

**FINCANTIERI**  
**Update post 9M 2019 results**

**December 2019**

**FINCANTIERI**  
The sea ahead



# Safe Harbor Statement

This Presentation contains certain forward-looking statements. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words "believes," "expects," "predicts," "intends," "projects," "plans," "estimates," "aims," "foresees," "anticipates," "targets," and similar expressions. The forward-looking statements contained in this Presentation, including assumptions, opinions and views of the Company or cited from third party sources, are solely opinions and forecasts reflecting current views with respect to future events and plans, estimates, projections and expectations which are uncertain and subject to risks. Market data used in this Presentation not attributed to a specific source are estimates of the Company and have not been independently verified. These statements are based on certain assumptions that, although reasonable at this time, may prove to be erroneous. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. If certain risks and uncertainties materialize, or if certain underlying assumptions prove incorrect, Fincantieri may not be able to achieve its financial targets and strategic objectives. A multitude of factors which are in some cases beyond the Company's control can cause actual events to differ significantly from any anticipated development. Forward-looking statements contained in this Presentation regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. No one undertakes any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Market data used in this Presentation not attributed to a specific source are estimates of the Company and have not been independently verified. Forward-looking statements speak only as of the date of this Presentation and are subject to change without notice. No representations or warranties, express or implied, are given as to the achievement or reasonableness of, and no reliance should be placed on, any forward-looking statements, including (but not limited to) any projections, estimates, forecasts or targets contained herein.

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## Declaration of the Manager responsible for preparing financial reports

The executive in charge of preparing the corporate accounting documents at Fincantieri, Felice Bonavolontà, declares that the accounting information contained herein correspond to document results, books and accounting records.



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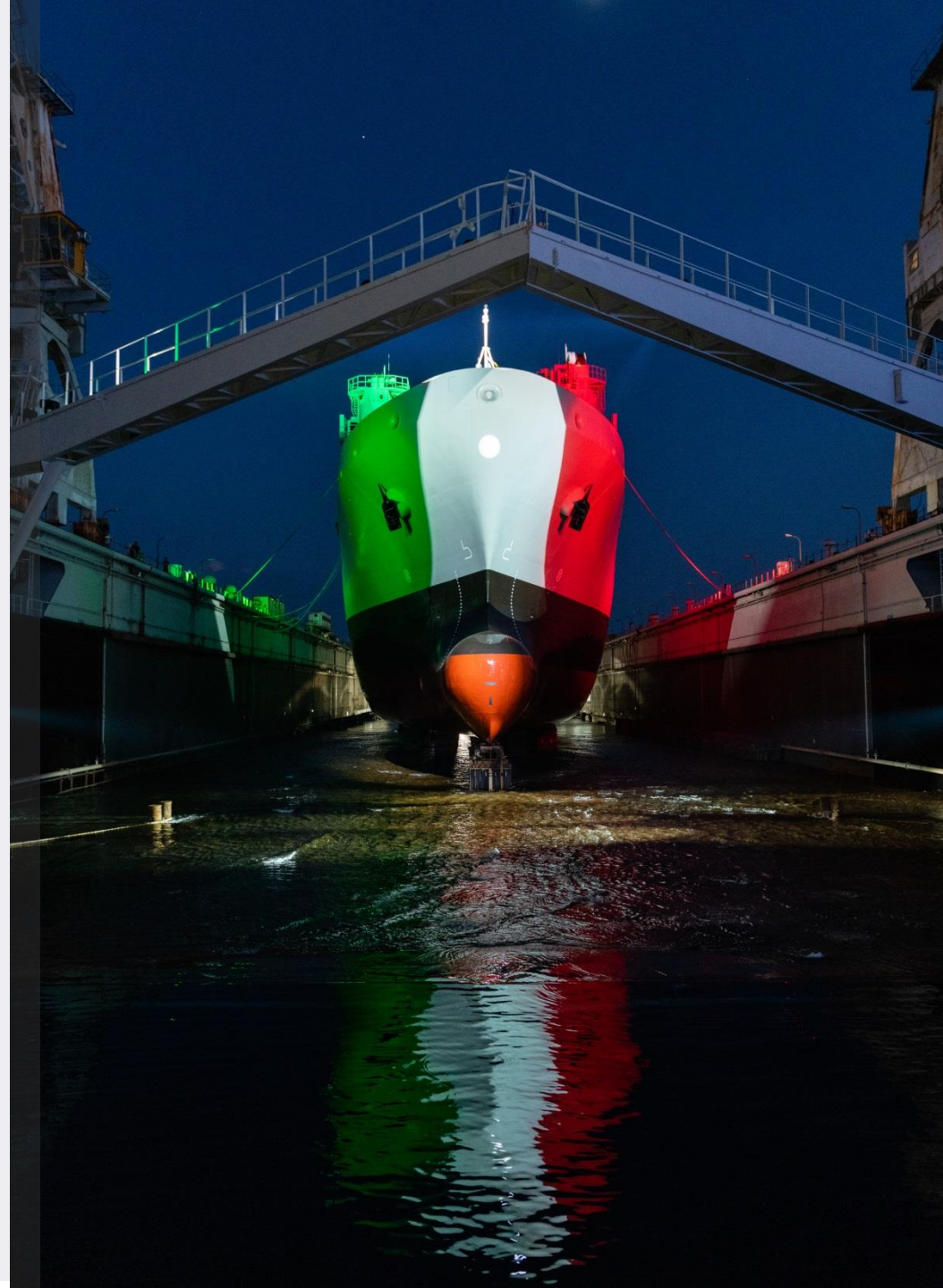
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Section 1

