

Update on STX France

October, 2017

FINCANTIERI
The sea ahead



Framework agreement between the Italian and French governments

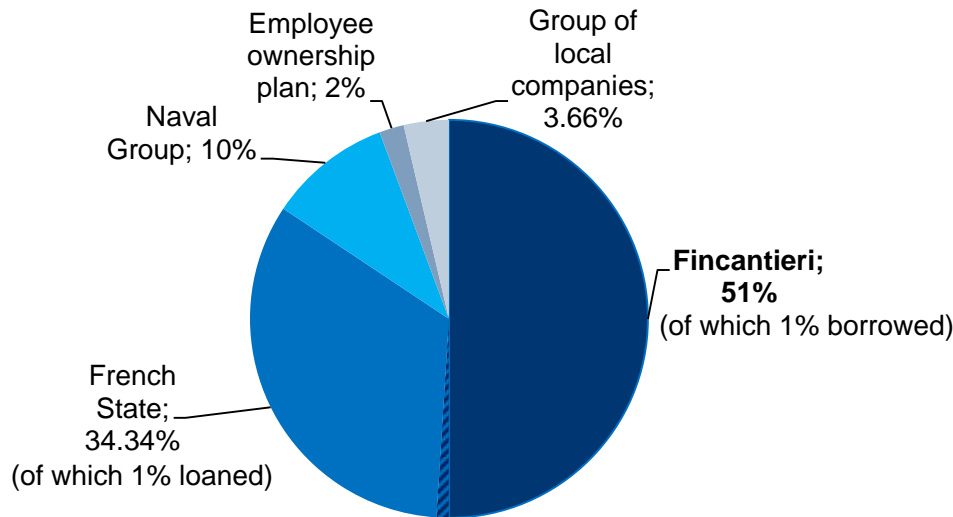
Overview

- The French and Italian Governments have reached an agreement aimed at facilitating the **creation of a more efficient and competitive European shipbuilding industry**. Their shared objective of moving towards **a strong alliance** between the two countries – in the civil, military and service, system and equipment sectors – takes shape in the agreement set forth on September 27th 2017
- Bringing together the strengths of Fincantieri, Naval Group and STX France will create a **global European leader** aimed at being the world's top player in the construction of complex, high valued-added vessels and largest exporter in both civil and military markets, with a significant activity in systems and services
- The first step in this game-changing alliance will be **Fincantieri's acquisition of STX France**, confirming our position as a **world class cruise shipbuilder**
- At the same time, **the Italian and French Governments will begin working on the larger integration project**, setting forth a roadmap addressing all the steps necessary for the creation of the joint player



Framework agreement between the Italian and French governments - STX France

Future Capital Structure



- Fincantieri will borrow 1% from the French State for 12 years period
- The stock lending agreement can be terminated by French State after 2, 5, 8 and 12 years only in a limited numbers of cases, including among others:
 - Transfer of a know-how outside Europe
 - Reduction of employment in the 5 years following the transaction (given appropriated market conditions)
 - Un-equal treatment of STX France within the Fincantieri Group
- In case the stock lending agreement is terminated, Fincantieri has the right to sell its entire stake to the French State

Governance

- Fincantieri will have majority of the votes in the shareholders' meetings
- 1% shares borrowed from French State carrying all economic and voting rights
- Fincantieri will control the Board of Directors, which will be composed as follows:
 - 4/8 members appointed by Fincantieri (including the Chairman and the CEO)
 - 2/8 members appointed by the French State (APE)
 - 1/8 member appointed by Naval Group
 - 1/8 member appointed by the employees
- The Chairman of the Board will have a “casting vote” in case of stall
- As customary for this kind of transactions, qualified majority with support of French State required in a limited number of cases (M&A, disposal of material assets or yard, transfer of know-how outside Europe, etc.)

Framework agreement between the Italian and French governments – Fincantieri vs. STX France

Fincantieri⁽¹⁾

STX France

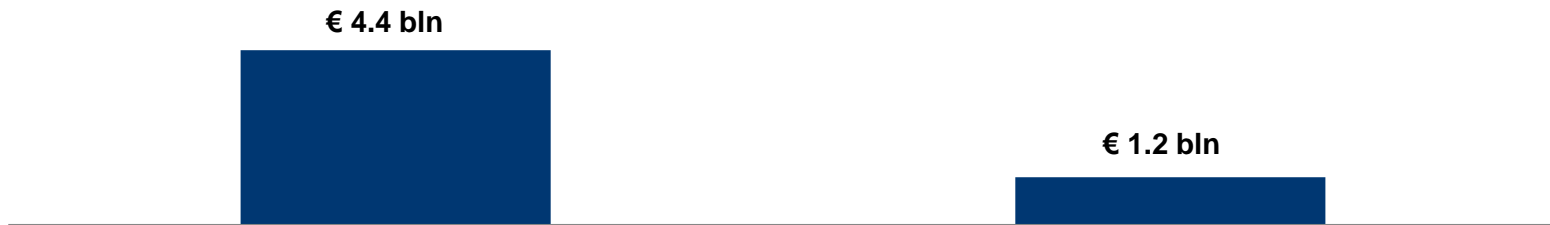
Clients



Order intake 2004 – 2017⁽²⁾
(# of ships)



Revenues 2016



Total backlog⁽³⁾ 2016



Source: company information, Fincantieri analysis

(1) Fincantieri and Vard

(2) Cruise ships over 10,000 of gross tonnage; New orders Jan 2004 – June 2017, including MOA, LOI, excluding options.

(3) Sum of backlog and soft backlog; soft backlog represents the value of existing contract options and letters of intent as well as contracts in advanced negotiation, none of which yet reflected in the order backlog



Key areas of value creation

Description

Purchasing and Supply Chain

- Increase of bargaining power and leverage of scale effects on specific product categories
- Focus on commodities, main system and strategic components: price benchmark and price alignment

Commercial Strategy

- Integrated coordination of prospects
- Alignment of client commercial strategy

Engineering / IT / R&D

- Sharing of engineering best practices and capacity for potential collaboration in the mid-term
- R&D: creation of specific competence centers
- Integration of systems landscape enabling common platforms

Production

- Creation and sharing of production plans' database
- Sharing of construction best practices to align and optimize production process

Services

- Focus on integrated life-cycle management offer to clients leveraging on Fincantieri and STX France core competences



Framework agreement between the Italian and French governments - Naval sector

Final objectives

- Build a more efficient European naval industry and actively support initiatives towards a deeper military cooperation between the countries through the creation of an alliance aimed at maximizing export opportunities and launch common programmes
- Create a balanced joint-venture in which common projects would progressively be developed, with a priority given to surface vessels platforms, systems and equipment

Action plan and timeline

September 2017

October 2017

June 2018

Steering Committee

- Set up a **Steering Committee** of 6 members:
 - 2 representatives of the Italian Government
 - 2 representatives of the French Government
 - CEO of Fincantieri
 - CEO of Naval Group

Mid and long term roadmap

- Definition of the **key elements of the Alliance**:
 - **Governance, structure and organization**
 - **Guidelines for governmental policies** supporting the Alliance
 - **Financial conditions** and perimeter of the Alliance
 - Analysis of the **stakeholders' interests**

Implementation

- Timing TBD

- In parallel, a **5% to 10% share capital exchange between the two companies** will be analyzed, and concrete actions aimed at **developing synergies** will be defined and presented to both Governments