ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING

19 MAY 2017

EXPLANATORY REPORT
BY THE BOARD OF DIRECTORS

ON THE FIRST ITEM ON THE AGENDA FOR THE EXTRAORDINARY PART

FINCANTIERI
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FIRST ITEM ON THE AGENDA FOR THE EXTRAORDINARY PART

FINCANTIERI S.p.A.
Registered office Via Genova No. 1, Trieste
Share Capital €862,980,725.70 – fully paid up

VAT No. 00629440322
Tax Code and Venezia Giulia Business Registry No. 00397130584
Trieste Economic and Administrative Index No. 89063

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EXTRAORDINARY PART

Explanatory Report
pursuant to Article 125-ter of Legislative Decree No. 58 of 24 February 1998 and Article 72 of the Regulation issued by Consob with Resolution No. 11971 of 14 May 1999

FIRST ITEM ON THE AGENDA FOR THE EXTRAORDINARY PART

Issuance of maximum 50,000,000 no-par value ordinary shares without, having the same characteristics as the outstanding ordinary shares, to be used for the 2016-2018 Performance Share Plan, to be attributed to the management of the Company and/or its subsidiaries, pursuant to Article 2349 of the Italian Civil Code. Related and consequent resolutions.

Dear Shareholders,

This Report was drawn up by the Board of Directors of FINCANTIERI S.p.A. ("Fincantieri" or the "Company") to describe the proposed issuance, in one or several tranches, no later than the deadline of 31 December 2021, pursuant to Article 2349 of the Italian Civil Code, of maximum 50,000,000 ordinary shares with no par value, to be allotted free of charge, without increasing the share capital, to the management of the Company and/or its subsidiaries to be used for the "Performance Share Plan 2016-2018" (the "Plan"), described in the related explanatory report and in the information document prepared pursuant to Article 114-*bis* of Legislative Decree No. 58 dated 24 February 1998 (the Italian Consolidated Financial Act – "TUF") and Article 84-*bis* of the Regulation issued by Consob with Resolution No. 11971 of 14 May 1999 (the "Issuers' Regulation").

1. Reasons for the issuance of new shares

The Board of Directors resolved on 10 November 2016, among other things, to submit the approval of the Plan to the annual ordinary Shareholders' Meeting. The Plan, reserved to the management of the Company and/or its subsidiaries, is to be implemented through the free allotment of Fincantieri's ordinary shares with no par value, having the same characteristics as the outstanding shares, based on the achievement of certain performance objectives.

On 29 March 2017, the Board of Directors therefore resolved to submit the Plan to the examination and approval of the Shareholders' Meeting convened in a single call in ordinary and extraordinary session on 19 May 2017 as the third point on the ordinary part's agenda.

The Plan, adopted to implement the Company's Remuneration Policy, intends to: (i) improve the alignment of the interests of the beneficiaries to those of the shareholders, by tying the management's remuneration to specific performance objectives, the achievement of which is closely linked to the improvement of the Company's performance and to its growth in value in the medium-long term; as well as (ii) support the ability to retain key resources, aligning the Company's Remuneration Policy with the best market practices that typically provide for medium-long term incentive instruments.

The Company, in line with the international common practice and in accordance with the recommendations of the Corporate Governance Code for listed companies with regard to remuneration, considers that the share-based Plan, with a three-year duration and with specific performance objectives, represents the most effective incentive instrument addressing the interests of Fincantieri and the Group.

The present report and the information document, to which reference is made for more details on the Plan, list the criteria for identifying the Plan's recipients and its characteristics and explain the reasons for its adoption.

The Plan provides for granting to the beneficiaries entitlements to receive, free of charge, up to a total of 50,000,000 Company shares subject to achieving predetermined performance objectives. These shares will derive: (i) from purchases made pursuant to Article 2357 and 2357-*ter* of the Italian Civil Code, subject to the approval of the Shareholders' Meeting as per the fourth point on the ordinary part's agenda; and/or (ii) from the issuance, pursuant to Article 2349 of the Italian Civil Code, of a maximum total of 50,000,000 ordinary shares with no par value, having the same characteristics as the outstanding ordinary shares which are the subject of this draft resolution for the Shareholders' Meeting. In this regard, please note that, in accordance with the provisions of Article 2349 of the Italian Civil Code, the shares to be allotted to the beneficiaries of the Plan who are not employees of the Company and/or its subsidiaries will only derive from purchases made pursuant to Articles 2357 and 2357-*ter* of the Italian Civil Code.