## Description of the Group



# Fincantieri at a glance

## We are an Italian Group with a global footprint

### Our figures

€ 5.5 bn  
FY18 revenues

€ 32.3 bn  
Total backlog<sup>(1,2)</sup>



### Our global reach

20  
shipyards

4  
continents

~ 19,300  
employees

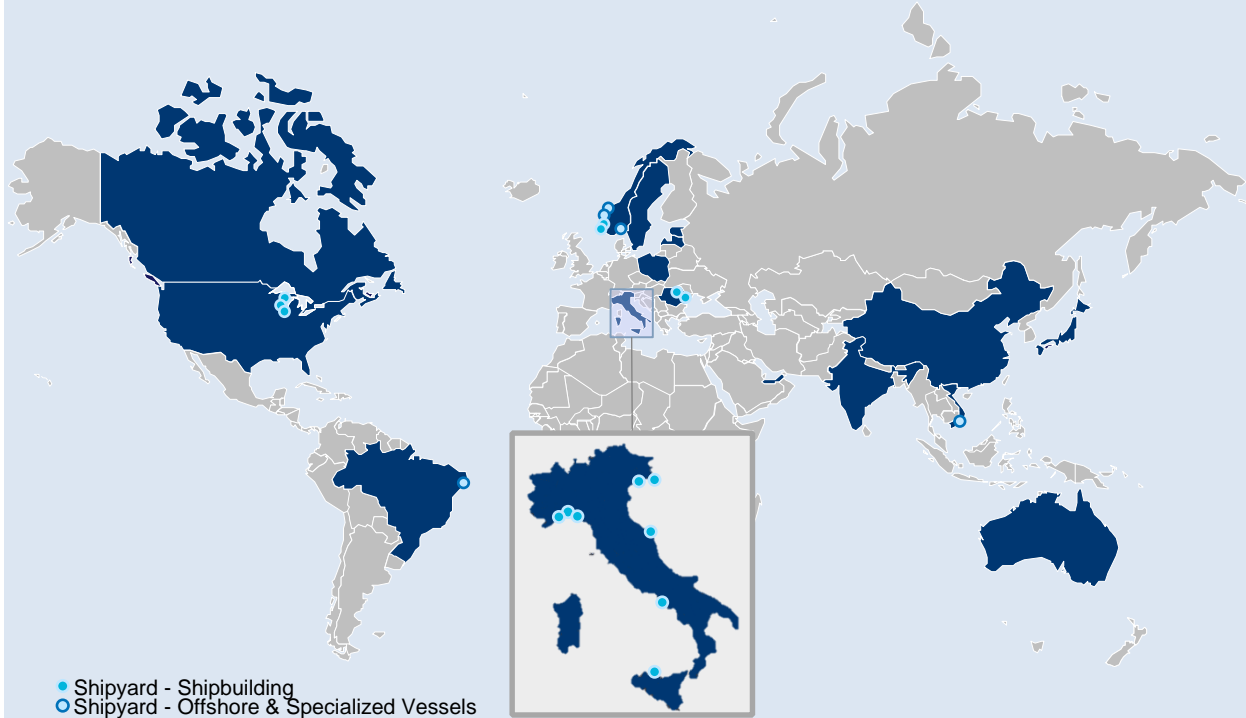
> 80,000  
subcontractors

### Our impact

4.5x  
Economic multiplier<sup>(3)</sup>

5.5x  
Employment multiplier<sup>(4)</sup>

45% of our employees are based in Italy and 82% of revenues come from international clients



## We are the #1 Western designer & shipbuilder<sup>(5)</sup> with 230 years of history and over 7,000 ships built

Note: all figures reported at December 31, 2018, except for backlog and soft backlog which are referred to 9M 2019 (at September 30, 2019)

(1) At September 30, 2019;

(2) 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

(3) Value generated for each euro invested in shipbuilding according to the CENSIS "5th Report on the Economy of the Sea" (2015)

(4) Fincantieri valuation according to Censis methodology based on Italian operations

(5) By revenues, excluding naval contractors in the captive military segment. Based on Fincantieri estimates of shipbuilders' revenues in 2016

# Products, clients and backlog

## Diversified product portfolio with a wide client base and strong backlog

		Main products	Key clients	Revenues 2018 <sup>(1)</sup>	Backlog <sup>(2)</sup>
Shipbuilding	Cruise	<ul style="list-style-type: none"> <li>All cruise ships:                             <ul style="list-style-type: none"> <li>Luxury/Niche<sup>(3)</sup></li> <li>Upper Premium</li> <li>Premium</li> <li>Contemporary</li> </ul> </li> </ul>	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <sup>(4)</sup>        </div> <div style="text-align: center;"> <sup>(5)</sup>        </div> </div>	 €3,226 mln 53.7%	
	Naval	<ul style="list-style-type: none"> <li>All surface vessels (also stealth)</li> <li>Support &amp; Special vessels</li> <li>Submarines</li> </ul>	<div style="display: grid; grid-template-columns: 1fr 1fr; gap: 10px;"> <div style="text-align: center;"></div> <div style="text-align: center;"></div> <div style="text-align: center;"></div> <div style="text-align: center;"></div> <div style="text-align: center;"></div> <div style="text-align: center;"></div> </div>	 €1,434 mln 23.9%	€ 26,720 mln (76 ships)
	Other	<ul style="list-style-type: none"> <li>Similar businesses to our core ones where we operate opportunistically (e.g. Mega Yachts, Ferries...)</li> </ul>		€18 mln 0.3%	
Offshore & Specialized Vessels	<ul style="list-style-type: none"> <li>OSV</li> <li>Fishery</li> <li>Ferries</li> <li>Offshore wind</li> <li>OPV</li> <li>Special vessels</li> </ul>	<div style="display: grid; grid-template-columns: 1fr 1fr; gap: 10px;"> <div style="text-align: center;"></div> <div style="text-align: center;"></div> <div style="text-align: center;"></div> <div style="text-align: center;"></div> <div style="text-align: center;"></div> <div style="text-align: center;"></div> <div style="text-align: center;"></div> <div style="text-align: center;"></div> </div>	 €681 mln 11.3%	€ 836 mln (20 ships)	
Equipment Systems & Services	<ul style="list-style-type: none"> <li>Marine systems, components &amp; turnkey solutions</li> <li>Ship interiors</li> <li>Naval services</li> <li>Ship repairs &amp; conversion</li> </ul>	<div style="display: grid; grid-template-columns: 1fr 1fr; gap: 10px;"> <div style="text-align: center;"></div> <div style="text-align: center;"></div> <div style="text-align: center;"></div> <div style="text-align: center;"></div> <div style="text-align: center;"></div> <div style="text-align: center;"></div> <div style="text-align: center;"></div> <div style="text-align: center;"></div> <div style="text-align: center;"></div> </div>	 €651 mln 10.8%	€ 1,525 mln	

