – gross	Invoices issued and provision for expected losses	Net assets	Construction contracts – gross	Invoices issued and provision for expected losses	Net assets
Shipbuilding contracts	10,675,038	(8,297,657)	2,377,381	8,553,130	(5,564,056)	2,989,074
Other contracts for third parties	106,192,963	(106,072,554)	120,409	543,427	(447,342)	96,085
Total	**116,868,001**	**(114,370,211)**	**2,497,790**	**9,096,557**	**(6,011,398)**	**3,085,159**

"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 margins accreued on a pro-rata basis less any impairment losses and expected losses.

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)	31.12.2023	31.12.2022
Trade receivables	767,020	769,930
Receivables from controlling companies (tax consolidation)	35,228	15,559
Government grants receivable	61,282	52,944
Other receivables	121,664	175,340
Indirect tax receivables	65,600	76,430
Firm commitments	22,860	6,245
Accrued income	75,723	80,064
Prepayments	501	149
TOTAL TRADE RECEIVABLES AND OTHER CURRENT ASSETS	**1,149,878**	**1,176,661**

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 composition 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 residual risk to which the Company is exposed in the event that its claims are not recognised is therefore euro 12.9 million. With reference to the trade receivables reported by the subsidiaries Fincantieri Infrastructure S.p.A. (around euro 13.0 million) and SOF S.p.A. (approximately euro 2.5 million) from Semat S.p.A. and Acciaierie di Italia S.p.A., respectively, and related to the provision of goods and services deemed essential for production operations at the Acciaierie di Italia S.p.A plants in Taranto - these are considered recoverable due to the expectation that the emergency legislation enacted by the current government - Decree Law No. 4 of 18 January 2024 and Decree Law No. 9 of 2 February 2024 - will apply to the creditor.

The measures referred to and the information available to date have been examined with the support of legal advisors in order to assess how the exposure could be recovered, concluding positively on the prospect of full recovery despite the lack of clear visibility on the timing, given the current state of the situation affecting the counterparties. A provision for interest charged on past due trade receivables has been recognized in a "Provision for past due".

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
1.1.2022	**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**
Changes in the scope of consolidation				
Utilizations	(3,522)	1	(354)	(3,875)
Provisions	3,714	630	1,706	6,050
Releases	(8,814)	(1,835)		(10,649)
Exchange rate differences	(130)			(130)
31.12.2023	**58,552**	**225**	**15,370**	**74,147**

For considerations regarding credit risk, reference is made to Note 4.

"Government grants receivable" of euro 61,282 thousand mainly include grants receivable by the Parent Company (euro 49,159 thousand), the subsidiary IDS Ingegneria Dei Sistemi S.p.A. (euro 1,255 thousand), the subsidiary Ce.Te.Na S.p.A. (euro 725 thousand) and the subsidiary Isotta Fraschini e Motori S.p.A. (euro 602 thousand) 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 (euro 9,190 thousand).

"Other receivables" of euro 121,669 thousand mainly refer to:

- receivables for supplies on behalf of shipowners (euro 10,728 thousand), for insurance compensation (euro 42,200 thousand), other receivables from suppliers (euro 8,815 thousand), various receivables from personnel (euro 13,953 thousand), for research grants and other sundry receivables, mainly relating to the Parent Company, totalling euro 75,673 thousand;
- receivables from social security institutions for euro 885 thousand, most of which represent advances paid to employees for injuries and amounts owed by INPS (the Italian National Institute for Social Security) in respect of the Wage Guarantee Fund.

"Indirect tax receivables" of euro 65,600 thousand (euro 76,430 thousand at 31 December 2022) 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 22,860 thousand (euro 6,245 thousand at 31 December 2022) 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)	31.12.2023	31.12.2022
Italian corporate income taxation (IRES)	8,737	6,185
Italian regional tax on productive activities (IRAP)	4,450	2,304
Foreign tax	20,915	13,537
Other substitute taxes		
TOTAL INCOME TAX ASSETS	**34,102**	**22,026**

No impairment has been recognized for foreign tax receivables, as there is no risk regarding their recovery.

Note 17 - Current financial assets

These are analyzed as follows:

(euro/000)	31.12.2023	31.12.2022
Derivative assets	61,116	56,266
Other receivables	1,453	114,772
Current financial receivables from associates and joint ventures	14,490	22,691
Accrued interest income	12,819	9,993
Prepaid interest and other financial expense	2,246	551
TOTAL CURRENT FINANCIAL ASSETS	**92,124**	**204,273**

The item “Derivative assets” shows the fair value of derivatives contract in place at the reporting date with a maturity of less than 12 months. The fair value of derivative financial instruments has been calculated considering market parameters and using widely accepted measurement techniques (Level 2). Further details can be found in Note 4.

The change in "Other receivables" is due to the repayment of loans disbursed mainly to customers during the most acute phases of the COVID-19 pandemic and which matured in 2023, on which interest accrued at market rates.

“Current financial receivables from associates and joint ventures” mainly relates to the residual portion of the shareholder loan made to the joint venture CSSC – Fincantieri Cruise Industry Development Ltd. for euro 22 million, partially repaid in the amount of euro 8,400 thousand during 2023.

Note 18 - Cash and cash equivalents

These are analyzed as follows:

(euro/000)	31.12.2023	31.12.2022
Bank and postal deposits	756,668	564,378
Checks	425	
Cash on hand	180	198
TOTAL CASH AND CASH EQUIVALENTS	**757,273**	**564,576**

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 120 million) held with leading banks, as well as term deposits subject to attachment for euro 1.2 million relating to the Parent Company.

Note 19 - Equity

The composition of equity is analyzed in the following table:

(euro/000)	31.12.2023	31.12.2022
Attributable to owners of the Parent Company		
Share Capital	862,981	862,981
Reserve of treasury shares	(4,799)	(926)
Share premium reserve	110,499	110,499
Legal reserve	65,066	65,066
Cash flow hedge reserve	(40,137)	49,141
Financial asset fair value reserve through the statement of comprehensive income	(1,226)	(1,176)
Currency translation reserve	(117,293)	(111,772)
Other reserves and retained earnings	(389,141)	(79,447)
Profit/(loss) for the year	(52,830)	(308,870)
	433,120	**585,495**
Attributable to Non-Controlling Interests		
Capital and reserves	(8,380)	6,628
Financial asset fair value reserve through the statement of comprehensive income	(7)	(7)
Currency translation reserve	9,709	9,870
Profit/(loss) for the year	(281)	(15,083)
	1,041	**1,408**
TOTAL EQUITY	**434,161**	**586,903**

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 13 June 2023, the Board of Directors approved the closure of the second cycle of the "2019-2021 Performance Share Plan" incentive plan, allocating 3,068,752 ordinary shares in Fincantieri (net of 926,457 assigned but not yet allocated) 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 6 July 2023.

As at 31 December 2022, 71.32% of the Parent 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 general market (except for 0.47% of shares owned by Fincantieri as treasury 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 4,799 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 20 March 2023, started the program for the purchase of treasury shares to service the incentive plan called "2019-2021 Performance Share Plan". This program ended on 6 April 2023 with the purchase on the market of 10,000,000 treasury shares, equal to about 0.59% of the Share Capital, at a weighted average net price of euro 0.5685 per share, for a total countervalue of euro 5,685 thousand.

Following the Board of Directors' resolution of 13 June 2023 to allocate shares under the 2nd cycle of the "2019-2021 Performance Share Plan", 3,068,752 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 1,827 thousand. The delivery of the shares took place on 6 July 2023. At the end of the second cycle, 926,457 shares were also assigned that had not yet been allotted pending closure of the inheritance.

As at 31 December 2023, the treasury shares in the portfolio amounted to 8,059,914 (net of the shares awaiting allocation as referred to above) equal to 0.47% 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 2023.

	No. of shares
Ordinary shares issued	1,699,651,360
less: treasury shares purchased	(1,128,666)
Ordinary shares outstanding at 31.12.2022	**1,698,522,694**
Changes in 2023	
plus: treasury shares allocated	3,068,752
less: treasury shares purchased	(10,000,000)
Ordinary shares outstanding at 31.12.2023	**1,691,591,446**
Ordinary shares issued	1,699,651,360
less: treasury shares purchased	(8,059,914)

Share premium reserve

This reserve was recorded as a result of the Share Capital increase accompanying the Company's listing on the Mercato Telematico Azionario of Borsa Italiana S.p.A. (MTA) of 3 July 2014. Listing costs of euro 11,072 thousand (net of tax effects) relating to the capital increase have been deducted from equity, 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 of 31 May 2023 resolved to cover the loss for the year 2022, amounting to euro 509,916 thousand through partial utilization of the extraordinary reserve, which was therefore reduced by the same amount.

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 5,038 thousand, increased in 2023 by euro 501 thousand as a result of the portion recorded in the costs of personnel and directors of the Company for beneficiaries of the plan and decreased by euro 4,278 thousand for the portion reclassified to increase revenue reserves following the settlement of the 2nd 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 decrease is mainly attributable to the carry forward of the 2022 result.

Non-controlling interests

The change with respect to 31 December 2022 is attributable to the profit/loss for the 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)	31.12.2023			31.12.2022		
	Gross amount	Tax (expense)/ benefit	Net amount	Gross amount	Tax (expense)/ benefit	Net amount
Effective portion of profits/(losses) on cash flow hedging instruments	(116,682)	27,424	(89,258)	69,576	(16,422)	53,154
Gains/(losses) from remeasurement of employee defined benefit plans	(1,510)	271	(1,239)	8,120	(1,798)	6,322
Gains/(Losses) from fair value measurement of investments measured at FVTOCI	(50)		(50)	(778)		(778)
Gains/(losses) arising on translation of financial statements of foreign operations	(5,769)		(5,769)	14,279		14,279
Total other comprehensive income/ (losses)	**(124,011)**	**27,695**	**(96,316)**	**91,197**	**(18,220)**	**72,977**

(euro/000)	31.12.2023	31.12.2022
Effective portion of profits/(losses) on cash flow hedging instruments arising in the period	(52,297)	64,385
Effective portion of profits/(losses) on cash flow hedging instruments reclassified to profit or loss	(64,385)	5,191
Effective portion of profits/(losses) on cash flow hedging instruments	**(116,682)**	**69,576**
Tax effect of other components of comprehensive income	**27,424**	**(16,422)**
TOTAL OTHER COMPREHENSIVE INCOME/(LOSSES), NET OF TAX	**(89,258)**	**53,154**

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
1.1.2022	**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 changes	(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**
Business combinations						(161)	(161)
Provisions for onerous contracts			138,898				138,898
Risk provisions	57,860	35,626				46,844	140,330
Utilization for onerous contracts			(166,485)				(166,485)
Utilizations	(45,669)	(21,668)				(5,763)	(73,100)
Releases	(93)	(4,103)	(13,859)			(840)	(18,895)
Other changes		(549)	49,884			(14,290)	35,045
Exchange rate differences		(662)	(5,831)		(80)	(257)	(6,830)
31.12.2023	**38,697**	**78,184**	**266,795**	**38,106**	**1,157**	**81,125**	**504,064**
- of which non-current portion	*37,707*	*63,836*	*185,101*	*38,106*		*79,967*	*404,717*
- of which current portion	*990*	*14,348*	*81,694*		*1,157*	*1,158*	*99,347*

Increases in the litigation provision mainly refer to: i) precautionary provisions for claims brought by employees, authorities or third parties for damages arising from asbestos exposure; ii) other provisions for litigation with employees and suppliers and for other legal proceedings. Utilization of the provision for litigation refers mainly to compensation in the asbestos-related lawsuits brought by employees, authorities or third parties.

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 year is due to provisions made in relation to the significant number of ships delivered during the last two years.

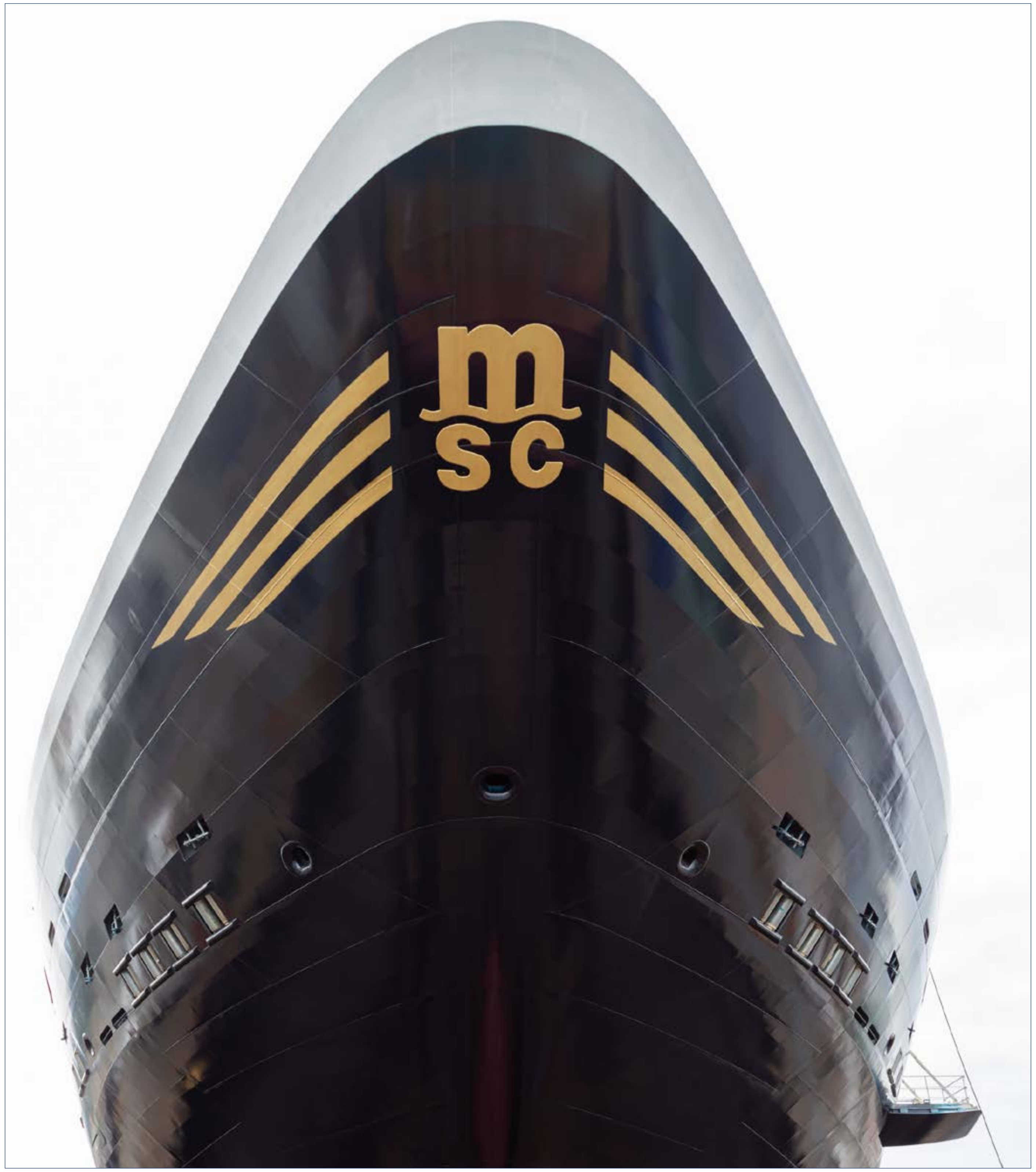
The item "Provisions for onerous contracts" includes the amount of estimated losses to completion with respect to existing construction contracts if increases in costs compared to those originally expected are not covered by the contractually agreed payments. The provisions recorded in the year mainly relate to the deterioration in margi-nality and consequent expected losses recorded on some orders, particularly in the Infrastructure Cluster for the Miami Terminal project for the shipowner MSC. The utilization of these provisions during the year are related to the progress of the relevant orders. Provisions/utilization for onerous contracts are included in the item “Change in Contract assets and liabilities” included in operating revenue in Note 28. Other changes mainly relate to the classification from the provision for expected losses of the project to the provision for onerous contracts.