To accomplish the above, the Board of Directors proposes to resolve on the issuance, in one or several tranches, pursuant to Article 2349 of the Italian Civil Code, of a maximum total of 50,000,000 ordinary shares with no par value, having the same characteristics as the outstanding ordinary shares, to be allotted free of charge to the beneficiaries of the Plan. It also proposes to confer on the Board of Directors the broadest powers to implement the aforementioned issuance, where it deems it appropriate and taking account of any resolutions made by the Board of Directors to purchase treasury shares to be used to fulfil the obligations arising from the Plan, in compliance with the conditions, modalities and terms envisaged by the Plan, and thus no later than the deadline of 31 December 2021.

This proposal submitted to your attention is aimed at guaranteeing the Company a flexible instrument, that can take full advantage of the Plan's remuneration mechanisms to implement the Company's Remuneration Policy.

Please note that, according to Article 8 of the By-laws, the Company may issue those shares and/or financial instruments that are provided for in Article 2349 of the Italian Civil Code.

From a corporate law standpoint, in compliance with the requirements of Article 2349 of the Italian Civil Code, the issuance of new shares will be made from profits or retained earnings as resulting from the latest financial statements approved during the financial year that envisages the issuance of the shares. Moreover, in consideration of the of the shares having no par value, the share issuance will take place without allocation to the share capital of those profits or retained earnings considered for issuance purposes. The draft resolution proposed herein implements the transaction envisaged by Article 2349 of the Italian Civil Code, not implying any movement of entries within net equity, as permitted in cases of shares with no-par value, except as specified in paragraph 2 below.

2. Characteristics of the issuance of new shares pursuant to Article 2349 of the Italian Civil Code

The determination of the number of newly-issued ordinary shares to be used for the Plan, where deemed appropriate, should consider the criteria established by the Plan to determine the number of ordinary Fincantieri shares to be granted to each beneficiary. For more information, see the information document available on the website of www.fincantieri.com in the section dealing with this Shareholders' Meeting, together with this report.

The Plan is divided into three cycles (2016–2018, 2017–2019 and 2018–2020), each having a 3-year duration. The allotment of the shares, for each of the three cycles, is subject to achieving specific performance objectives. These objectives are identified by the Board of Directors, on proposal, within its competence, of the Remuneration Committee, for the specific three-year period of each cycle as a whole, and therefore will be measured with reference to that three-year period. The performance objectives for the first cycle (2016 – 2018) are indicated in the information document and represent, in the opinion of the Board of Directors, objective criteria for measuring the creation of Company value in the medium-long term. The granting of entitlements to receive free shares of the Company is determined for each of the three cycles of the Plan by the Board of Directors of the Company, upon consultation with the Remuneration Committee, to the extent applicable, and according to the instructions of the Chief Executive Officer, in an amount equal to the ratio between: (1) a percentage of the value of the beneficiary's gross annual salary net of its variable components; and (2) the weighted average of the market price of the shares in the five open market days preceding the date of the resolution of the Board of Directors. For each cycle of the Plan with regard to granting entitlements, this percentage will be determined by the Company's Board of Directors, on the advice of, to the extent applicable, the Remuneration Committee, and according to the instructions of the Chief Executive Officer, in view of the role held by the beneficiary, and, in any event, without exceeding 100%.. The granting of entitlements is made free of charge.

The number of Entitlements granted to each Beneficiary may be increased during each Plan Cycle by the Board of Directors, on the advice of, to the extent applicable, the Remuneration Committee according to the instructions of the Chief Executive Officer, to account for any fixed compensation increases of the Beneficiaries occurred in the period.. In addition, the number of entitlements granted to each beneficiary in the event of over performance may be increased, when allotting shares, up to a maximum of 30%.

The number of shares to be allotted to the beneficiaries will be determined for each of the three cycles of the Plan by the Board of Directors, upon proposal from the Remuneration Committee, based on the level of achievement of the performance objectives and the existence of the other conditions indicated in the information document. This is subject to the condition that the maximum value of the shares that may be allotted to each beneficiary on the allotment date may not exceed the cap (namely the value determined by multiplying the number of shares that may be allotted by four times their market price on the date of the assignment).