(1) Before eliminations and consolidation adjustments  
 (2) At September 30, 2019  
 (3) Terminology used in the cruise sector to indicate smaller, more intimate cruises with fewer guests dedicated to more exploratory destinations (e.g. Alaska or polar regions)  
 (4) Parent company of several brands, among which our clients are: Carnival Cruise Lines, Costa Crociere, Cunard, Holland America Line, P&O Cruises, Princess Cruise Lines and Seabourn Cruise Lines  
 (5) Parent company of several brands: Norwegian Cruise Line, Oceania Cruises, Regent Seven Seas Cruises



# Markets and positioning

## Leadership in high-potential reference markets and solid track record

### End markets

### Market Trend

### Main Drivers

### Track record

#### Shipbuilding

##### Cruise



- **Almost 50 million passengers** worldwide by 2030 (+72% compared to 2018)<sup>(1)</sup>
- **Newbuilding demand growth fostered by both the need to replace old ships and to satisfy passenger increase**
- **Booming market with record order levels and high visibility**

- Passenger growth
- Credit market situation
- USD/EUR exchange rates
- Oil price
- Fleet ageing and new regulations

- **World leader** in the design and construction of vessels for all segments of the cruise industry
- **87 ships delivered** from 1990 to 2018 (5 delivered in 9M 2019)

##### Naval



- **Large programs under development** (Italian Navy fleet renewal program, LCS program, Qatari Navy program)
- **Foreign accessible markets' programs** with expenditures ~**USD10.3 billion** up to 2023<sup>(2)</sup>

- Defence budgets for accessible markets
- Global geopolitical situation
- Naval fleet renewals

- **122<sup>(3)</sup>** ships delivered from 1990 to 2018
- 3 ships delivered in 9M 2019

#### Offshore & Specialized Vessels



- **O&G sector crisis and postponements of E&P projects** caused a slowdown in related equipment industry (PSV, AHTS)
- **Segment diversification strategy** (Fishery, Aquaculture, OPV, Special vessels)

- Oil price and E&P investments
- Demand of special purpose vessels for marine infrastructure and exploitation of marine resources (e.g. cable-laying vessels)

- **399<sup>(4)</sup>** ships delivered from 1990 to 2018
- 10 ships delivered in 9M 2019

#### Equipment Systems & Services



- **High potential and high margin business**
- Result of the **insourcing of strategic activities**

- Shipbuilding programs ongoing
- Fleet ageing and development of new technologies
- New environmental regulations

- **Strong revenue growth to € 651 mIn in 2018** (2015-2018 CAGR: +9.3%)

(1) Source: CLIA - Cruise Lines International Association

(2) Source: IHJ Military Ships Forecast Market as of 25th March 2019, Fincantieri analysis

(3) Includes other products delivered by Naval business unit. Includes US subsidiaries pre Fincantieri acquisition, excluding 174 RB-M delivered since 2002




(4) Includes other products delivered by Offshore & Specialized Vessels business unit. Includes VARD and predecessor companies