The risks for financial guarantees refers to the liability for credit risk related to a financial guarantee issued in favour of a third party. The provision did not change compared to 31 December 2022. Further details can be found in Note 33 on guarantees given.

The “Business reorganization” provision has been set aside in previous years for the cost of the reorganization programs initiated by Vard in its Norwegian shipyards, which was not utilized during 2023.

The balance of “Provisions for 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 4 million) and losses on investments in non-consolidated companies (euro 3 million). The increase in provisions for other risks and charges is mainly attributable to the Parent Company and refers to the provision made to cover estimated future charges that the company may incur in connection with certain ship orders.

More information can be found in Note 33.



Note 21 - Employee benefits

Movements in this line item are as follows:

(euro/000)	2023	2022
Opening balance	**53,879**	**63,688**
Business combinations	14	
Interest cost	1,885	591
Actuarial (Gains)/Losses	1,528	(8,112)
Utilizations for benefits and advances paid	(4,007)	(3,418)
Staff transfers and other movements	1,097	1,129
Closing balance	**54,396**	**53,878**
Plan assets	(1)	(5)
Closing balance	**54,395**	**53,873**

The balance at 31 December 2023 of euro 54,396 thousand is mainly comprised of the employee severance benefit pertaining to the Group's Italian companies (euro 54,234 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:

	31.12.2023	31.12.2022
Economic assumptions		
Cost of living increase	2.00%	2.30%
Discount rate	3.08%	3.77%
Increase in employee severance benefit	3.00%	3.23%
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	5,037
Between 1 and 2 years	4,093
Between 2 and 3 years	4,358
Between 3 and 4 years	2,958
Between 4 and 5 years	4,414
Total	**20,860**

The Group paid a total of euro 47,708 thousand into defined contribution plans in 2023 (euro 45,828 thousand in 2022).

Note 22 - Non-current financial liabilities

These are analyzed as follows:

(euro/000)	31.12.2023	31.12.2022
Bank loans and credit facilities - non-current portion	1,560,023	1,190,982
Other payables to other lenders	13,250	11,603
Financial payables for leasing IFRS 16 - non-current portion	109,812	114,245
Fair value of options on equity investments	1,115	10,602
Derivative liabilities	95,205	17,122
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**1,779,405**	**1,344,554**

The increase in non-current financial liabilities is attributable to the net effect of the reclassification to current financial liabilities of the medium/long-term bank loan instalments due within 2024 (euro 606 million) and the recognition of the non-current portion of new loans finalized by the Group during the year (euro 975 million).

The following table shows the breakdown of bank loans and credit facilities, indicating the non-current and current portions:

(euro/000)	31.12.2023	31.12.2022
Intesa Sanpaolo	359,397	363,827
Banca Nazionale del Lavoro	364,500	362,500
Unicredit	209,687	357,384
Banca Popolare dell'Emilia Romagna	267,529	237,644
Bayerische Landesbank	28,125	211,625
Banca BPM	182,500	172,500
Banco di Sondrio	87,500	137,500
Banco do Brazil	60,362	66,220
China Construction Bank		60,000
Deutsche Bank	80,000	
Monte dei Paschi di Siena	80,000	57,500
Mediobanca		50,000
ICCREA	50,020	50,000
CAIXA Bank	130,000	50,000
Friuladria	40,000	30,000
Bank of China	30,000	30,000
Santander Bank	138,334	20,997
ABC Bank	20,000	20,000
BNP Paribas	14,563	15,313
Cassa Depositi e Prestiti	13,390	14,867
Other loans and credit facilities	(7,903)	(12,408)
TOTAL BANK LOANS AND CREDIT FACILITIES	**2,148,004**	**2,295,469**
Non-current portion	*1,560,023*	*1,190,982*
Current portion	*587,981*	*1,104,487*

The exposure to Intesa Sanpaolo refers to a medium/long-term unsecured loan disbursed to the Parent Company in August 2022 for euro 150 million, repayable in 20 six-monthly instalments due from January 2025 to 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 in 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 and euro 602 thousand in November 2023. This loan is expected to be repaid between 2025 and 2027.

In September 2023, Intesa Sanpaolo signed up to a share of to euro 160 million of the euro 800 million loan granted to the Parent Company under Decree Law No. 50 of 2022. This loan was disbursed in October 2023 and is to be repaid in 8 quarterly instalments starting in December 2026 and ending in September 2028. Following the merger by incorporation of UBI Banca into Intesa Sanpaolo, the following loans held by Fincantieri S.p.A. and disbursed by UBI Banca are now included in the balance due to Intesa Sanpaolo:

- euro 639 thousand out of a total of euro 2,021 thousand entirely paid to the Parent Company in relation to the ordinary portion of a loan, taken out in 2014, for a technological innovation project under Law 46/1982 called "Ambiente". The remaining portions of this loan will be repaid in semi-annual instalments due in 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 a total of euro 78.1 million was repaid in December 2023 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 March 2023 by the Fincantieri S.p.A. which is “sustainability-linked” as the cost can vary based on the achievement of specific Key Performance Indicators (KPIs) in the Parent Company's 2023-2027 Sustainability Plan. The loan is repayable in a single instalment in March 2028. Following the disbursement of the new loan, the Parent Company made an early repayment of the medium/long-term loan taken out in 2018 for euro 100 million. Furthermore, the exposure refers to the portion of the loan pursuant to Decree Law No. 23 of 2020 obtained by the Parent Company in the amount of euro 300 million, of which euro 187.5 million was repaid in December 2023 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 182.8 million was repaid in December 2023 as per the repayment plan. In addition, in June 2023 Unicredit disbursed to the Parent Company a sustainability linked loan for euro 100 million, repayable in a single instalment in December 2024.

The exposure towards Banca Popolare dell'Emilia Romagna refers to the residual debt of three medium/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 a total of euro 62.5 million was repaid in December 2023 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.

In September 2023, Banca Popolare dell'Emilia Romagna signed up to a share of to euro 80 million of the euro 800 million loan granted to the Parent Company under Decree Law No. 50 of 2022. This loan was disbursed in October 2023 and is to be repaid in 8 quarterly instalments starting in December 2026 and ending in September 2028.

The exposure to Bayerische Landesbank refers to a medium/long-term loan in place with the Parent Company for euro 75 million pursuant to Decree Law No. 23 of 2020 disbursed to the Parent Company in October 2020, of which euro 46.9 million was repaid in December 2023 as provided for in the repayment plan.

In May 2020, Banco BPM granted the Parent Company a medium/long-term unsecured loan for euro 50 million, repayable in a single instalment in May 2025. 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 87.5 million in total was repaid in December 2023 as provided for in repayment plan.

In September 2023, Banco BPM signed up to a share of euro 80 million of the euro 800 million loan granted to the Parent Company under Decree Law No. 50 of 2022. This loan was disbursed in October 2023 and is to be repaid in 8 quarterly instalments starting in December 2026 and ending in September 2028.

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 62.5 million was repaid in December 2023 as provided for in the repayment plan. In addition, in June 2022, Banca Popolare di Sondrio disbursed to the Parent Company a loan in the amount of euro 50 million, repayable in six semi-annual instalments due from December 2024 to June 2026.

The reduction in the exposure with China Construction Bank is related to the repayment of a medium/long-term loan for euro 60 million regularly repaid by the Parent Company at its natural maturity in March 2023.

In September 2023, Banca Monte dei Paschi di Siena signed up to a share of euro 80 million of the euro 800 million loan granted to the Parent Company under Decree Law No. 50 of 2022. This loan was disbursed in October 2023 and is to be repaid in 8 quarterly instalments starting in December 2026 and ending in September 2028.

The reduction in the exposure with Mediobanca is related to the repayment of a medium/long-term loan for euro 50 million regularly repaid at its natural maturity in March 2023.

Friuladria (now Credit Agricole Italia) provided the Parent Company with a new medium/long-term loan of euro 40 million repayable in a single instalment in May 2025. The loan is 'sustainability-linked' in that the cost may vary based on the achievement of specific Key Performance Indicators (KPIs) in the Parent Company's 2023-2027 Sustainability Plan, which will be agreed with the bank by the first quarter of 2024. Following the disbursement of the new loan, the Parent Company made an early repayment of the medium/long-term loan taken out in May 2022 for euro 30 million with repayment scheduled in four six-monthly instalments from November 2023 to May 2025.

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” 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 “Environmental Logistics” 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 “Ambiente” project, a fully disbursed loan for euro 18,192 thousand. 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 and in November 2023 for euro 3,429 thousand. The loan is unsecured and must be repaid in semi-annual instalments by 31 December 2027.

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 10.9 million was repaid in December 2023 as provided for in the repayment plan. In addition, in September 2023, BNP Paribas subscribed to euro 8 million of the loan granted under Decree-Law No. 50 of 2022 for a total of euro 800 million to the Parent Company. This loan was disbursed in October 2023 and is to be repaid in 8 quarterly instalments starting in December 2026 and ending in September 2028.

The exposure to Santander Bank refers to the portion of the loan granted under Decree Law No. 50 of 2022 for a total of euro 800 million to the Parent Company, of which euro 80 million was subscribed by the bank. This loan was disbursed in October 2023 and is to be repaid in 8 quarterly instalments starting in December 2026 and ending in September 2028. Santander Bank also disbursed in 2023 to Fincantieri S.p.A. the last tranche of a medium/long-term loan for an original amount of euro 70 million, of which euro 11.7 million in total was repaid in December 2023 as required by the repayment plan.

The exposure to Deutsche Bank refers to the portion of the loan granted under Decree Law No. 50 of 2022 for a total of euro 800 million to the Parent Company, of which euro 80 million was subscribed by the bank. This loan was disbursed in October 2023 and is to be repaid in 8 quarterly instalments starting in December 2026 and ending in September 2028.

The exposure to Caixa Bank refers to the portion of the loan granted under Decree Law No. 50 of 2022 for a total of euro 800 million to the Parent Company, of which euro 80 million was subscribed by the bank. This loan was disbursed in October 2023 and is to be repaid in 8 quarterly instalments starting in December 2026 and ending in September 2028. In June 2022, the bank also disbursed to Fincantieri S.p.A. a medium/long-term loan for euro 50 million repayable in two annual instalments between 2026 and 2027.

The exposure to Banco do Brasil, relating to Vard Promar SA, relates to a loan to support the construction of the Suape shipyard, which is pledged as collateral for the loan. The residual amount at 31 December 2023 amounts to euro 60 million.

The item “Bank loans and credit facilities - non-current portion” is detailed below by year of maturity:

(euro/000)	31.12.2023			31.12.2022		
	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
- between one and two years	66,634	165,796	232,430	8,528	487,412	495,940
- between two and three years	16,641	284,059	300,700	70,183	218,276	288,459
- between three and four years	116,652	373,598	490,250	20,846	164,867	185,713
- between four and five years	15,292	431,351	446,643	21,509	52,540	74,049
- beyond five years	90,000		90,000	146,821		146,821
Total	**305,219**	**1,254,804**	**1,560,023**	**267,887**	**923,095**	**1,190,982**

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 clauses in the loan agreements that require compliance with parameters whose breach would result in forfeiture of the benefit of the term. In addition, for existing loan agreements, no events occurred during the year that would trigger accelerated repayment clauses.

The item "Other payables to other lenders" refers to the non-current portion of outstanding financial liabilities with non-banking counterparties. The change was mainly due to the disbursement of a subsidised loan by the national agency for the attraction of investment and company development (Invitalia) to Power4Future S.p.A. for euro 2,915 thousand, partially offset by the reclassification from non-current to current of the payable to Esseti - Sistemi e Tecnologie Holding S.r.l. for the payment in instalments for the minority shares of the subsidiary Fincantieri Nextech S.p.A. acquired in 2020, amounting to euro 1,500 thousand.

“Financial payables 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.

The change in the "Fair value of options on equity investments" is mainly due to the exercise of an option to purchase the minority shares of the subsidiary HMS S.p.A.

