Update on STX France

October, 2017
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; 51%** (of which 1% borrowed)
- **French State; 34.34%** (of which 1% loaned)
- **Naval Group; 10%**
- **Employee ownership plan; 2%**
- **Group of local companies; 3.66%**

**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.)**

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

Fincantieri (1)

- Clients
- 73 ships (Order intake 2004 – 2017 (2) (# of ships))
- € 4.4 bln (Revenues 2016)
- € 24 bln (Total backlog (3) 2016)

STX France

- Clients
- 23 ships (Order intake 2004 – 2017 (2) (# of ships))
- € 1.2 bln (Revenues 2016)
- € 12.9 bln (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

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<tr>
<th>Description</th>
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<tr>
<td><strong>Purchasing and Supply Chain</strong></td>
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<tr>
<td>• Increase of bargaining power and leverage of scale effects on specific product categories</td>
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<td>• Focus on commodities, main system and strategic components: price benchmark and price alignment</td>
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<td><strong>Commercial Strategy</strong></td>
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<td>• Integrated coordination of prospects</td>
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<td>• Alignment of client commercial strategy</td>
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<td><strong>Engineering / IT / R&amp;D</strong></td>
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<td>• Sharing of engineering best practices and capacity for potential collaboration in the mid-term</td>
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<td>• R&amp;D: creation of specific competence centers</td>
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<td>• Integration of systems landscape enabling common platforms</td>
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<td><strong>Production</strong></td>
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<td>• Creation and sharing of production plans’ database</td>
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<td>• Sharing of construction best practices to align and optimize production process</td>
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<td><strong>Services</strong></td>
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<td>• Focus on integrated life-cycle management offer to clients leveraging on Fincantieri and STX France core competences</td>
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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