# Focus: cruise client portfolio

## Consolidated capability to acquire new clients and diversify product portfolio....

2002



-  Carnival brands
-  Norwegian Cruise Lines brands
-  Royal Caribbean brands

Today

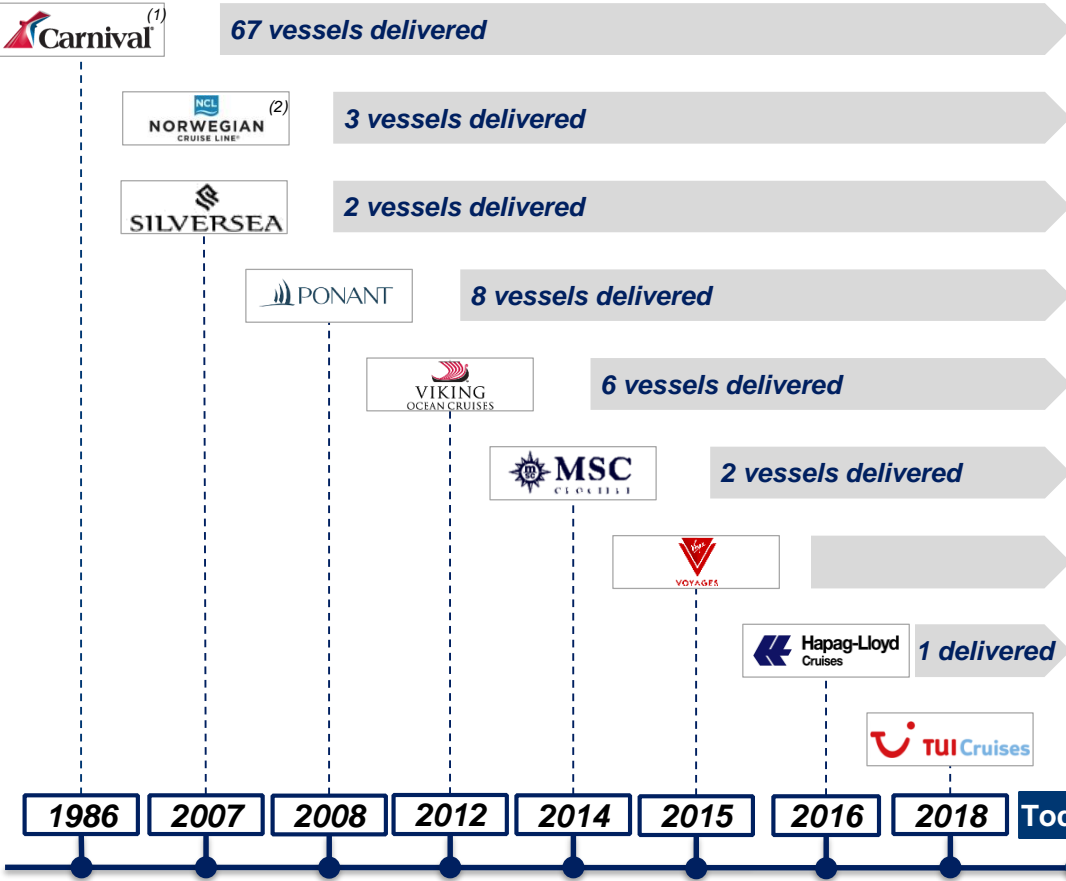




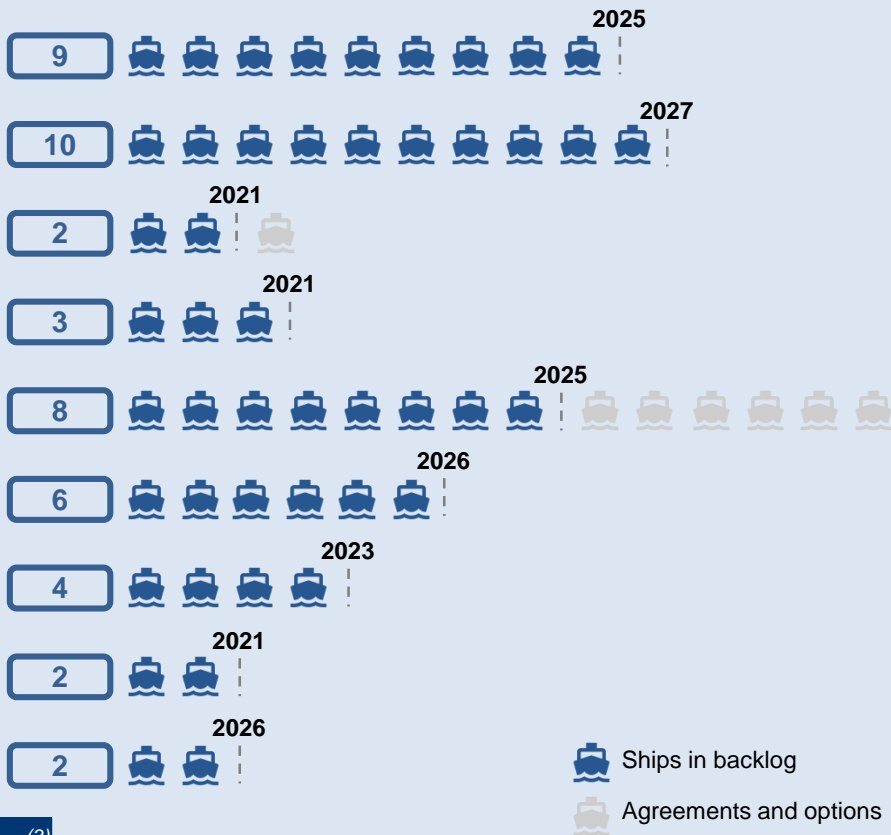
# Focus: cruise client portfolio

## ...while developing long-term partnerships and far-reaching visibility

### Delivered vessels



### Vessels in backlog (3)



**Scheduled deliveries up to 2027 and long-lasting relationships with our client base including the 4 major cruise operators**

Source: Company information  
 (1) Parent company of several brands: Carnival Cruise Lines, Costa Crociere, Cunard, Holland America Line, P&O Cruises, Princess Cruise Lines and Seabourn Cruise Lines  
 (2) Parent company of several brands: Norwegian Cruise Line, Oceania Cruises, Regent Seven Seas Cruises  
 (3) As of September 30, 2019



# Key competitive strengths

## Consolidated leadership, high diversification and flexible global production network

### 1 Consolidated leadership in growing markets and long term visibility



- Leader in fast-growing cruise market and in naval segment
- Sizable order book and total backlog<sup>(1)</sup> amounting to approximately 5.9 years of work if compared to 2018 revenues

### 2 High diversification in terms of end market, geography and client portfolio



- Focus on high complexity and high value-added segments
- Most diversified shipbuilder with a broad range of clients with both long-term relationships and strategy of extending its customer base

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### 4 Technological leadership



- High innovation capacity and system integrator capabilities (coordination of whole product lifecycle as prime contractor), with ~ 100 prototypes delivered in the last 15 years
- Strong commitment to R&D and proven track record of on-time and on-budget deliveries, with an expenditure > € 400 mln for the period 2015-2018

### 3 Flexible and global production network



- Integrated production model to control entire production process and aftermarket
- Flexible and global integrated network of 20 shipyards and approx. 19,300 employees located in both emerging and Western countries