“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). The increase in this item compared to the previous period is mainly attributable to the change in the fair value of the Parent Company's interest rate swaps. 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)	31.12.2023	31.12.2022
Capital grants	50,490	48,674
Other liabilities	6,422	6,096
Firm commitments	13,370	2,520
TOTAL OTHER NON-CURRENT LIABILITIES	**70,282**	**57,290**

"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)	31.12.2023			31.12.2022		
	Construction contracts – gross	Invoices issued	Net liabilities	Construction contracts – gross	Invoices issued	Net liabilities
Shipbuilding contracts	8,162,021	9,648,998	1,486,977	9,537,399	10,588,084	1,050,685
Other contracts for third parties	10,673	11,099	426			
Client advances		111,676	111,676		100,817	100,817
Total	**8,172,694**	**9,771,773**	**1,599,079**	**9,537,399**	**10,688,901**	**1,151,502**

"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 2023, Contract liabilities at 31 December 2022 saw the development of production volumes and therefore of operating revenue amounting to euro 553 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)	31.12.2023	31.12.2022
Payables to suppliers	1,977,511	2,071,625
Payables to suppliers for reverse factoring	493,263	621,976
Social security payables	57,600	53,757
Other payables to employees for deferred wages and salaries	152,498	130,883
Other payables	151,695	121,116
Other payables to Parent Company	3	188
Indirect tax payables	13,061	11,532
Firm commitments	18,088	3,588
Accrued expenses	2,618	2,479
Deferred income	5,412	4,058
TOTAL TRADE PAYABLES AND OTHER CURRENT LIABILITIES	**2,871,749**	**3,021,203**

"Payables to suppliers for reverse factoring" report the payables sold to factoring companies by suppliers. These payables 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 National Institute for Social Security) 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 2023 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

These are analyzed as follows:

(euro/000)	31,12,2023	31,12,2022
Italian corporate income taxation (IRES)	(569)	1,106
Italian regional tax on productive activities (IRAP)	704	249
Other income tax liabilities	18,092	24,088
TOTAL INCOME TAX LIABILITIES	**18,227**	**25,443**

The item "Other income tax liabilities" includes euro 1,965 thousand for the tax risk provision set aside in relation to estimated costs for income tax assessments. currently underway.

Note 27 - Current financial liabilities

These are analyzed as follows:

(euro/000)	31.12.2023	31.12.2022
Payables for commercial paper	146,000	80,700
Bank loans and credit facilities - non-current portion	587,981	1,104,487
Loans from BIIS - current portion	394	405
Bank loans and credit facilities - Construction loans	262,000	645,000
Other short-term bank debt	164,037	20,878
Other financial payables to others - current portion	2,759	21,666
Bank credit facilities repayable on demand	1,557	1,784
Payables to joint ventures	14,976	2,671
Payables to associates	30,293	
Financial payables for leasing IFRS 16 - current portion	20,705	18,209
Fair value of options on equity investments	8,278	7,125
Derivative liabilities	48,779	16,241
Deferred interest and other financial items	10,529	6,299
Accrued interest expense	8,076	6,229
TOTAL CURRENT FINANCIAL LIABILITIES	**1,306,364**	**1,931,694**

Regarding the Euro-Commercial Paper Step Label financing program, the total drawdown at 31 December 2023 amounts to euro 146 million compared to a maximum of euro 500 million provided for under the agreement.

With reference to the item "Bank loans and credit facilities - current portion" at 31 December 2023, the bank loans amounting to euro 606 million and due within the next 12 months (gross of deferrals to reflect payables for amortized cost) 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 2023:

(euro/000)	31.12.2023	31.12.2022
Construction loans		
Italy	262,000	645,000
TOTAL CONSTRUCTION LOANS	**262,000**	**645,000**

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 for construction loans which at 31 December 2023 amount to euro 262 million relate entirely to the loan taken out by the Parent Company in June 2022 with a leading Italian bank for a "sustainability-linked" revolving credit facility for up to euro 500 million, maturing in June 2025, to finance the construction of cruise ships.

The construction loans at 31 December 2023 are all variable-rate loans.
The credit facilities in place for construction loans that were not drawn down as at 31 December 2023 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 December 2023, the Parent Company agreed with a leading national bank and Cassa Depositi e Prestiti, a committed "green" construction loan for up to euro 415 million to finance the construction of a cruise ship.

The increase in "Other short-term bank debt" was mainly due to new loan agreements negotiated by Vard Group AS and Vard Singapore Pte Ltd with leading international banks to finance the construction of offshore vessels.

At 31 December 2023, the Group also had a total of euro 230 million in other committed credit facilities with leading Italian and international banks maturing in 2024. At 31 December 2023, 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 462 million).

The change in the item "Other financial payables to others - current portion" is mainly due to the payment to Esseti - Sistemi e Tecnologie Holding S.r.l. for the third instalment for part of the shares of the subsidiary Fincantieri NexTech S.p.A. amounting to euro 6,233 thousand and for the payment to the extraordinary commissioners of the third instalment of the purchase price for the acquisition of the business unit of FINSO – Sistemi per le INfrastrutture SOciali S.p.A. and its subsidiary SOF S.p.A 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.

"Payables to associated companies" is mainly attributable to an interest-bearing loan held by the subsidiary Fincantieri Infrastructure Opere Marittime S.p.A., maturing in 2024 for euro 29,866 thousand.

The item "Fair value of options on equity investments" (Level 3), amounting to euro 8,278 thousand (euro 7,125 thousand as at 31 December 2022), refers to the option towards minority shareholders of the American group FMG. "Financial payables 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). The change is mainly attributable to the change in fair value of exchange rate risk hedges of the subsidiary Vard. 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)	2023	2022
Sales and service revenue	6,320,496	4,504,935
Change in Contract assets and liabilities	1,127,071	2,844,212
Operating revenue	**7,447,567**	**7,349,147**
Gains on disposal	812	1,195
Sundry revenue and income	133,112	97,849
Government grants	69,256	33,673
Other revenue and income	**203,180**	**132,717**
TOTAL REVENUE AND INCOME	**7,650,747**	**7,481,864**

"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 (+2.3%). 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 2023 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 order modifications and additions agreed) 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 2023 stands at euro 23.1 billion and guarantees about 3 years of work if related to 2023 operating revenues. For further information please refer to the Group Report On Operations.

Change in Contract assets and liabilities includes provisions/utilization for onerous contracts included in the Provisions for risks and charges in Note 20.

(euro/000)	2023	2022
Penalties charged to suppliers	16,925	9,877
Rental income	1,492	1,154
Insurance claims	47,429	25,256
Recharged costs	20,615	26,293
Income from third parties relating to personnel	135	144
Other sundry income	46,516	35,125
Total	**133,112**	**97,849**

"Penalties charged to suppliers" mainly refers to penalties applied by the Parent Company.

"Insurance claims" refers to indemnities due under existing insurance policies covering risks on Parent Company assets.

"Recharged costs", of euro 20,615 thousand, mainly refer to various kinds of recharge to customers and suppliers not attributable to specific cost categories.

"Other sundry income" of euro 46,516 thousand mainly includes the recharge of services made available to subcontractors at the shipyards and out-of-period income and adjustments arising on settlements agreed with suppliers during the year and compensation for damages relating to the closure of the litigation against Petrobras Transpetro S.A. Further information can be found in Note 33.

"Government grants" mainly includes operating grants (euro 65,376 thousand) and capital grants (euro 3,880 thousand) mainly relating to the Parent Company and the subsidiaries CETENA S.p.A., Isotta Fraschini Motori S.p.A., SOF 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)	2023	2022
Raw materials and consumables	(3,596,006)	(3,834,388)
Services	(2,261,321)	(2,162,472)
Leases and rentals	(46,206)	(42,867)
Change in inventories of raw materials and consumables	11,625	63,134
Change in work in progress	(17,934)	(12,912)
Sundry operating costs	(64,157)	(39,464)
Cost of materials and services capitalized in fixed assets	10,377	21,037
Total materials, services and other costs	**(5,963,622)**	**(6,007,932)**

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 hedging policies on purchases implemented by the Group.

Details of the cost of services are as follows:

(euro/000)	2023	2022
Subcontractors and outsourced services	(1,054,594)	(979,373)
Insurance	(77,695)	(69,920)
Other personnel costs	(49,369)	(41,151)
Maintenance costs	(36,084)	(36,717)
Commissioning and trials	(13,631)	(12,624)
Outsourced design costs	(124,187)	(116,794)
Licenses	(4,245)	(8,431)
Transportation and logistics	(59,014)	(58,199)
Technical and other services	(690,754)	(681,240)
Cleaning services	(55,402)	(57,221)
Electricity, water, gas and other utilities	(116,477)	(120,439)
Utilization of product warranty and other provisions	20,131	19,637
Total cost of services	**(2,261,321)**	**(2,162,472)**

It should be noted that "Technical and other services" includes charges related to the "Performance Share Plan" (euro 184 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 4,221 thousand in losses on the disposal of non-current assets (euro 826 thousand at 31 December 2022) and tax charges for euro 13,943 thousand (euro 13,122 thousand at 31 December 2022).

(euro/000)	2023	2022
Personnel costs		
- wages and salaries	(898,198)	(876,396)
- social security	(247,552)	(235,942)
- costs for defined contribution plans	(47,708)	(45,828)
- costs for defined benefit plans	(607)	(755)
- other personnel costs	(32,336)	(36,674)
Personnel costs capitalized in fixed assets	8,013	9,911
Total personnel costs	**(1,218,388)**	**(1,185,684)**

"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.

It should be noted that "Other personnel costs" includes charges related to the "Performance Share Plan" (euro 317 thousand). More details can be found in Note 33.

Headcount

Headcount is distributed as follows:

(numero)	2023	2022
Employees at year end		
Total at year end	21,215	20,792
- of whom in Italy	11,112	10,905
- of whom in Parent Company	9,079	8,936
- of whom in VARD	7,311	7,251
Average number of employees	20,793	20,783
- of whom in Italy	10,927	10,756
- of whom in Parent Company	8,929	8,836
- of whom in VARD	7,170	7,501

Depreciation, amortization, impairment and provisions

Depreciation, amortization, impairment and provisions are analyzed as follows:

(euro/000)	2023	2022
Depreciation and amortization:		
- amortization of intangible assets	(73,710)	(82,357)
- depreciation of rights of use	(22,036)	(22,693)
- depreciation of property plant and equipment	(138,045)	(126,246)
Impairment losses:		
- impairment of goodwill		(140,290)
- impairment of intangible assets	(2,125)	(23,479)
- impairment of property plant and equipment	(44)	(43)
Total depreciation, amortization and impairment	**(235,960)**	**(395,108)**
Provisions		
- impairment of contractual assets	(1,860)	(3,054)
- impairment of receivables	(4,397)	(19,493)
- increases in provisions for risks and charges	(140,737)	(144,002)
- release of provisions for risk and impairment reversals	14,843	25,155
Total provisions	**(132,151)**	**(141,394)**

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 36,233 thousand (euro 40,831 thousand at 31 December 2022), and provisions for litigation for 57,861 thousand (euro 55,633 thousand at 31 December 2022). 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)	2023	2022
FINANCIAL INCOME		
Interest and fees from joint ventures and associates	1,440	2,331
Bank interest and fees and other income	28,138	37,883
Income from derivative financial instruments	12	207
Interest and other income from financial assets	6,983	22,484
Foreign exchange gains	66,407	97,746
Total financial income	**102,980**	**160,651**
FINANCIAL EXPENSES		
Interest and fees charged by joint ventures	(1,773)	(159)
Interest and fees from related parties		(3,688)
Interest and fees charged by controlling companies	(1,332)	(1,372)
Net expenses from derivative financial instruments	46,155	(15,733)
Unrealized financial expenses - delta fair value		(5,170)
Interest on employee benefit plans	(1,813)	(564)
Interest and fees on bonds and commercial papers	(6,225)	(1,035)
Interest and fees on construction loans	(30,021)	(11,126)
Bank interest and fees and other expense	(184,594)	(82,603)
Interest paid on leases IFRS 16	(3,674)	(2,397)
Impairment of financial receivables IFRS 9	(220)	(13,264)
Foreign exchange losses	(88,270)	(103,757)
Total financial expenses	**(271,767)**	**(240,868)**
TOTAL FINANCIAL INCOME AND EXPENSES	**(168,787)**	**(80,217)**

"Bank interest and fees and other income" and interest income accruing on cash and cash equivalents mainly includes interest at market rates on loans granted to third parties during the period and interest income on cash and cash equivalents. The reduction compared to last year is mainly due to the partial repayment of financial receivables in 2023.

The change in Interest and other income from financial assets is mainly due to the fact that in 2022 it included euro 18 million in income for the fair value adjustment of the option for the minority shareholders of the American FMG group.

The item Net expenses from derivative financial instruments includes euro 46,524 thousand financial income generated by interest rate risk hedges in 2023. The change from the previous period was also due to the reversal in 2022 of the residual portion of expenses on derivatives (recognized in cash flow hedges and reversed to the income statement as the underlying transaction progresses) to hedge the US dollar revenues of a ship order.

The increase in the items Interest and fees on construction loans and Bank interest and fees and other expenses is mainly attributable to the rise in interest rates in the Euro Area. This effect was partially offset by the benefit generated by interest rate hedges, the recognition in the income statement of which is included in the item "Net expenses from derivative financial instruments".

"Foreign exchange gains and losses" reflect the effects of changes in the currencies to which the Group is exposed and the related hedging derivatives. The change from the previous year is mainly attributable to the increase in outstanding derivatives to hedge balance sheet exposures, such as correspondence accounts in currencies other than the functional currency, and to the recognition of related expenses.

Financial expenses include the impairment losses of existing financial receivables determined on the basis of the expected credit loss model in application of the IFRS 9 accounting standard. No material impairment losses were recognized in 2023.

Note 31 - Income and expense from investments

These are analyzed as follows:

(euro/000)	2023	2022
INCOME		
Dividends from associates		25
Dividends from other companies	244	117
Gains from sale of investments	1,165	71
Other income from investments	1,795	1,255
Total income	**3,204**	**1,468**
EXPENSE		
Investment impairment losses	(1,216)	(2,874)
Other losses from investments		
Total expense	**(1,216)**	**(2,874)**
INCOME/(EXPENSE) FROM INVESTMENTS	**1,988**	**(1,406)**
SHARE OF PROFIT/(LOSS) OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		
Profit	4,496	10,136
Loss	(2,274)	(10,921)
SHARE OF PROFIT/(LOSS) OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	**2,222**	**(785)**
TOTAL INCOME AND EXPENSE FROM INVESTMENTS	**4,210**	**(2,191)**

The change in Income/(expense) from investments is mainly attributable to the effect of the adjustment of the carrying value to the estimated realizable value of the investments in two associates, Island Offshore XII SHIP AS (negative for euro 1,216 thousand) and Island diligence AS (positive for euro 1,796 thousand), reclassified in 2023 to Assets held for sale. More information can be found in Note 36.