A claw back clause is also provided whereby the Company has the right to ask the beneficiary to return, in whole or in part, any shares allotted (deducting any shares necessary for the payment of tax charges arising from the Plan) or their value on the delivery date. This clause may be applied if the shares were allotted based on data that revealed to be manifestly incorrect or false at a later date, or in cases of fraud, or in relation to negligent or intentional conduct that caused damage to the Company.

Any issuance of ordinary shares to be allotted to the beneficiaries of the Plan, pursuant to Article 2349 of the Italian Civil Code, must be made from profits and/or retained earnings as reported in the latest financial statements approved during the financial year in which the issuance of the shares takes place.

This is subject to the Board of Directors verifying the sufficiency of such profits and/or retained earnings at the date of issuance. In this regard please note that, in line with the normal share issuance dynamics pursuant to Article 2349 of the Italian Civil Code, the amount of relevant profits and/or retained earnings shall be equal to the number of shares to be granted multiplied by the implicit nominal value of those shares at the time of their issuance. This use of profits and/or retained earnings will be specifically indicated in the Company's financial statements. As a result, net assets items actually used for the purposes of Article 2349 of the Italian Civil Code may not be used again for the same purposes, while they may be freely distributed to the Shareholders – like the other available reserves of the Company – following the adoption of a special resolution of the ordinary Shareholders' Meeting.

Fincantieri's share capital, subscribed and paid up, is currently equal to EUR 862,980,725.70, divided into 1,692,119,070 no-par value ordinary shares.

In the event of complete implementation, the issuance of the maximum number of 50,000,000 new shares to be used for the Plan will lead to a maximum dilution for Company shareholders equal to 2.87% of the share capital for all three cycles of the Plan.

3. Destination of the newly issued shares

The maximum number of 50,000,000 new shares will be allotted exclusively to the beneficiaries of the Plan who are employees of the Company and/or its subsidiaries, in accordance with the terms and conditions of the Plan itself.

4. Exercise period

The issuance of a maximum number of 50,000,000 ordinary shares with no par value may be carried out, where it is deemed appropriate, on one or several tranches, in compliance with the conditions, modalities and terms envisaged by the Plan, and thus no later than the deadline of 31 December 2021.

5. Characteristics of the newly issued shares

The newly issued ordinary shares granted to the beneficiaries of the Plan will have no-par value, the same characteristics as the outstanding ordinary shares, and will have regular dividend entitlements, equal to that of the Company's ordinary shares at the date of issue.

6. Amendments to Article 6 of the By-laws

If the draft resolution referred to in this report is approved, it will be necessary to incorporate a clause within the current Article 6 of the By-laws, indicating the adoption of the resolution to issue, in one or several tranches, pursuant to Article 2349 of the Italian Civil Code, a maximum number of 50,000,000 new ordinary shares to be granted free of charge to the beneficiaries of the Plan, without increasing the share capital.

The following is Article 6 of the By-laws with the inclusion of the proposed amendment.

Article 6	
Current text	Text showing proposed changes
6.1. The share capital is EUR 862,980,725.70 (eight hundred sixty-two million nine hundred eighty	6.1. The share capital is EUR 862,980,725.70 (eight hundred sixty-two million nine hundred eighty

thousand seven hundred twenty-five and 70/100) divided into 1,692,119,070 (one billion six hundred ninety-two million one hundred nineteen thousand seventy) shares. 6.2. The shares have no par value.	thousand seven hundred twenty-five and 70/100) divided into 1,692,119,070 (one billion six hundred ninety-two million one hundred nineteen thousand seventy) shares. 6.2. The shares have no par value. 6.3. The Shareholders' Meeting in extraordinary session on 19 May 2017 resolved on the issuance, in one or several tranches, by the end of 31 December 2021, of a maximum number of 50,000,000 ordinary shares, having the same characteristics as the outstanding ordinary shares, to be used for the Performance Share Plan 2016-2018, to be allotted free of charge, pursuant to Article 2349 of the Italian Civil Code, to the beneficiaries of the Plan, without increasing the share capital. For the above purposes, the extraordinary Shareholders' Meeting has given the Board of Directors the broadest powers to: (i) define the amount of ordinary shares to be issued and allotted free of charge to the beneficiaries of the Performance Share Plan 2016-2018, in compliance with the conditions, modalities and terms laid down therein; (ii) determine the implicit nominal value of the newly issued ordinary shares at the time of each share issuance; (iii) identify, also as a result of the provisions under (i) and (ii), the profits and/or retained earnings reported in the latest financial statements approved, subject to which the shares will be issued; and (iv) implement the foregoing, providing, by way of example, for the subsequent amendments to the By-laws that, from time to time, may be necessary or appropriate.