(1) At September 30, 2019



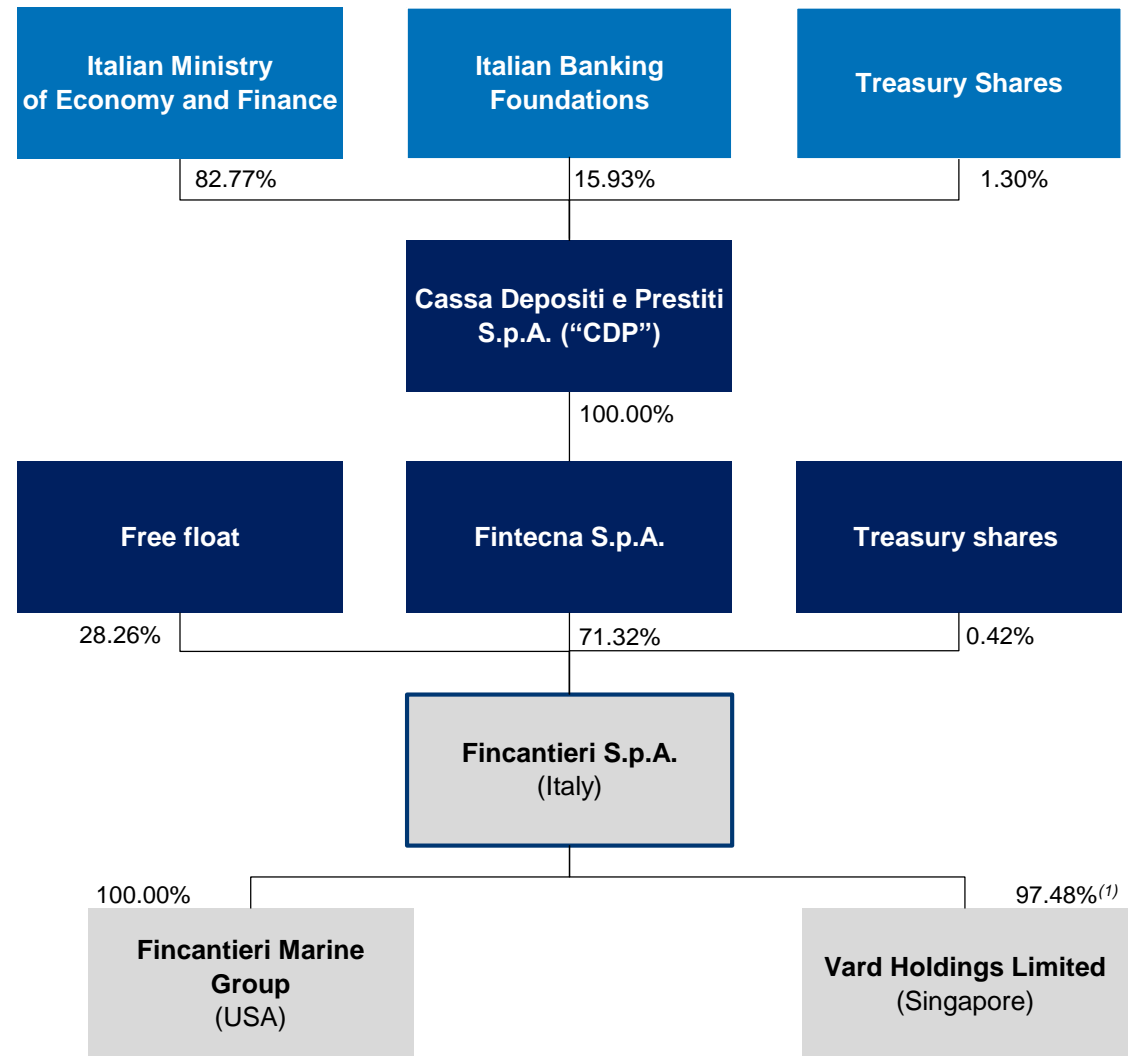
# Ownership and Group structure

## A listed company with strong reference shareholders

### Brief description of the Group structure

- Fincantieri shares are listed on the Milan Stock Exchange since July 3, 2014
- Fincantieri's reference shareholder is Fintecna S.p.A., a holding company fully owned by CDP, owning 71.32% stake
- CDP is an Italian state-owned National Development Institution holding major stakes in several listed / non listed strategic Italian companies like ENI, Snam, Terna, Sace, Saipem and Poste Italiane
- Fincantieri S.p.A. is the Holding company of the Group
- Fincantieri Marine Group ("FMG") is the US subsidiary controlling the three American yards (among them, Marinette Marine participated by Lockheed Martin with a minority stake)
- Vard Holdings Limited is the holding company for the VARD Group, recently delisted from the Singapore Stock Exchange

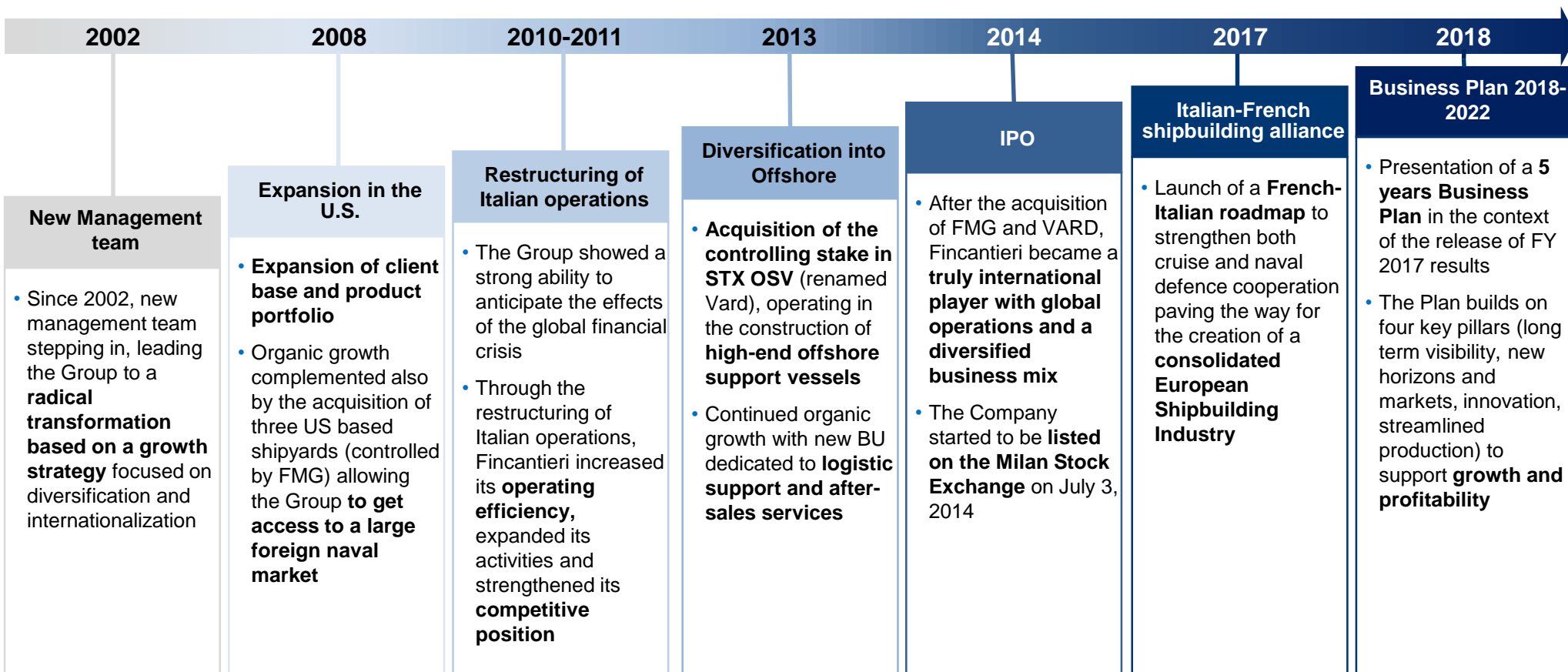
### Simplified ownership and Group structure