"Share of gain/(loss) of investments accounted for using the equity method", amounting to a gain of euro 2,222 thousand, includes:

- gains of euro 4,496 thousand mainly relate to the Group's share of the profit/loss for the year for the joint venture CSSC – Fincantieri Cruise Industry Development Limited (euro 4,096 thousand) and Orizzonte Sistemi Navali S.p.A. (euro 400 thousand);
- losses of euro 2,274 thousand, which mainly reflect the Group's share of the profit/loss for the year of the joint ventures Naviris S.p.A. (euro 1,482 thousand) and Etihad Ship Building LLC (euro 560 thousand) and the associates Centro Servizi Navali S.p.A. (euro 157 thousand) and Castor Drilling Solution AS (euro 75 thousand).

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

Note 32 - Income taxes

These are analyzed as follows:

(euro/000)	2023		2022	
Current taxes		**(20,578)**		**(73,537)**
Deferred tax assets:				
– sundry impairment losses	6,782		9,191	
– product warranty	320		3,388	
– other risks and charges	12,207		18,753	
– fair value of derivatives			(730)	
– carry forward tax losses	(1,385)		(560)	
– other items	4,876		59,106	
– tax rate and other changes				
		22,800		**89,148**
Deferred tax liabilities:				
– business combinations	3,292		4,210	
– other items	5,326		(13,112)	
– tax rate and other changes				
		8,618		**(8,902)**
Total deferred taxes		**31,418**		**80,246**
TOTAL INCOME TAXES		**10,840**		**6,709**

Note:
Negative figures indicate the recognition of deferred tax liabilities or release of deferred tax assets.
Positive figures indicate the utilization 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)	2023	2022
Theoretical corporate income tax rate (IRES)	**24.0%**	**24.0%**
Pre-tax profit/(loss)	(63,951)	(330,662)
Theoretical corporate income tax (IRES)	**15,348**	**79,359**
Impact of taxes relating to prior periods	5,646	5,175
Impact of tax losses	(19,906)	(44,193)
Impairment of deferred tax assets	(840)	(9,044)
Impact of permanent differences and unrecognized temporary differences	27,545	(16,371)
Impact of temporary differences not recognized in previous years	(6,287)	1,625
Effect of change in tax rates	(1,153)	(19)
Impact of different tax rates applicable to foreign entities	(295)	4,348
Increases/Releases of provisions for tax risks	(185)	(1,497)
Tax credit on R&D costs	198	165
Other taxes charged to profit or loss	**(9,231)**	**(12,838)**
Total income taxes through profit or loss	**10,840**	**6,709**
Current taxes	(20,578)	(73,537)
Deferred tax assets/liabilities	31,418	80,246

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

(euro/000)	2023	2022
Current taxes	**(20,578)**	**(73,537)**
- Italian companies	(13,076)	(47,919)
- Foreign companies	(7,502)	(25,618)
Deferred tax assets/liabilities	**31,418**	**80,246**
- Italian companies	(1,168)	50,019
- Foreign companies	32,586	30,227
TOTAL	**10,840**	**6,709**

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)	31.12.2023	31.12.2022
A. Cash and cash equivalents	757,272	564,576
B. Cash equivalents		
C. Other current financial assets	57,212	181,038
- of which related parties	*17,408*	*25,062*
D. Cash and cash equivalents (A)+(B)+(C)	**814,484**	**745,614**
E. Current financial payables (including debt instruments, but excluding current portion of non-current financial payables)	(707,543)	(811,058)
- of which related parties	*(46,439)*	*(84,145)*
- of which Construction loans	(262,000)	(645,000)
- of which Current portion of debt instruments	(146,000)	(80,700)
F. Current portion of non-current financial payables	(598,821)	(1,120,636)
- of which related parties	*(9,075)*	*(8,659)*
G. Current debt (E)+(F)	**(1,306,364)**	**(1,931,694)**
H. Net current cash/(debt) (D)+(G)	**(491,880)**	**(1,186,080)**
I. Non-current financial payables (excluding current portion of debt instruments)	(1,779,405)	(1,344,554)
- of which related parties	*(4,328)*	*(6,322)*
J. Debt instruments		
K. Trade payables and other non-current liabilities		
L. Non-current debt (I)+(J)+(K)	**(1,779,405)**	**(1,344,554)**
M. Total Net financial position (H)+(L)	**(2,271,285)**	**(2,530,634)**

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 472,219 thousand at 31 December 2023).

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 38.5 million at 31 December 2023.

For more details see Notes 4, 10, 22 and 27.

Statement of Net financial position flows

The following table shows the movements in the statement of financial position with regard to financing activities and statement of cash flows (IAS 7).

(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 payables	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 payables	28,197		4,742		(3)	(3,155)	29,781
Bonds/current commercial paper	220,200		(139,500)				80,700
Financial payables 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**
Purchase of non-controlling interests in VARD			(53)				
Purchase of treasury shares			(1,143)				
Third party capital							
CASH FLOWS FROM FINANCING ACTIVITIES			**(389,518)**				

(euro/000)	1.1.2023	Business combinations	Cash flows	Changes in fair value	Exchange rate differences	Other non-monetary changes	31.12.2023
Non-current financial payables	1,202,597		968,560		3,110	(600,994)	1,573,273
Current bank loans and credit facilities	1,779,746		(1,379,972)		(1,622)	627,162	1,025,314
Other current financial payables	29,781		45,657		(16)	(17,246)	58,176
Bonds/current commercial paper	80,700		65,300				146,000
Financial payables for leasing IFRS 16	132,454		(24,985)		(2,105)	25,153	130,517
Receivables/payables for held-for-trading financial instruments							
Total liabilities from financing activities	**3,225,278**	**-**	**(325,440)**	**-**	**(633)**	**34,075**	**2,933,280**
Purchase of non-controlling interests in VARD							
Purchase of treasury shares			(5,700)				
Third party capital			1,503				
CASH FLOWS FROM FINANCING ACTIVITIES			**(329,637)**				

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 2023.

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 2023.

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)	31.12.2023								
	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 payables	Current financial payables	Trade payables and other current liabilities	Trade payables and other non-current liabilities
CASSA DEPOSITI E PRESTITI S.p.A.					35,228	(4,328)	(9,075)	(265)	
TOTAL PARENT COMPANY	**-**	**-**	**-**	**-**	**35,228**	**(4,328)**	**(9,075)**	**(265)**	**-**
ORIZZONTE SISTEMI NAVALI S.p.A.					25,004		(3,512)	(63,398)	
UNIFER NAVALE S.r.l.					1,491			(5)	
CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT Ltd.		15,268			2,603			(383)	
ETIHAD SHIP BUILDING LLC					6,756			(357)	
CONSORZIO F.S.B.									
BUSBAR4F S.c.a.r.l.			963		733			(478)	
FINCANTIERI CLEA BUILDINGS S.c.a.r.l. *in liquidazione*					1,491			(41)	
PERGENOVA S.c.p.a.					1				
NAVIRIS S.p.A.		3			1,653		(12,634)	(69)	
4TCC1 S.c.a.r.l.			2,357		537			(2,827)	
VIMERCATE SAL. GESTIONE S.c.a.r.l.					6,922			(4,820)	
ENERGETIKA S.c.a.r.l.								(9)	
NSC HOSPITAL S.c.a.r.l.					839			(804)	
FINMESA S.c.a.r.l.					4				
ERSMA 2026 S.c.a.r.l.					57			(101)	
4B3 S.c.a.r.l.			1,326		34			(790)	
4TB13 S.c.a.r.l.			571		30			(293)	
DARSENA EUROPA S.c.a.r.l.		481			142			(788)	
TOTAL JOINT VENTURES	**-**	**15,752**	**5,217**	**-**	**48,297**	**-**	**(16,146)**	**(75,163)**	**-**
GRUPPO PSC			(1,633)		387			(8,964)	
CENTRO SERVIZI NAVALI S.p.A.					2,829			(2,524)	
BREVIK TECHNOLOGY AS	176								
DOF ICEMAN AS									
CSS DESIGN				696					
ISLAND DILIGENCE AS	4,785				135				
DECOMAR S.p.A.					104				
CASTOR DRILLING SOLUTION AS		409							
OLYMPIC GREEN ENERGY KS									
ISLAND OFFSHORE XII SHIP AS	12,659								
CISAR MILANO S.p.A.	360				476				
CISAR COSTRUZIONI S.c.a.r.l.					350			(355)	
NORD OVEST TOSCANA ENERGIA S.r.l.	313				4,077			(220)	
S. ENE. CA GESTIONE S.c.a.r.l.					1,783			(1,632)	
BIOTECA S.c.a.r.l.								55	
NOTE GESTIONI S.c.a.r.l.					2,916			(2,483)	
HBT S.c.a.r.l.					2,692			(74)	
PRELIOS SOLUTIONS & TECHNOLOGIES S.R.L.					120				
DIDO S.r.l.								(47)	
PERGENOVA BREAKWATER S.c.a.r.l.					5,330		(30,293)	(17,715)	
2F PER VADO S.c.a.r.l.					3,383			(773)	
ATISA S.P.A.			1,939					(544)	
TOTAL ASSOCIATES	**18,293**	**409**	**306**	**696**	**24,582**	**-**	**(30,293)**	**(35,276)**	**-**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (euro/000)	31.12.2023								
	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 payables	Current financial payables	Trade payables and other current liabilities	Trade payables and other non-current liabilities
SACE S.p.A.								(11)	
SACE FCT					40				
VALVITALIA S.p.A.			827		5			(272)	
TERNA RETE ITALIA S.p.A.								2	
SUPPLEMENTARY PENSION FUND FOR EXECUTIVES OF FINCANTIERI S.p.A.								(645)	
COMETA NATIONAL SUPPLEMENTARY PENSION FUND					(1)			(4,875)	
SOLIDARIETÀ VENETO - PENSION FUND								(167)	
HORIZON S.A.S.								(1)	
WEBUILD S.p.A.									
TERNA S.p.A					8				
AUSTOSTARDE PER L'ITALIA S.p.A.					28			10	
TOTAL CDP GROUP	**-**	**-**	**827**	**-**	**80**	**-**	**-**	**(5,959)**	**-**
LEONARDO GROUP			39,308		12,380			(21,397)	
ENI GROUP					1,284			43	
ENEL GROUP			6		171			2	
OTHER COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE		84			145			(835)	
TOTAL RELATED PARTIES	**18,293**	**16,245**	**45,664**	**696**	**122,167**	**(4,328)**	**(55,514)**	**(138,850)**	**-**
TOTAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**684,173**	**92,124**	**306,367**	**67,038**	**1,149,879**	**(1,779,405)**	**(1,306,364)**	**(2,871,749)**	**(70,282)**
% Consolidated statement	*3%*	*18%*	*15%*	*1%*	*11%*	*0%*	*4%*	*5%*	*0%*

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

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 payables	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 BUILDINGS S.c.a.r.l. *in liquidazione*					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.[2]			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)	
4B3 S.c.a.r.l.									
4TB13 S.c.a.r.l.									
DARSENA EUROPA S.c.a.r.l.									
TOTAL JOINT VENTURES	**-**	**24,674**	**5,882**	**-**	**55,968**	**-**	**(2,719)**	**(76,890)**	**(98)**
GRUPPO PSC			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								
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)	
PRELIOS SOLUTIONS & TECHNOLOGIES S.R.L.									
DIDO S.r.l.									
PERGENOVA BREAKWATER S.c.a.r.l.									
2F PER VADO S.c.a.r.l.									
ATISA S.P.A.									
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)	
WEBUILD S.p.A.					138			(2)	
TERNA S.p.A.									
AUSTOSTARDE PER L'ITALIA S.p.A.									
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)**	**(162,396)**	**(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)**
% Consolidated statement	*12%*	*12%*	*18%*	*1%*	*8%*	*0%*	*4%*	*5%*	*0%*

1 "Advances" are classified in "Inventories", as detailed in Note 13.
2 On 1 January 2023 Power4Future, previously a joint venture of Fincantieri SI S.p.A. and consolidated using the equity method, as a result of the Shareholders' Agreements signed for its incorporation became a subsidiary of Fincantieri SI S.p.A. and consolidated on a line-by-line basis.