Please note that the proposed amendment to the By-laws, where accepted, does not confer the right of withdrawal to those shareholders who do not agree to the related approval, since none of the cases of withdrawal provided for in Article 2437 of the Italian Civil Code are applicable.

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With regard to all the foregoing, we submit to your approval the following draft resolution:

"The Shareholders' Meeting of FINCANTIERI S.p.A., met in extraordinary session,

- *examined the explanatory report of the Board of Directors and the proposals contained therein;*
- *having reviewed the resolution adopted by the ordinary Shareholders' Meeting regarding the adoption of the Plan entitled "Performance Share Plan 2016-2018"; and*
- *having reviewed the provision of the By-laws to grant profits and/or retained earnings to employees by issuing shares reserved to them, pursuant to Article 2349(1) of the Italian Civil Code,*

resolves

- *to approve the issuance, in one or several tranches, by the end of 31 December 2021, of a maximum number of 50,000,000 ordinary shares with no par value, having the same characteristics as the outstanding ordinary shares, to be used for the Performance Share Plan*

2016-2018, to be allotted free of charge, pursuant to Article 2349 of the Italian Civil Code, to the beneficiaries of the Plan, without increasing the share capital;

- *to confer on the Board of Directors the broadest powers to implement the issuance of a maximum number of 50,000,000 ordinary shares and, among other things, to: (i) define the amount of ordinary shares to be issued and allotted free of charge to the beneficiaries of the Performance Share Plan 2016-2018, in compliance with the conditions, modalities and terms laid down therein, and taking account of any resolutions adopted by the Board of Directors to purchase treasury shares to be used to fulfil the obligations arising from the Plan; (ii) determine the implicit nominal value of the newly issued ordinary shares at the time of each share issuance; (iii) identify, also as a result of the provisions under (i) and (ii), the profits and/or retained earnings reported in the latest financial statements approved subject to which the shares will be issued; and (iv) implement the above powers, including, but not limited to, those necessary to make the subsequent amendments to the By-laws that, from time to time, may be necessary or appropriate;*
- *to modify Article 6 of the By-laws by introducing a new last paragraph as follows: "6.3. The Shareholders' Meeting in extraordinary session on 19 May 2017 resolved on the issuance, including in several tranches, by the end of 31 December 2021, of a maximum number of 50,000,000 ordinary shares, having the same characteristics as the outstanding ordinary shares, to be used for the Performance Share Plan 2016-2018, to be allotted free of charge, pursuant to Article 2349 of the Italian Civil Code, to the beneficiaries of the Plan, without increasing the share capital.*
  For the above purposes, the extraordinary Shareholders' Meeting has given the Board of Directors the broadest power to: (i) define the amount of ordinary shares to be issued and allotted free of charge to the beneficiaries of the 2016-2018 Performance Share Plan, in compliance with the conditions, modalities and terms laid down therein; (ii) determine the implicit nominal value of the newly issued ordinary shares at the time of each share issuance; (iii) identify, also as a result of the provisions under (i) and (ii), the profits and/or retained earnings reported in the latest financial statements approved, subject to which the shares will be issued; and (iv) implement the foregoing, providing, by way of example, for the subsequent amendments to the By-laws that, from time to time, may be necessary or appropriate.";
- *to confer on the Chairman of the Board of Directors and the Chief Executive Officer, also acting severally and with the power of sub-delegation, the broadest powers necessary or appropriate for the execution of all obligations and formalities in any way connected with or consequent to this resolution – also pursuant to Article 1395 of the Italian Civil Code – and to make to the resolution any changes, additions and/or deletions that may be necessary for its registration into the Businesses Registry".*

Trieste, 29 March 2017

For the Board of Directors
Chairman of the Board of Directors
Giampiero Massolo