(1) Ownership as of August 2019

# Key historical events

## Creation of an international leading player with a well diversified product portfolio

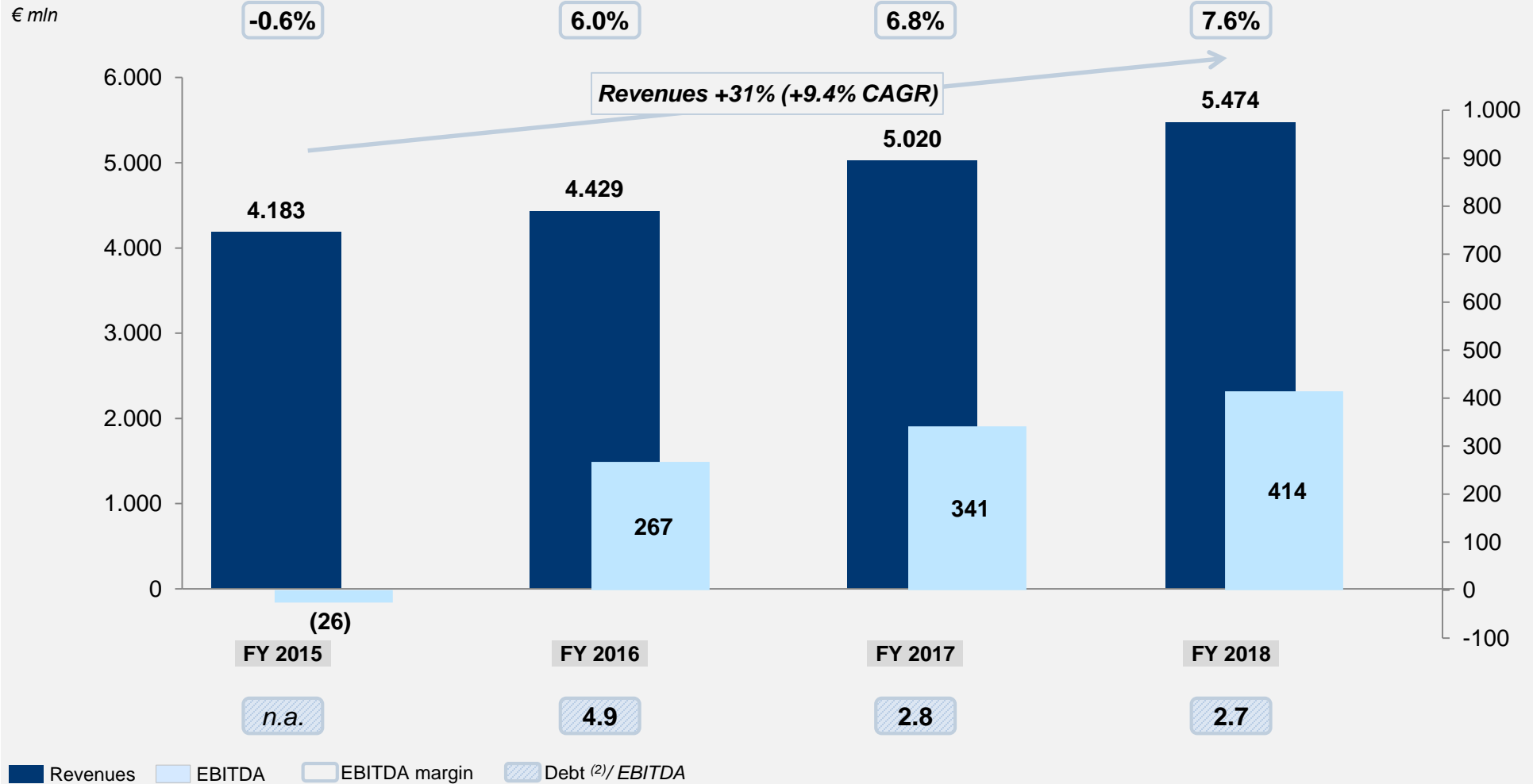


(1) Backlog was € 28.4 bln at September 30, 2019

# Key financials

## Growing revenues and operating performance

### Revenues & EBITDA<sup>(1)</sup> / margin



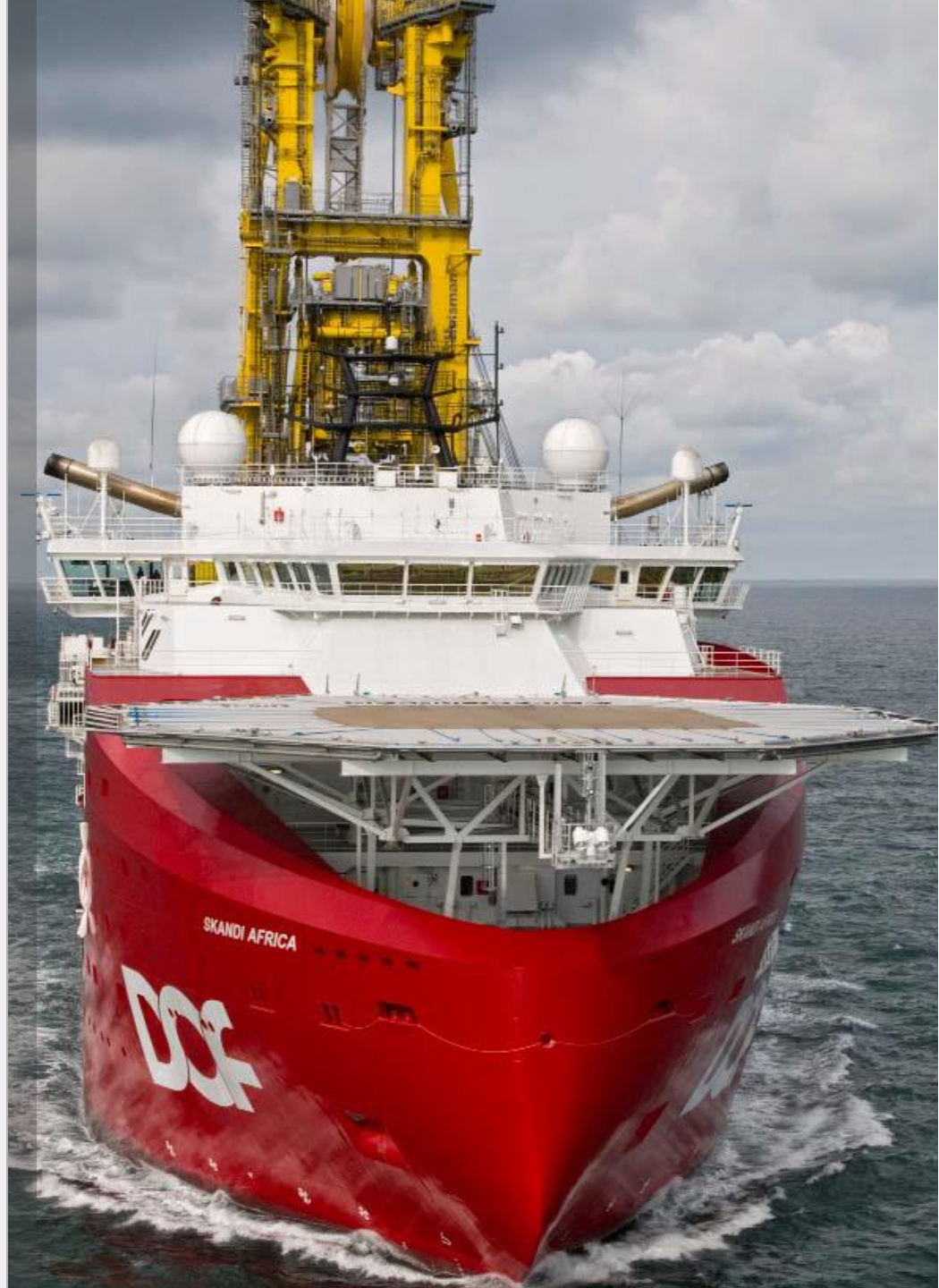
(1) EBITDA is a Non-GAAP Financial Measure. The Company defines EBITDA as profit/(loss) for the period before (i) income taxes, (ii) share of profit/(loss) from equity investments, (iii) income/expense from investments, (iv) finance costs, (v) finance income, (vi) depreciation and amortization, (vii) extraordinary wages guarantee fund – Cassa Integrazione Guadagni Straordinaria, (viii) expenses for corporate restructuring and other non-recurring personnel costs, (ix) accruals to provision and cost of legal services for asbestos claims, (x) other non recurring items. EBITDA breakdown are referred only to operating segments