STATEMENT OF COMPREHENSIVE INCOME

(euro/000)

	2023				
	Operating revenue	Other revenue and income	Materials, services and other costs	Financial income	Financial expenses
CASSA DEPOSITI E PRESTITI S.p.A.			(159)		(1,159)
TOTAL PARENT COMPANY	**-**	**-**	**(159)**	**-**	**(1,159)**
ORIZZONTE SISTEMI NAVALI S.p.A.	132,875	993	(5,174)		(1,037)
CSSC - FINCANTIERI CRUISE INDUSTRY DEVELOPMENT Ltd.	1,828	3,458		581	
ETIHAD SHIP BUILDING LLC		143	(1)		
BUSBAR4F S.c.a.r.l.		112	(1,591)		
CONSORZIO F.S.B.	45	170	(395)		
PERGENOVA S.c.p.a.	203,020	2	17		
NAVIRIS S.p.A.	4,582	2,018	(69)	(3)	(134)
4TCC1 S.c.a r.l.		217	(9,337)		
FINMESA S.c.a.r.l.	3				
VIMERCATE SAL. GESTIONE S.c.a.r.l.					
NSC HOSPITAL S.c.a.r.l.					
ERSMA 2026 S.c.a.r.l.					
ISSEL MIDDLE EAST INFORMATION TECNOLOGY CONSULTANCY LLC		(4)			
4B3 S.c.a.r.l.		148	(1,476)		
4TB13 S.c.a.r.l.		219	(122)		
DARSENA EUROPA S.c.a.r.l.		142	(1,826)		
NAVIRIS FRANCE	1				
TOTAL JOINT VENTURES	**342,354**	**7,618**	**(19,974)**	**578**	**(1,171)**
GRUPPO PSC		274	(11,276)	67	
CENTRO SERVIZI NAVALI S.p.A		3,871	(14,970)		
DECOMAR S.p.A.					
BREVIK TECHNOLOGY AS				11	
ISLAND DILIGENCE AS		1		64	
ISLAND OFFSHORE XII SHIP AS		2		747	
ISLAND VICTORY AS		2			
OLYMPIC CHALLENGER KS					
OLYMPIC GREEN ENERGY KS					
CISAR MILANO S.p.A.					
CISAR COSTRUZIONI S.c.a.r.l.					
ATISA S.P.A.		80	(2,767)	13	
DIDO S.r.l.			(94)		
PERGENOVA BREAKWATER S.c.a.r.l.	536	519	(14,231)		(736)
2F PER VADO S.c.a.r.l.	1,182	354	(10,420)		
TOTAL ASSOCIATES	**1,718**	**5,103**	**(53,758)**	**902**	**(736)**
SACE S.p.A.					
SACE FCT		137			
VALVITALIA S.p.A.		135	(8,347)	2	
TERNA RETE ITALIA S.p.A.		2	(55)		
SNAM S.p.A.	1,598	155	(731)		
SIA S.p.A.					
COMETA FUND					
AUSTOSTARDE PER L'ITALIA S.p.A.			(88)		
METASALUTE FUND		8			
TOTAL CDP GROUP	**1,598**	**437**	**(9,221)**	**2**	**-**
LEONARDO GROUP	17,803	2,135	(124,021)		
ENI GROUP	439		(857)		
ENEL GROUP	105		(30)		
OTHER COMPANIES CONTROLLED BY MINISTRY OF ECONOMY AND FINANCE	1,123	157	(1,158)		
TOTAL RELATED PARTIES	**365,140**	**15,450**	**(209,178)**	**1,482**	**(3,066)**
TOTAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**7,447,567**	**203,180**	**(5,963,622)**	**102,980**	**(271,767)**
% Consolidated statement	*5%*	*8%*	*4%*	*1%*	*1%*

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)
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.[2]	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)		
4B3 S.c.a.r.l.					
4TB13 S.c.a.r.l.					
DARSENA EUROPA S.c.a.r.l.					
NAVIRIS FRANCE					
TOTAL JOINT VENTURES	**177,981**	**9,862**	**(65,569)**	**677**	**(159)**
GRUPPO PSC		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)		
ATISA S.P.A.					
DIDO S.r.l.					
PERGENOVA BREAKWATER S.c.a.r.l.					
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)		
AUSTOSTARDE PER L'ITALIA S.p.A.					
METASALUTE FUND					
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)**
% Consolidated statement	*2%*	*13%*	*6%*	*2%*	*1%*

2 On 1 January 2023 Power4Future, previously a joint venture of Fincantieri SI S.p.A. and consolidated using the equity method, as a result of the Shareholders' Agreements signed for its incorporation became a subsidiary of Fincantieri SI S.p.A. and was fully consolidated.

Costs for contributions incurred in 2023 and included in the item “Personnel costs” totalled euro 2,407 thousand for the Supplementary Pension Fund for Executives of Fincantieri S.p.A. and euro 2,668 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 2023 Fincantieri S.p.A. granted a loan to the subsidiaries Fincantieri SI S.p.A. for euro 1,885 thousand, Fincantieri Infrastructure for euro 24,257 thousand and Fincantieri Nextech S.p.A for euro 5,705 thousand.

It should be noted that the Company has guaranteed financial support to the Vard Holdings Ltd subsidiary 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 2023, the Company provided the necessary financial support to the VARD group through a committed loan, renewed in December 2023 for a further 3 years, in the form of a revolving credit facility for euro 230 million, unused as at 31 December 2023.

The main related party relationships refer to:

- the Company's transactions with Orizzonte Sistemi Navali S.p.A., under the agreement signed in 2006 with the Italian Navy relating to the first phase of the “Renaissance” (or FREMM) program. This program involves the construction of 10 ships for the Italian Navy, a program developed by Orizzonte Sistemi Navali S.p.A., with design and production activities performed by the Company and its subsidiaries. The financial payables with Orizzonte Sistemi Navali S.p.A. at 31 December 2023 relate to its current account with the Company under a centralized treasury management arrangement.
- the Company’s relations with the Leonardo group, in connection with agreements to supply and install combat systems for naval vessels under construction;
- relations with the joint venture CSSC - Fincantieri Cruise Industry Development Ltd. between Fincantieri and CSSC, prime contractor for the construction of new cruise ships at the CCSC group’s Chinese shipyard, refer to the supply of specialist services and components to support CSSC shipyards; The Company has a financial receivable of euro 15,668 thousand for a loan granted to the joint venture maturing on 30 December 2024.
- relations with the associate Centro Servizi Navali mainly relate to shipyard and prefabrication activities;
- the Company’s relations with the Eni group refer chiefly to the sale of products and services and purchases of fuel with ENI S.p.A.;
- the Company’s relations with the PSC group relate mainly to turnkey air conditioning systems (engineering, supply of ventilation machines, accessories and ducts, their installation on board, start-up and commissioning);

The following major transactions with related parties of Fincantieri S.p.A. concluded at arm's length during 2023 are reported.

RPT - Banca Monte dei Paschi di Siena S.p.A. 5-year loan backed by 70% SACE guarantee

On 25 September 2023, a pool of national and international banks ('the Pool') granted the Company a five-year loan (including three years of pre-amortization) for a total amount of euro 800,000 thousand, backed by a 70% guarantee from SACE S.p.A.. Among the banks in the Pool is Banca Monte Paschi di Siena S.p.A. ("MPS"), a related party of Fincantieri S.p.A., which finances a portion of the loan amounting to euro 80,000 thousand.

The loan will be used to meet the financial requirements envisaged in the 2023-2027 Business Plan and, therefore, is part of Fincantieri's ordinary financial activity related to its operating activities.

RPT - Project MID LIFE UPGRADE "MLU" HORIZON CLASS - Naviris S.p.A.

As part of the Mid Life Upgrade "MLU" Horizon Class project (the "Project"), promoted by OCCAR (European Organisation for Cooperation in Armaments), it should be noted that on 2 August 2023, a transaction was completed between Fincantieri S.p.A. and Naviris S.p.A., a company jointly controlled by Fincantieri and Naval Group, and therefore a related party of Fincantieri.

Naviris will operate under the project as prime contractor, while Fincantieri and Naval Group will be the main subcontractors assisting Naviris in the identification and analysis of the modifications to be made on the “Horizon” class destroyers, in order to guarantee the maximum operability of the on-board systems until the end of the life cycle of the vessels.

In particular, Fincantieri S.p.A. received an invitation to tender from Naviris concerning the modernization/maintenance of the platform systems and installation of the new combat system of the Orizzonte class ships (“Bid”). In this regard, the Company submitted a bid to Naviris on 17 February 2023 amounting to euro 222 million.

RPT - U212 NFS Program - Leonardo S.p.A.

On 26 July 2021, Fincantieri S.p.A. signed a contract with the Organisation Conjointe de Coopération en Matière d'Armament (“OCCAR”) for the construction of two new-generation submarines with an option for a further two vessels, as part of the Italian Navy's ("MMI") U212 Near Future Submarine program (the "Program").

Subsequently, on 13 April 2021, Fincantieri signed a contract with Leonardo S.p.A., a related party of Fincantieri, for the supply of the combat system and simulator for the first and second submarines in the Program, with an option for the supply of an additional two units (the “Supply Contract”).

Following the exercise of the option for the construction of the third submarine provided for in the Program awarded to Fincantieri by OCCAR on 21 July 2023, on 30 October 2023 the Company in turn exercised with Leonardo the option in the Supply Contract for the supply of the combat system and simulator for the third submarine.

The consideration for the transaction, amounting to euro 48,753,671.65, is broken down as follows:

(i) euro 41,677 thousand for the supply of the combat system and simulator for the third submarine;
(ii) euro 5,896 thousand for the integration of the technical modifications requested by the Italian Navy on the combat systems and simulator already supplied by Leonardo for the first two submarines under the program and for the third submarine; and
(iii) euro 1,179,000 thousand for ILS activities related to the third submarine.

RPT - Cassa Depositi e Prestiti S.p.A. Construction Loan Green

On 21 December 2023, Fincantieri S.p.A. took out with Intesa Sanpaolo S.p.A. and Cassa Depositi e Prestiti, a related party of the Company, a construction loan, i.e., a short-term loan to finance the construction of the ship related to Order 6312 acquired from the TUI Cruises GmbH group, for euro 415 million, including euro 207.5 million granted by Intesa and euro 207.5 million granted by CDP.

Considering the large amount of the loan, Intesa requested CDP's intervention in the financing to share the risk of the transaction. The loan is defined as a “Green” construction loan, as the financed project is aligned with the criteria of the "European Taxonomy" and in particular with the objectives of (i) "Social Cost of Carbon ("SCC"), (ii) "Do No Significant Harm" ("DNSH") and (iii) "Minimum Social Safeguards" ("MSS").

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 executives with strategic responsibilities

(euro/000)	Emoluments of office[1]	Non-monetary benefits	Bonuses and other incentives	Other remuneration	Severance pay
2023					
Board of Directors of Parent Company	1,964	51	871		
Board of Statutory Auditors of Parent Company	89				
General Managers and Executives with Strategic Responsibilities		242	1,215	2,556	
Independent Auditors for Parent Company	382			49	
2022					
Board of Directors of Parent Company	971		1,037		
Board of Statutory Auditors of Parent Company	89				
General Managers and Executives with Strategic Responsibilities		207	2,606	2,387	4,000
Independent Auditors for Parent Company	378			66	

1 Excluding amounts paid on behalf of subsidiaries.
2 This figure includes euro 871 thousand for the Board of Directors and euro 1,215 thousand for the General Managers and Executives with Strategic Responsibilities, the fair value accrued at 31 December 2023 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 1,037 thousand for the Board of Directors and euro 2,606 thousand for the General Managers and Executives with Strategic Responsibilities, 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).

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.

		31.12.2023	31.12.2022
Earnings/(loss) attributable to owners of the Parent Company	(Euro/000)	(52,830)	(308,870)
Weighted average number of shares outstanding to calculate the basic earnings/(loss) per share	number	1,696,272,347	1,697,336,171
Weighted average number of shares outstanding to calculate the diluted earnings/(loss) per share	number	1,719,428,949	1,717,328,998
Basic earnings/(loss) per share	Euro	(0.03114)	(0.18197)
Diluted earnings/(loss) per share	Euro	(0.03073)	(0.17985)

Guarantees

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

(euro/000)	2023	2022
Sureties	11,006	11,506
Other guarantees	303,784	318,842
Total	**314,790**	**330,348**

Sureties at 31 December 2023 refer mainly to guarantees issued on behalf of the joint venture Orizzonte Sistemi Navali S.p.A. (euro 11,006 thousand).

Other guarantees concern, for euro 300,000 thousand, a corporate guarantee issued by Fincantieri S.p.A. in favour of SACE in relation to the issue 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 521 thousand), 4B3 (euro 501 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 Vard Holdings Ltd subsidiary and all its subsidiaries for a period of 18 months from the date of approval of the 2023 Financial Statements, committing itself to providing the financial resources that may be necessary to enable it to continue operations. During 2023, the Company provided the necessary financial support to the VARD group through a committed loan, renewed in December 2023 for a further 3 years, in the form of a revolving credit facility for euro 230 million, unused as at 31 December 2023.

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. The Plan, structured in three-year cycles, ended on 2 July 2021 with the allocation of shares to the beneficiaries of the third cycle.

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 Executives with Strategic Responsibilities 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)		no. of shares awarded	
	Grant date		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 first cycle of the 2019-2021 Performance Share Plan, it should be noted that on 30 June 2022, the Board of Directors approved its closure, allocating free of charge to the recipients 6,818,769 ordinary shares in Fincantieri. 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.

With reference to the second cycle of the 2019-2021 Performance Share Plan, it should be noted that on 13 June 2023, the Board of Directors approved its closure, allocating free of charge to the recipients 6,459,445 ordinary shares in Fincantieri. The net shares actually allocated amounted to 3,068,752 shares (net of those withheld to meet the tax obligations of the assignees and those held awaiting the closure of the succession due to the death on one of the recipients). The allocation of shares took place, using solely treasury shares in portfolio, on 6 July 2023.

The Plan's features, outlined above, are described in detail in the Information Document prepared by the Parent Company under article 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 & 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 Executives with Strategic Responsibilities 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. With reference to the Plan's second cycle, 15,178,090 ordinary shares in the Company were awarded to the beneficiaries identified by the Board of Directors on 13 July 2023. The Beneficiaries for the 3rd Cycle will be identified by the Grant Date of the Rights for the 3rd Cycle, i.e. by 31 July 2024.

Among the Plan's targets, 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 three-year period 2023-2025. 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)		no. of shares awarded	
	Grant date		Fair value
First cycle of the Plan	26 July 2022	12,282,025	5,738,776
Second cycle of the Plan	13 June 2023	15,178,090	6,204,500

The Plan's features, outlined above, are described in detail in the Information Document prepared by the Parent Company under article 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 & 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 Paris Court of Appeal rejected the counterparty's claims, and subsequently, in a ruling issued on 15 January 2020, the French Supreme Court also 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 a total of euro 52 million to Vard Promar in compensation for damages and related interest and reimbursement of the penalties applied in excess of the amount contractually agreed. Following lengthy negotiations, on 30 October 2023 Transpetro and Vard Promar entered into a settlement agreement under which Transpetro paid approximately euro 33 million to settle existing legal proceedings and extinguish outstanding claims. Following this settlement agreement, the position can be considered definitively closed.