(2) Sum of Net Financial Position and Construction Loans



Section 2

## Financial overview



# 9M 2019 Key Messages

## Revenues up 10% and total backlog at € 32 bln with deliveries up to 2027

### Financials

- **Revenues up 9.7% at € 4.3 bln** (€ 3.9 bln in 9M 2018)
- **EBITDA at € 287 mln** (€ 281 mln in 9M 2018) and **EBITDA margin at 6.7%** (7.3% in 9M 2018): Shipbuilding +30.2% (despite negative contribution of Vard Cruise), negative Offshore & Specialized vessels margin
- **Positive operating performance in all areas limited by the negative contribution of Vard**, which is currently undergoing a reorganizational process
- **Net debt<sup>(1)</sup> at € 904 mln** (€ 494 mln at December 31, 2018), in line with expectations and consistent with cruise delivery schedule

### Order intake

- **Total order intake at € 6.8 bn for 17 new units including:**
  - **11 cruise ships for 5 different brands** (Oceania, Regent Seven Seas, Viking, MSC, Princess)
  - **1 LCS** for the US Navy (LCS 31)
- **Total backlog<sup>(2)</sup> with 106 units at € 32.3 bln: backlog at € 28.4bln** (+9.3% vs. 9M 2018) and **soft backlog<sup>(3)</sup> at € 3.9 bln**

### Business update

- **Delivery of 18 units** from 11 shipyards; launch of two units within the Italian Navy fleet renewal program
- **Development of electronic and IT excellence center:** acquisition of 60% if INSIS Group
- **Progress of the French-Italian cooperation** aimed at creating a more efficient and competitive European Shipbuilding Industry
- **Ongoing interactions with the EU Antitrust Authorities on the acquisition of Chantiers de l'Atlantique** with the opening of an additional investigation phase

(1) Excluding Construction loans

(2) Sum of backlog and soft backlog

(3) Soft backlog which 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

# Ongoing strategic development

## Defence industry

- Building on the support of the French and Italian Governments, **Fincantieri and Naval Group signed the Alliance Cooperation Agreement for the establishment of a 50/50 joint venture**, a crucial step towards the creation of a groundbreaking industrial Alliance

## Cruise industry

- **Fincantieri signed a share purchase agreement with the French Government for 50% of the share capital of Chantiers de l'Atlantique**; upon the closing of the transaction, currently subject to the approval by the Antitrust Authorities, an additional 1% of the share capital will be lent to Fincantieri

## Infrastructure sector

- The Group **improved its positioning in the infrastructure business** through the involvement in important projects, notably for the construction of the longest suspension bridge in Romania and of the bridge over the Polcevera river in Genoa

## Development of competences

- **Consolidation of existing activities in the area of electronics and IT** – strategic sectors for innovation – with the objective of strengthening the existing knowledge base in the field of cybersecurity, automation, simulation, training and technologies for unmanned conduct, by creating synergies within the Group

## Sustainability

- **Approval and publication of the Sustainability Plan**, with the goal of spreading and strengthening the sustainability culture within the Company while combining business growth and financial solidity with the principles of social and environmental sustainability