Fincantieri is, moreover, involved in arbitration proceedings relating to the contract for the provision of training and in-service support services signed in 2017 between Fincantieri Services Middle East LLC (which then transferred the contract to Fincantieri Services Doha LLC) and the Omani company Dahra Engineering & Security Services LLC. In 2022, Dahra's top management was placed in pre-trial detention by the Qatari authorities, and they were barred from entering the areas of the Qatar Navy and, consequently, from fulfilling the contract with Fincantieri Services Doha, which therefore terminated the contract and claimed euro 7,144 thousand in damages from Dahra. Dahra for its part sued Fincantieri Services Doha and Fincantieri before an arbitration tribunal of the International Chamber of Commerce (ICC) in Paris, demanding the payment of euro 13,385 thousand in damages. In its defence, firstly, Fincantieri argued that it had no involvement in the contract and, therefore, requested exclusion from the proceedings. The defendants then reaffirmed the lawfulness of the termination and counterclaimed for damages resulting from Dahra's breach of contract.

Finally, on 10 January 2024, Fincantieri was sued by Carnival Corporation before the High Court of Justice - Business and Property Courts of England and Wales; in this action, Carnival claimed damages for a total of USD 56.5 million (which, in addition to having to be proven by Carnival in fact, is not currently supported by concrete evidence as to the quantum), resulting from a breakdown at the beginning of November 2023 of the ship “Carnival Panorama” following an alleged malfunction of the propulsion system produced and supplied to Fincantieri by the Finnish company ABB. The Company is preparing defences and all necessary actions to protect its rights and interests.

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 in Composition with Creditors, a company operating in the infrastructure sector, which subsequently became subject to the procedure of composition 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.

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 unlikely to 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 “client 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 2023.

Other litigation

Other litigation includes:

i) compensation for direct and indirect damages arising from the production process;
ii) 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.

In particular, litigation has recently been initiated between Decomar S.p.A., a subsidiary of Fincantieri S.p.A., Scavicom S.r.l., the parent company of Decomar S.p.A., and Fincantieri Deco S.p.A., which is also a subsidiary of Decomar S.p.A. and Fincantieri S.p.A. This litigation, which also involves Fincantieri S.p.A., concerns mutual disputes of the parties related to the economic initiative undertaken involving environmental dredging activities.

In view of the remote risk of losing the case, no allocation was made to the provision for risks and charges.

Criminal prosecutions under Legislative Decree 231/2001

The Group is currently involved in six criminal proceedings brought under Legislative Decree no. 231/2001 in the Court of Gorizia, one in the Court of Agrigento and one in the Court of Venice:

- 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; At present, there are no reports of any developments regarding this position.

- In March 2016, notices of the conclusion of preliminary investigations were served to the former Manager of the Monfalcone Shipyard, under investigation for the alleged crime of "culpable personal injury" pursuant to Article 590 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree no. 81/2008 as well as in general of Article 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 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; At present, there are no reports of any developments regarding this position.

- In June and July 2016, notices of the conclusion of preliminary investigations were served to the former Manager of the Monfalcone Shipyard, under investigation for the alleged crime of "culpable personal injury" pursuant to Article 590 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree no. 81/2008 as well as in general of Article 2087 of the Italian Civil Code. (Failure to take 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; At present, there are no reports of any developments regarding this position.

- 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, set for the continuation of the preliminary investigation, will be held on 17 April 2024.

- 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. On 21 September 2023, the notification to the Company's legal representative of the right of defence was renewed. The trial, meanwhile, continued against the natural persons only, and at the hearing held on 3 October 2023, the judge ruled that no further proceedings would be taken against the defendants on the grounds of the statute of limitations.

- 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 ordered the committal for trial of all the accused natural and legal persons, setting a hearing for the opening of the trial on 6 February 2023. The next hearing, set by the judge to start the preliminary investigation, will be held on 15 April 2024.

- In November 2020, notices of the conclusion of preliminary investigations were served to the Manager of the hull fabrication centre area of the Monfalcone Shipyard investigated for the crime of "culpable personal injury" under Article 590 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree No. 81/2008 as well as in general of Article 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; At present, there are no reports of any developments regarding this position.

- 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 art. 2635, paragraph 2, of the Italian Civil Code and unlawful intermediation and exploitation of labour pursuant to art. 603 bis of the Italian Criminal Code for acts committed in Marghera between 2015 and 2019. At the outcome of the preliminary hearing, which ended on 28 June 2023, the Judge ordered the committal for trial of the Company pursuant to Legislative Decree no. 231/01 in relation to the offence of unlawful intermediation and exploitation of labour as well as, for Fincantieri representatives (employees and former employees), the committal for trial for all the charges ascribed to them (bribery between private individuals and/or unlawful intermediation and exploitation of labour). The Company is also a civil plaintiff in legal action for the offence of bribery between private individuals against the two former employees, together with some workers and trade unions limited to the offence of exploitation. The next hearing scheduled to deal with preliminary issues will be held on 27 March 2024.

Tax position

National tax consolidation

Fincantieri S.p.A., Fincantieri Oil & Gas S.p.A., Isotta Fraschini Motori S.p.A. and Fincantieri INfrastrutture SOciali 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 Italian Revenue Service started a tax audit on the 2019 tax year in 2024.

The assessment notified by the Indian Tax Authority in the previous year in relation to the activities of the local Project Office was appealed after the unsuccessful outcome of a conciliation proceeding; the discussion is expected in 2024. An appropriate provision has been set aside based on the risk related to this proceeding.

Marine Interiors Cabins S.p.A.

The appeal filed by the subsidiary against the Italian Revenue Services' assessments for the tax periods 2014, 2015 and 2017 is still pending. In 2024 the Italian Revenue Service opened up the prospect of conciliation but it is not currently possible to estimate the outcome of this proceeding or the potential expenses.

The VAT assessment issued by the Norwegian Tax Authority in 2020 was annulled by the Tax Appeal Board, which recognized the correctness of the approach taken by the subsidiary.

Headcount

The Group's average workforce numbered 20,793 employees in 2023 (20,783 in 2022), distributed between the various contractual grades as follows:

(number)	2023	2022
Average number of employees:		
- Executives	458	446
- Middle managers	1,244	1,187
- White collars	9,366	9,243
- Blue collars	9,725	9,907
Total average number of employees	**20,793**	**20,783**

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 2023:

Contributions

Type	Grantor	Reason	Amount received (Euro/000)
Non-repayable	MIT	XL project	3,371
Non-repayable	MIT	Motor Yacht project	2,353
Non-repayable	MIMIT	STESS project	1,143
Non-repayable	MIMIT	TECBIA Project	819
Non-repayable	MIT	Technology Leadership project	748
Non-repayable	MIT	AGORA' project	745
Non-repayable	MIT	Virgin project	740
Non-repayable	MIT	Polar project	596
Non-repayable	MIMIT	4.0 Hull project	568
Non-repayable	MISE	TECBIA project	257
Non-repayable	Sicily Region	SI-MARE project	185
Non-repayable	Friuli Venezia Giulia Region	4.0 ALSO project	167
Non-repayable	MUR and MEF	ARES project	83
Non-repayable	FILSE	AWARE project	63
Non-repayable	Liguria Region	AWARE project	25

Low cost financing

Grantor	Reason	Subsidized interest rate % %	Amount funded (Euro/000)
MISE	Environment Project	0.5	3.638
MISE	After-Sales Services project	0.8	3.429
MISE	Sustainable Industry project	0.2	479
MISE	4.0 Hull project	0.1	308

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 2023:

Beneficiary	Reason	Amount paid (Euro/000)
Ente Autonomo del Teatro Stabile di Genova	Donation	230
Virginia Tech Foundation	Donation	55
Fondazione Bambino Gesù Onlus	Donation	36
University of Pisa - Department of Information Engineering	Contribution	15
Coast Guard Foundation	Donation	14
Navy League Greater Green Bay	Donation	14
Greater Green Bay Community Foundation "Flight of Champions"	Donation	12
Rotary Club of Sturgeon Bay	Donation	11
American Academy in Rome	Donation	10
Peschiere University Student Accommodation Foundation of the Rui Foundation	Contribution	10
Catholic University of the Sacred Heart	Contribution	10

Note 34 - Cash flows from operating activities

These are analyzed as follows:

(euro/000)	31.12.2023	31.12.2022
Profit/(loss) for the year	(53,111)	(323,953)
Depreciation and amortization	233,798	230,935
(Gains)/losses from disposal of property, plant and equipment	3,409	(169)
(Revaluation)/impairment of property, plant and equipment, intangible assets and equity investments	(2,183)	166,971
(Revaluation)/impairment losses of working capital	(2,058)	5,219
Increases/(releases) of Other provisions for risks and charges	135,294	132,391
Interest expense capitalized		
Interest on employee benefits	2,992	1,198
Interest income	(36,561)	(43,691)
Interest expense	227,619	105,059
Income taxes	(10,840)	(6,692)
Long-term share-based incentive plan	501	6,727
Non-monetary operating income and expenses		(20,692)
Impact of unrealized exchange rate changes	11,098	(1,836)
Financial income and expenses from derivative finance instruments		
Gross cash flows from operating activities	**509,958**	**251,467**

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 Infrastructure and Other Activities.

Shipbuilding includes the Cruise Ships, Naval Vessels and the Accommodation Cluster (renamed “Ship Interiors”) business areas.

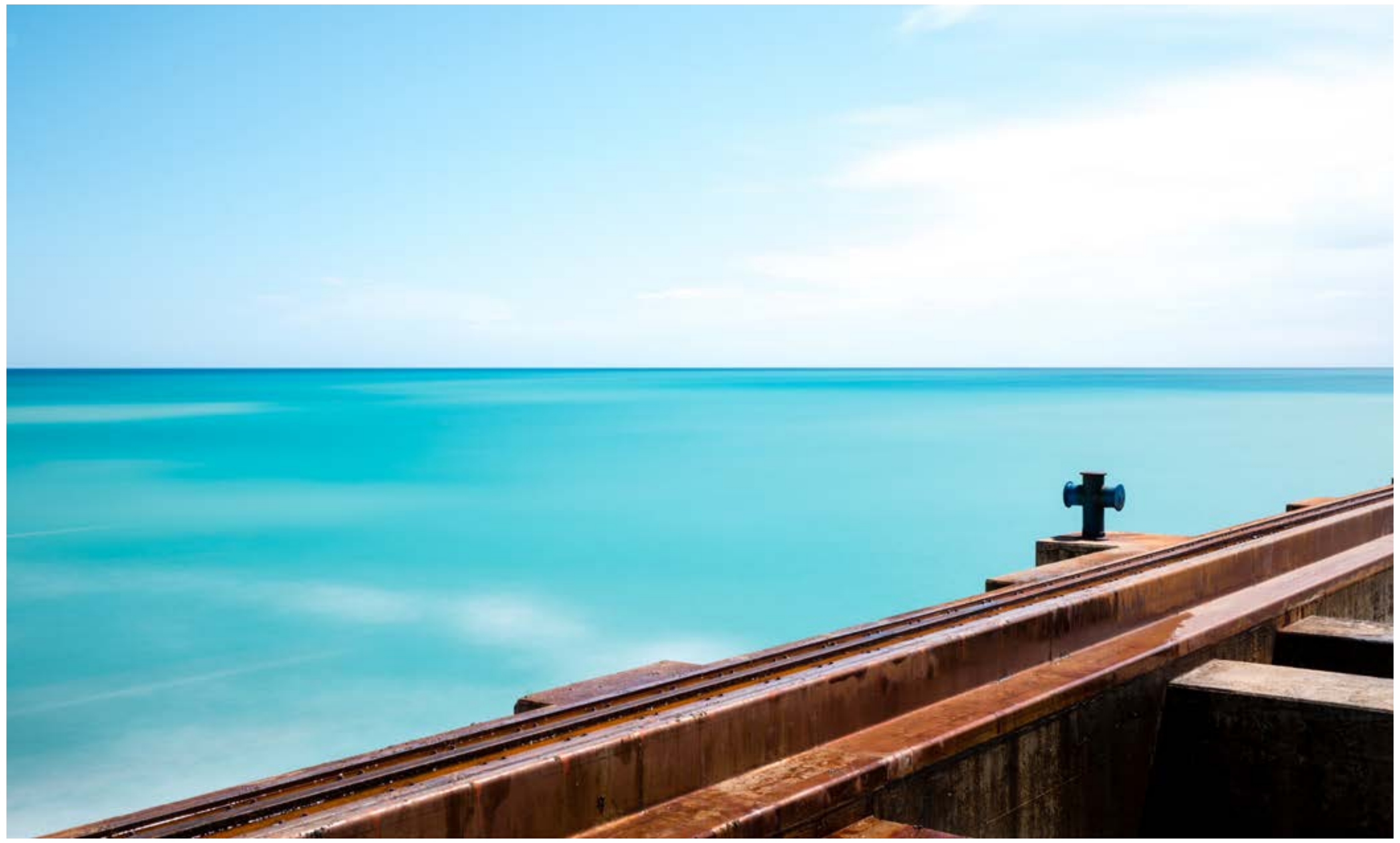
Offshore and Specialized Vessels includes the design and construction of high-end offshore support vessels for offshore wind farms and the oil & gas industry, specialized ships such as cable-laying vessels and ferries, unmanned vessels, offering innovative products with reduced environmental impact.

Equipment, Systems and Infrastructure includes the following business areas: i) Electronics Cluster, which focuses on advanced technological solutions, from the design and integration of complex systems (system integration) to telecommunications and critical infrastructure, ii) Mechatronics Cluster, i.e., integration of mechanical components and power electronics in naval and onshore applications and iii) Infrastructure Cluster, which includes the design, construction and installation of steel structures for largescale 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.

It should be noted that the Service and Accommodation Cluster business areas were reallocated from the Equipment, Systems and Services segment to the Shipbuilding segment, as they are largely designed to support shipbuilding activities. Following this reclassification, the Equipment, Systems and Services segment was renamed Equipment, Systems and Infrastructure. The comparative figures at 31 December 2022 have been restated accordingly. In addition, the activities of the Group's Romanian shipyards, previously included in Shipbuilding, were reallocated to Offshore and Specialized vessels from 2023 onwards following the closure of Vard Cruise Ships division.

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 year adjusted for the following items: i) Income taxes, ii) Share of profit/(loss) of investments accounted for using the equity method, iii) Income/(expense) from investments, iv) Financial expenses, v) Financial income, vi) Depreciation, amortization and impairment, vii) Provisions for costs and legal expenses associated with lawsuits brought by employees for asbestos-related damages and viii) Other extraordinary income and expenses.



The results of the operating segments at 31 December 2023 and 31 December 2022 are reported in the following pages.

2023					
(euro/000)	Shipbuilding	Offshore and Specialized vessels	Equipment, Systems and Infrastructure	Other activities	Group
Segment revenue	**6,129,082**	**1,070,494**	**1,099,636**	**4,129**	**8,303,341**
Intersegment elimination	(26,477)	(242,526)	(379,893)	(3,698)	(652,594)
Revenue*	**6,102,605**	**827,968**	**719,743**	**431**	**7,650,747**
EBITDA	**367,106**	**52,290**	**23,858**	**(45,770)**	**397,484**
EBITDA margin	***6.0%***	***4.9%***	***2.2%***		***5.2%***
Depreciation, amortization and impairment					(235,960)
Financial income					102,980
Financial expenses					(271,767)
Income/(expense) from investments					1,988
Share of profit/(loss) of investments accounted for using the equity method					2,222
Income taxes					10,840
Costs not included in EBITDA					(60,899)
Profit/(loss) for the year					**(53,112)**

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

Details of "Costs not included in EBITDA" gross of the tax effect (positive for euro 14,639 thousand) are given in the following table.

(euro/000)	2023
Provisions for costs and legal expenses associated with asbestos-related lawsuits[1]	(60,899)
Other extraordinary income and expenses	
Costs not included in EBITDA	**(60,899)**

1 Of which euro 3 million included in "Materials, services and other costs" and euro 58 million in "Provisions".

2022*					
(euro/000)	Shipbuilding	Offshore and Specialized vessels	Equipment, Systems and Infrastructure	Other activities	Group
Segment revenue	**6,414,203**	**751,456**	**915,912**	**2,427**	**8,083,998**
Intersegment elimination	(158,246)	(9,225)	(432,629)	(2,034)	(602,134)
Revenue**	**6,255,957**	**742,231**	**483,283**	**393**	**7,481,864**
EBITDA	**339,936**	**22,133**	**(96,395)**	**(44,686)**	**220,988**
EBITDA margin	***5.3%***	***2.9%***	***-10.5%***		***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)**

* Comparative figures have been restated following the redefinition of the operating segments.
** Revenue: Sum of "Operating revenue" and "Other revenue and income" reported in the consolidated statement of comprehensive income.

Details of pre-tax "Costs not included in EBITDA" (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)
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 "Personnel costs".
million.

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/000)	31.12.2023	31.12.2022
Italy	1,015	1,001
Other countries	669	635
Total Property, plant and equipment	**1,684**	**1,636**

(euro/000)	31.12.2023	31.12.2022
Capital expenditure		
Shipbuilding	162	218
Offshore and Specialized vessels	24	19
Equipment, Systems and Infrastructure	35	46
Other activities	37	12
Total	**258**	**295**

Capital expenditure in 2023 on Intangible assets and Property, plant and equipment amounted to euro 258 million (euro 295 million in 2022), of which euro 156 million related to Italy (euro 169 million in 2022) 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/000)	31.12.2023		31.12.2022	
	Revenue and income	%	Revenue and income	%
Italy	1,391	13	993	13
Other countries	6,260	87	6,489	87
Total Revenue and income	**7,651**		**7,482**	

The following table shows a breakdown of revenue and income according to country of production:

(euro/000)	31.12.2023		31.12.2022	
	Revenue and income	%	Revenue and income	%
Italy	5,835	76	5,866	80
Norway	654	9	691	10
Romania	403	5	406	6
Rest of Europe	67	1	66	1
North America	986	13	720	9
South America	36		57	
Asia and Oceania	362	5	379	3
Consolidation adjustments	(692)	(9)	(704)	(9)
Total Revenue and income	**7,651**	**100**	**7,482**	**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/000)	31.12.2023		31.12.2022	
	Revenue and income	%	Revenue and income	%
Client 1	1.249	16	1.391	12
Client 2	931	12		
Client 3	858	11		
Total	**7.651**		**7.482**	

Note 36 - Assets held for sale

Assets held for sale refer to the value of the investments held by Vard Group AS in the associated companies Island Offshore XII SHIP AS (euro 43,764 thousand) and Island Diligence AS (euro 7,193 thousand), Norwegian companies operating in the offshore service vessel chartering segment.

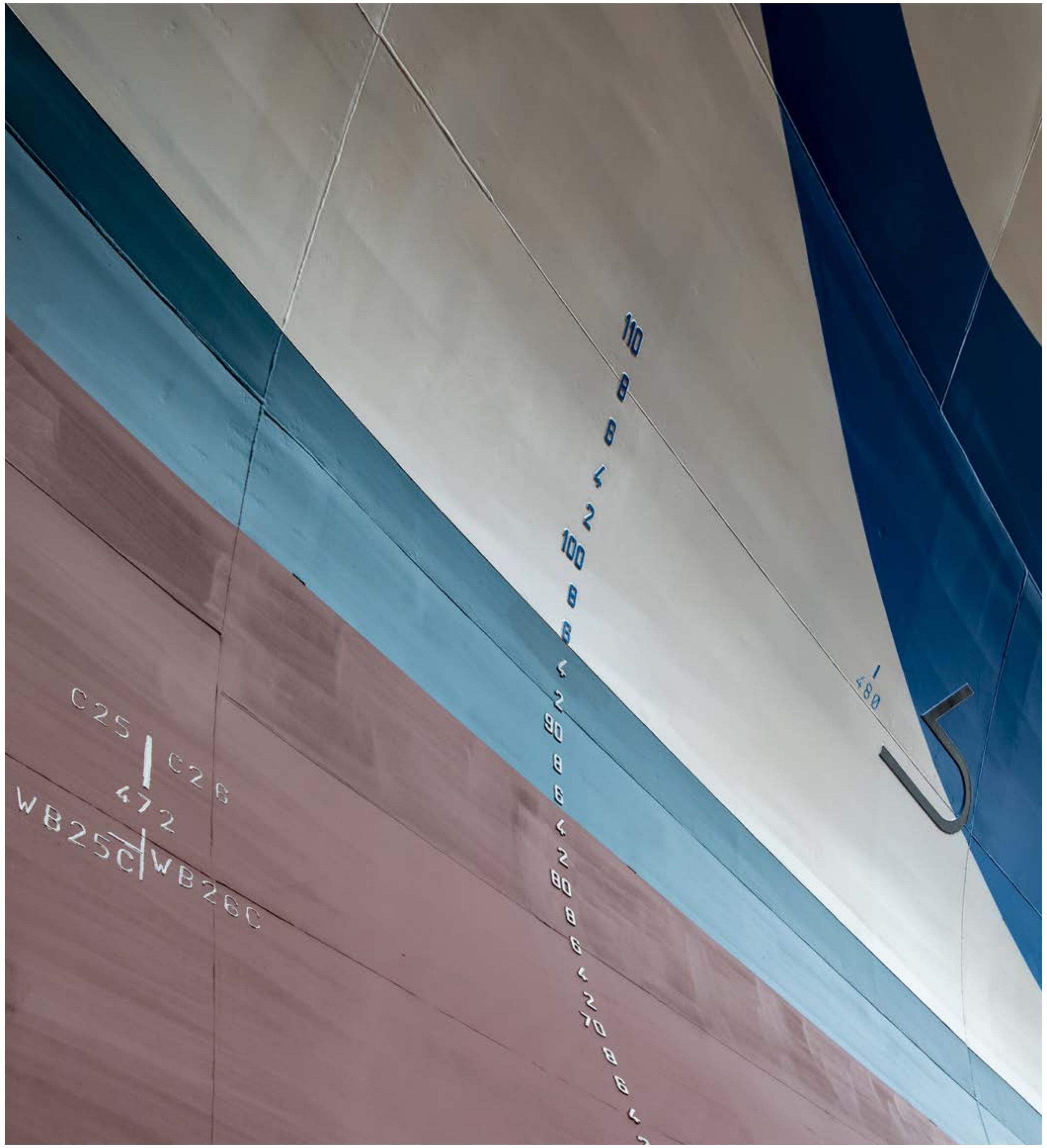
The shareholding in Island Offshore XII SHIP AS was reclassified to Assets held for sale during 2023 as an agreement was signed for its sale, scheduled for 2024. As at 31 December 2023, its carrying value was adjusted to the sale price established in that agreement, recording a loss on the investment of euro 1,216 thousand.

The shareholding in Island Diligence AS was reclassified to Assets held for sale in 2023 as an agreement to sell it by 2024 is being finalized. As at 31 December 2023, its carrying value was adjusted to the expected sale price, recording a gain on the investment of euro 1,796 thousand.

Note 37 - Events after 31 december 2023

On 4 January 2024 Fincantieri received Gender Equality Certification from RINA. The Group is the first in the shipbuilding industry in Italy to obtain the certification, demonstrating its commitment to labour equality and inclusion.

On 18 January 2024 Fincantieri was given the Top Employer Italy award for the third consecutive year. It is a form of certification awarded only to companies that meet high standards in Human Resource strategies and policies to contribute to well-being for people and improve the working environment.



On 22 January 2024, the Windward Offshore consortium exercised its options, which were contained in the contract signed with Vard in October 2023, for the design and construction of two hybrid CSOVs. As part of the order, four vessels were ordered from the Group's Norwegian subsidiary.

On 8 February 2024, Fincantieri inaugurated the 'Maestri del Mare' project in Rome, launching a paid training program aimed at recruiting, training and hiring shipbuilding workers.

On 9 February 2024 Fincantieri was awarded an A- rating for the fourth consecutive year by CDP (formerly the Carbon Disclosure Project) - the independent non-profit body of reference for environmental reporting - thus placing the Group in the Leadership bracket.

On 15 February 2024, the Group, through its subsidiary Vard, signed a contract to design and build a hybrid, state-of-the-art, customized SOV for Cyan Renewables, an operator specializing in offshore wind energy vessels in Asia.

On 15 February 2024 Fincantieri completed the acquisition of 100% of Remazel Engineering S.p.A. from Advanced Technology Industrial Group S.A. The consideration paid was approximately euro 65 million. With this transaction Fincantieri intends to accelerate the growth of its technological, engineering and construction expertise in the offshore and subsea segments. The transaction allows the Group to acquire highly specialized capabilities in the design and supply of state-of-the-art top side equipment, enhancing its role as a partner of the main international operators in the marine and subsea energy sector, and consolidating its after-sales activities, with a particular focus on digital services and logistics support with high operational complexity.

On 21 February 2024, Fincantieri and EDGE, one of the world's leading advanced technology and defence groups, signed a term sheet for the creation of a joint venture to take advantage of global shipbuilding opportunities, with a focus on the production of a wide range of naval vessels and a UAE-based business worth an estimated euro 30 billion. EDGE will hold a 51% stake in the joint venture while its management will be entrusted to Fincantieri. The Abu Dhabi-based joint venture will have first refusal on non-NATO orders, capitalizing in particular on the attractiveness of the UAE's G2G agreements and export credit financing packages, together with a number of strategic orders placed by selected NATO member countries.

On 4 March 2024, Fincantieri joined the prestigious Industrial Liaison Program (ILP) of the Massachusetts Institute of Technology (MIT). By joining this program, the Group will be able to engage with researchers, faculty members and students to stay at the forefront of innovation. This partnership is part of the course towards the implementation of the 2023-2027 Business Plan. This agreement will become part of Fincantieri's commitment to innovate and be at the forefront of the development of new technologies on strategic topics, such as Digital Transformation, with a focus on Artificial Intelligence, the Energy Transition and Maritime Sustainability.

On 6 March 2024, Fincantieri started the first Italian language course for foreign personnel in Riva Trigoso. The initiative follows a Memorandum of Understanding signed between the Group and the CPIA Levante Tigullio and supported by the Sestri Levante Social Policies Department.
On the same date, Fincantieri and the Alexandria shipyard signed a Memorandum of Understanding (MoU) in Doha. The MOU aims to define the principles for discussions that will mainly focus on finding new opportunities with the Alexandria shipyard for the construction of new ships by the Alexandria shipyard or other facilities, to be mutually agreed upon. The collaboration will focus on possible new programs for the Egyptian Navy concerning any type of ship of interest.

On 8 March 2024, subsidiary Vard and Navigare Capital Partners, in close cooperation with Norwind Offshore, signed a contract for the design and construction of a customized CSOV. The parties also agreed on new options for two additional ships.

On 12 March 2024, Fincantieri signed two MoUs in Doha. The first with the naval shipyard in Alexandria, Egypt, which aims to define the principles for discussions that will mainly focus on finding new opportunities for the construction of new ships. The partnership will concentrate on potential new ship programs of various types for the Defence sector. The second with Qatar Emiri Naval Forces (QENF) with the aim of starting discussions with the goal of entering into new contracts for the provision to QENF personnel of cutting-edge education and training courses.

On 19 March 2024 Fincantieri and Saipem, global leader in the engineering and construction of infrastructure for the energy sector, both offshore and onshore, signed a Memorandum of Understanding to evaluate commercial and industrial opportunities for cooperation in the field of autonomous subsea vehicles and their integration with surface and underwater units. The Memorandum is among the initiatives aimed at promoting and developing national excellence in the Underwater sector.

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

Appendix 1 - Companies included in the scope of consolidation

Business 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	100	Fincantieri S.p.A.	99.89
ISOTTA FRASCHINI MOTORI S.p.A. Design, construction, sales and after-sales service for 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	9,529,385	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. Financing of industrial, commercial and financial enterprises	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 IMPIANTI S.c.a.r.l. Electric, electronic and electromechanical industrial solutions	Milan	Italy	EUR	20,000	60	Fincantieri SI S.p.A.	60
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
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 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	Cina	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
MTM S.c.a.r.l. Maintenance and repair of "Mose" plant bulkheads	Venice	Italy	EUR	100,000	41	Fincantieri S.p.A.	41
FINCANTIERI SERVICES DOHA LLC Maintenance of waterborne transport vessels	Qatar	Qatar	QAR	18,400,000	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
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
SEANERGY - A MARINE INTERIORS COMPANY S.r.l. Ship interiors	Pordenone	Italy Romania Norway	EUR	50,000	80	Marine Interiors S.p.A.	80
OPERAE - A MARINE INTERIORS COMPANY S.r.l. Ship interiors	Trieste	Italy	EUR	50,000	85	Marine Interiors S.p.A.	85
FINCANTIERI NAVAL SERVICES - SOLE PROPRIETORSHIP LLC Sale, management, operation, repair and maintenance of ships, technology and materials and ancillary activities	Abu Dhabi	United Arab Emirates	AED	8,000,000	100	Fincantieri S.p.A.	100
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 INFRASTRUCUTRE FLORIDA Inc. Legal activities	USA	USA	USD	100	100	Fincantieri Infrastructure USA Inc.	100
FINCANTIERI INFRASTRUCTURE OPERE MARITTIME S.p.A. Design, construction, maintenance, supply of civil, maritime, port, hydraulic infrastructure	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 France Chile S. Marteen Greece Qatar	EUR	20,000,000	90	Fincantieri Infrastructure S.p.A.	90
SOF S.p.A. Installation, conversion, maintenance and operation of plants	Florence	Italy	EUR	5,000,000	100	Fincantieri INfrastrutture SOciali S.p.A.	90
ERGON PROJECTS Ltd. Construction	Malta	Malta	EUR	1,400,000	99 1	Fincantieri INfrastrutture SOciali S.p.A. SOF S.p.A.	90
FINSO ALBANIA S.h.p.k. Design and construction of healthcare buildings and infrastructure	Albania	Albania	LEK	4,000,000	100	Fincantieri INfrastrutture SOciali S.p.A	90
CONSTRUCTORA FINSO CHILE S.p.A Administrative activities for infrastructure implementation	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	Firenze	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
E-PHORS S.p.A. Design, production of products or services in the field of cyber 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	100	Fincantieri NexTech S.p.A.	100
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	IDS Ingegneria Dei Sistemi 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 civil-military applications	Pisa	Italy	EUR	13,200,000	100	Fincantieri NexTech S.p.A.	100
IDS INGEGNERIA DEI SISTEMI (UK) Ltd. Repair, maintenance and installation of gas turbines	United Kingdom	United Kingdom	GBP	180,000	100	IDS Ingegneria Dei Sistemi S.p.A.	100
IDS AUSTRALASIA PTY Ltd. Repair, maintenance and installation of gas turbines	Australia	Australia	AUD	100,000	100	IDS Ingegneria Dei Sistemi S.p.A.	100
IDS NORTH AMERICA Ltd. Repair, maintenance and installation of gas turbines	Canada	Canada	CAD	5,305,000	100	IDS Ingegneria Dei Sistemi S.p.A.	100
IDS KOREA Co. Ltd. Repair, maintenance and installation of gas turbines	Asia	Asia	KRW	434,022,000	100	IDS Ingegneria Dei Sistemi S.p.A	100
IDS TECHNOLOGIES US Inc. in liquidation *In liquidation*	USA	USA	USD	-	100	IDS Ingegneria Dei Sistemi S.p.A.	100
ROB INT S.r.l. Design of air, naval and land vehicles	Pisa	Italy	EUR	100,000	100	IDS Ingegneria Dei Sistemi S.p.A.	100
TRS SISTEMI S.r.l. Provision of IT services	Rome	Italy	EUR	90,000	100	IDS Ingegneria Dei Sistemi S.p.A.	100
SKYTECH ITALIA S.r.l. Implementation of IT systems	Rome	Italy	EUR	90,000	100	IDS Ingegneria Dei Sistemi S.p.A.	100
FLYTOP S.r.l. in liquidation *In liquidation*	Rome	Italy	EUR	50,000	100	IDS Ingegneria Dei Sistemi S.p.A.	100

Business 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. Exercise, also through companies and entities, of activities in the Oil & Gas industry	Trieste	Italy	EUR	21,000,000	100	Fincantieri S.p.A.	100
ARSENAL S.r.l. IT consultancy services	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
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. *(formerly Vard Electro Tulcea 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 SHIPYARDS ROMANIA SA ***(formerly VARD TULCEA SA)*** Shipbuilding	Romania	Romania	RON	151,606,459	97.1057 2.8943	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 Shipyards Romania SA *(formerly Vard Tulcea 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 Shipyards Romania SA *(formerly Vard Tulcea 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 INTERIORS AS ***(formerly VARD ACCOMMODATION AS)*** Ship accommodation installation	Norway	Norway	NOK	500,000	100	Vard Group AS	98.37
VARD ACCOMMODATION TULCEA S.r.l. Ship accommodation installation	Romania	Romania Italy	RON	436,000	99.77 0.23	Vard Interiors AS *(formerly Vard Accommodation AS)* Vard Electro Romania S.r.l.	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	EUR	2,654	51	Vard Design AS	50.17
VARD MARINE GDANSK Sp. Z.o.o. Offshore design and engineering	Poland	Poland	PLN	50,000	100	Vard Group 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

Business activity	Registered office	Countries in which they operate	Share Capital		% interest held		% consolidated by Group
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 and manufacture 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. Complete execution of contract ITER BUSBARF4	Trieste	Italy France	EUR	40,000	10 50	Fincantieri S.p.A. Fincantieri SI S.p.A.	60
4TCC1 - Società consortile a.r.l. Complete execution of the Tokamak Complex Contract	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
FINMESA S.c.a.r.l. Design and construction of power generation plants from photovoltaic renewable sources	Milan	Italy	EUR	20,000	50	Fincantieri SI S.p.A.	50
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. in liquidation *In liquidation*	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	3.65 49.10	SOF S.p.A. Fincantieri INfrastrutture SOciali S.p.A.	47.48

Business activity	Registered office	Countries in which they operate	Share Capital		% interest held		% consolidated by Group
ASSOCIATES CONSOLIDATED USING THE EQUITY METHOD							
CENTRO SERVIZI NAVALI S.p.A. Processing and production of metal products	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. Development of innovative solutions for environmental restoration	Massa (MS)	Italy	EUR	2,500,000	20	Fincantieri S.p.A.	20
DIDO S.r.l. Activities in the field of decision intelligence	Milan	Italy	EUR	142,801	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 Production 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.	50
ITS Integrated Tech System S.r.l. *Dormant*	La Spezia	Italy	EUR	10,000	51	Rob.Int S.r.l.	51
MC4COM - MISSION CRITICAL FOR COMMUNICATIONS SOCIETÀ CONSORTILE S.r.l. Implementation of integrated telecommunications systems	Milan	Italy	EUR	10,000	50	HMS IT S.p.A.	50
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 Opere Marittime S.p.A.	49
CITTÀ SALUTE RICERCA MILANO S.p.A. 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. Design and execution activities	Milan	Italy	EUR	100,000	30	Fincantieri INfrastrutture SOciali S.p.A.	27
NOTE GESTIONE S.c.a.r.l. Installation of plumbing in buildings	Reggio Emilia	Italy	EUR	20,000	34	SOF S.p.A.	30.60
S.ENE.CA GESTIONI S.c.a.r.l. Other business support service activities	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	Florence	Italy	EUR	10,000	20	SOF S.p.A.	18
BIOTECA Soc. cons. a.r.l. 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
PERGENOVA BREAKWATER Construction of the new breakwater for the port of Genoa	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
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 280

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 procedures for the preparation of the Consolidated Financial Statements during the year 2023.

2. The adequacy of the administrative and accounting procedures for preparing the Consolidated Financial Statements at 31 December 2023 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 2024

CHIEF EXECUTIVE OFFICER

Pierroberto Folgiero

MANAGER RESPONSIBLE
FOR PREPARING
FINANCIAL REPORTS

Felice Bonavolontà

Report by the independent auditors 284

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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 2023, 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 material accounting policy information.

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 2023, 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.

Deloitte.

Impairment test pertaining to the CGU "Vard Offshore and Specialized Vessels" and "Vard Electro"	
Description of the key audit matter	The consolidated financial statements as at 31 December 2023, include, within Intangible assets, goodwill totaling Euro 116 million, out of which Euro 52 million pertaining to the Cash Generating Unit ("CGU") "Vard Offshore and Specialized Vessels" and Euro 53 million pertaining to the CGU "Vard Electro". 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. As a result of the impairment test, no impairment losses were identified at December 31, 2023 with respect to such goodwill. 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 and from updates resulting from the budgeting process which led to the approval of the budget for the fiscal year 2024 as well as to 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 2023 include contracts assets and liabilities totaling Euro 2,498 million and Euro 1,599 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 2023. 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:
	  o analysis of contracts signed with customers,
	  o tests on projects costs incurred,
	  o 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.

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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.

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We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 2023 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 2023 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 2023 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
March 25, 2024

As disclosed by the Directors, 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.

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Glossary

1 - Operating activities

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 order modifications and additions) and the accumulated value of “Construction contracts and client advances” at the reporting date.
Merchant Ships	Vessels intended for the development of commercial activities, mainly involving passenger transport. Examples are cruise ships, ferries (whether for transporting only vehicles or vehicles and passengers), container ships, oil tankers, solid and liquid bulk carriers, etc.
Naval vessels	Vessels for military use such as combat surface ships (aircraft carriers, destroyers, frigates, corvettes, patrol vessels), as well as auxiliary ships and submarines.
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
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 company activities into a single reporting entity.
Net fixed capital	Indicates the fixed capital employed for ordinary operations, which includes the 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 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 sum of Net fixed capital, Net working capital and Assets held for sale.
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) Taxes, (ii) Share of profit of investments accounted for using the equity method, (iii) Income/(expenses) from equity investments, (iv) Financial expenses, (v) Financial income, (vi) Provisions for costs and legal expenses related to asbestos litigation, and (vii) Other non-recurring income and expenses.
EBITDA	Acronym for Earnings Before Interest, Taxes, Depreciation and Amortization. It is defined as: Profit/(loss) for the year before taxes, before financial income and expenses, 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 reorganization plans and other non-recurring 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 Group.
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	Reclassified statement of financial position which includes: • Net current cash/(debt): cash and cash equivalents, current financial assets, current financial payables and current portion of medium/long-term loans; • Non-current debt: non-current bank debt and other debt instruments.

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.

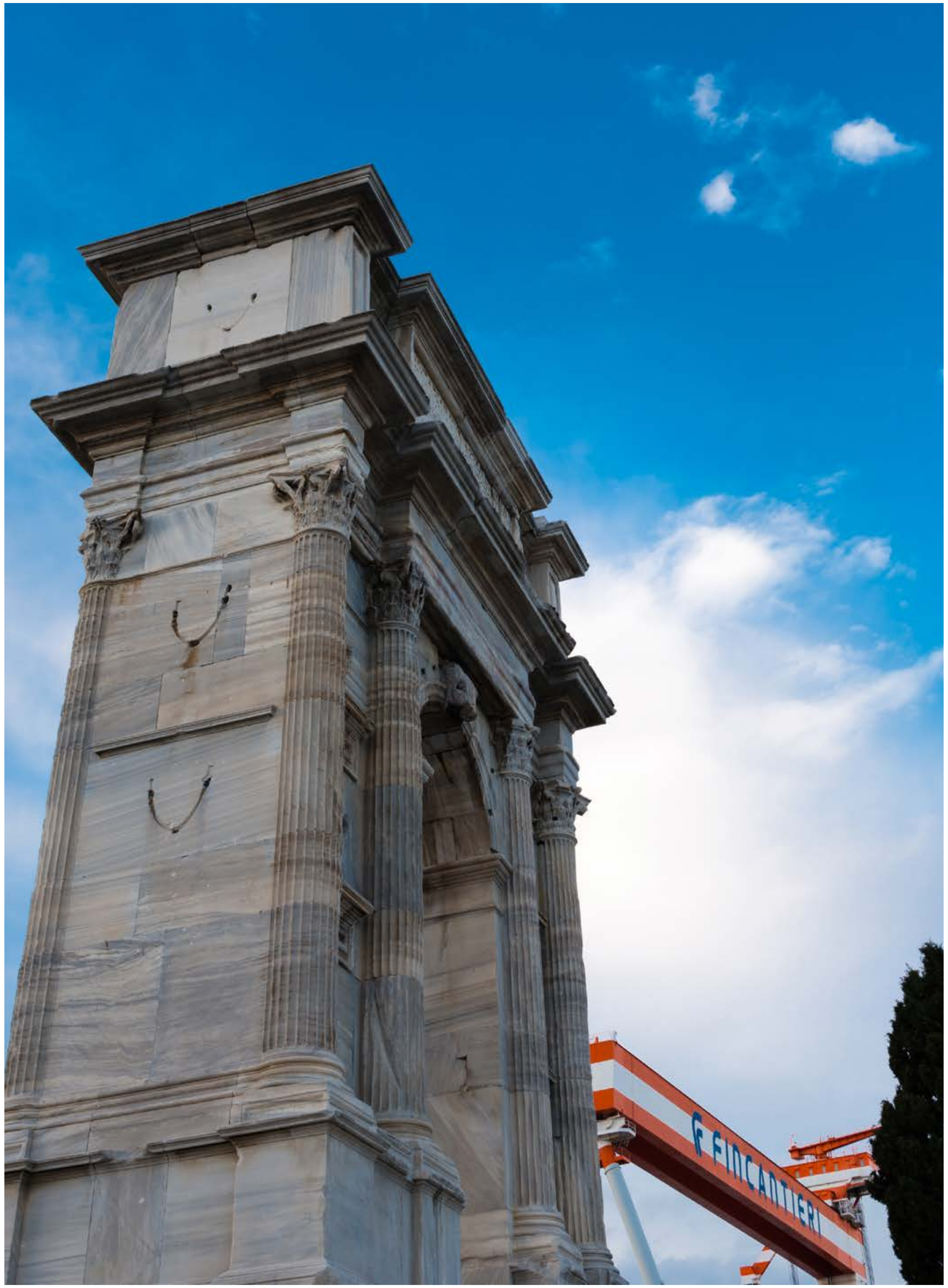
Basic or diluted earnings per share

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.



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