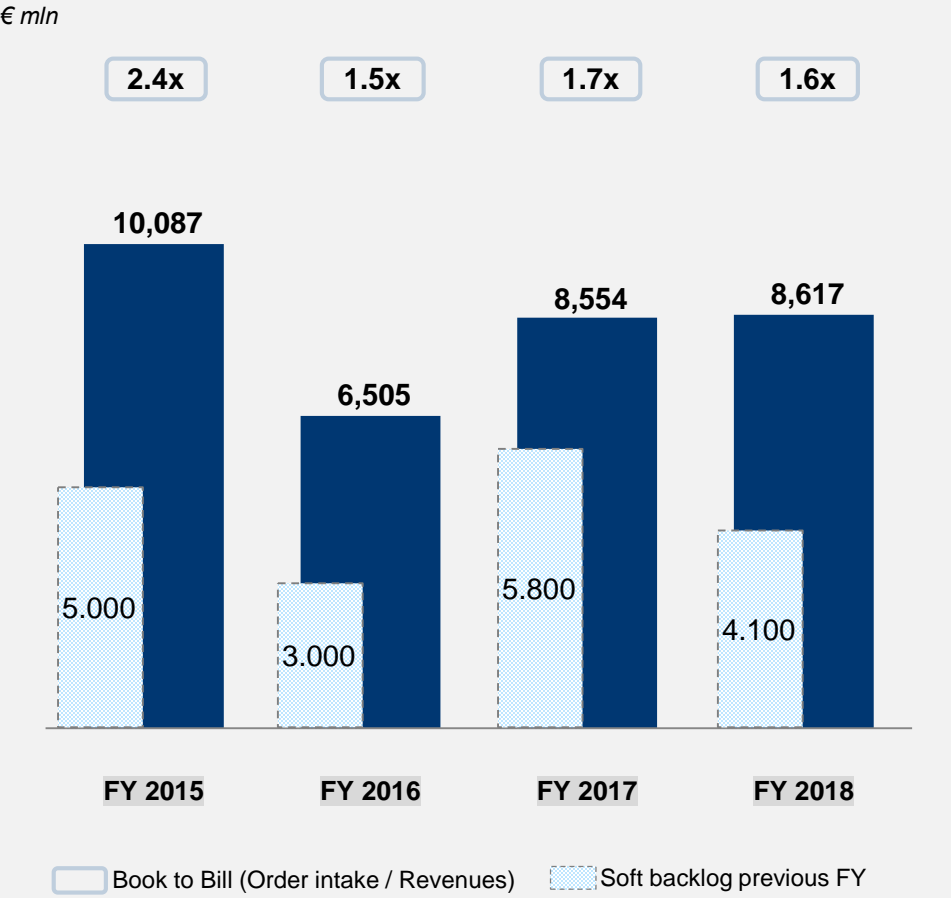
## VARD

- **Completion of delisting process of VARD and launch of its full integration with the Italian activities of the Group** aiming at ensuring greater coordination

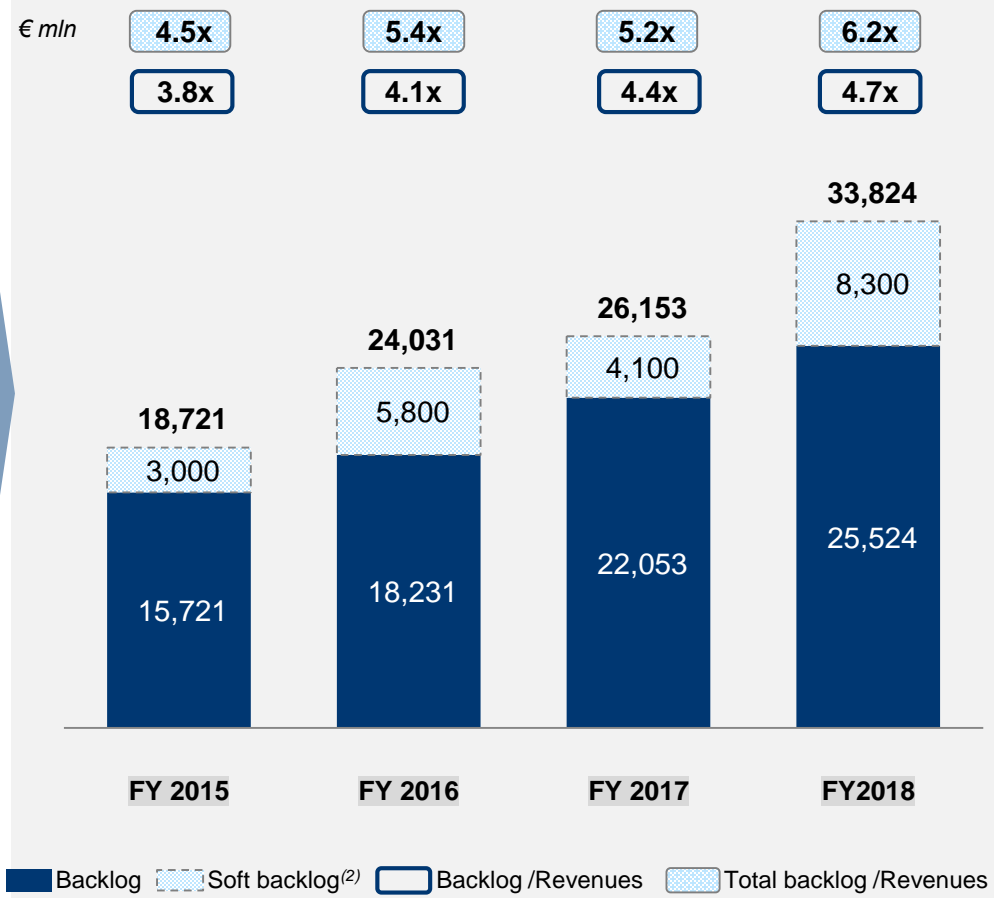


# Backlog ramp-up and conversion of soft backlog into backlog

## Order intake



## Total backlog<sup>(1)</sup>

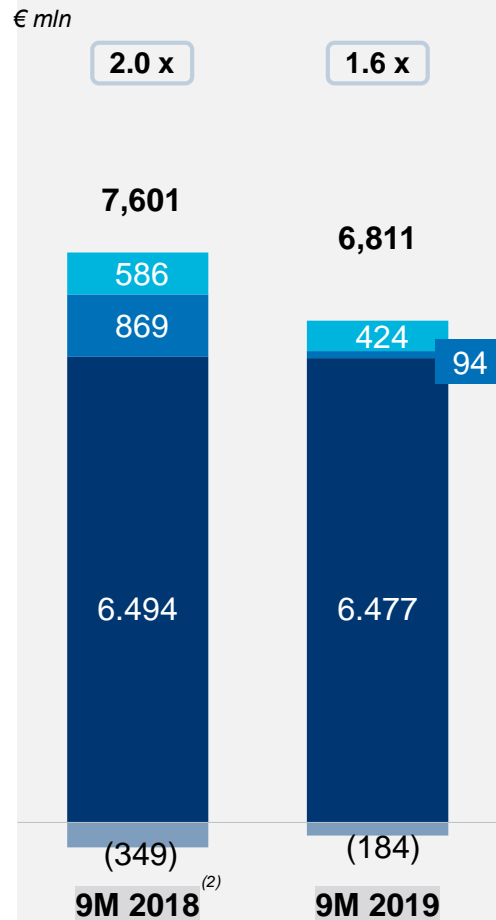


- Proven ability to finalize contracts under negotiation, contract options and commercial opportunities and to transform them into backlog

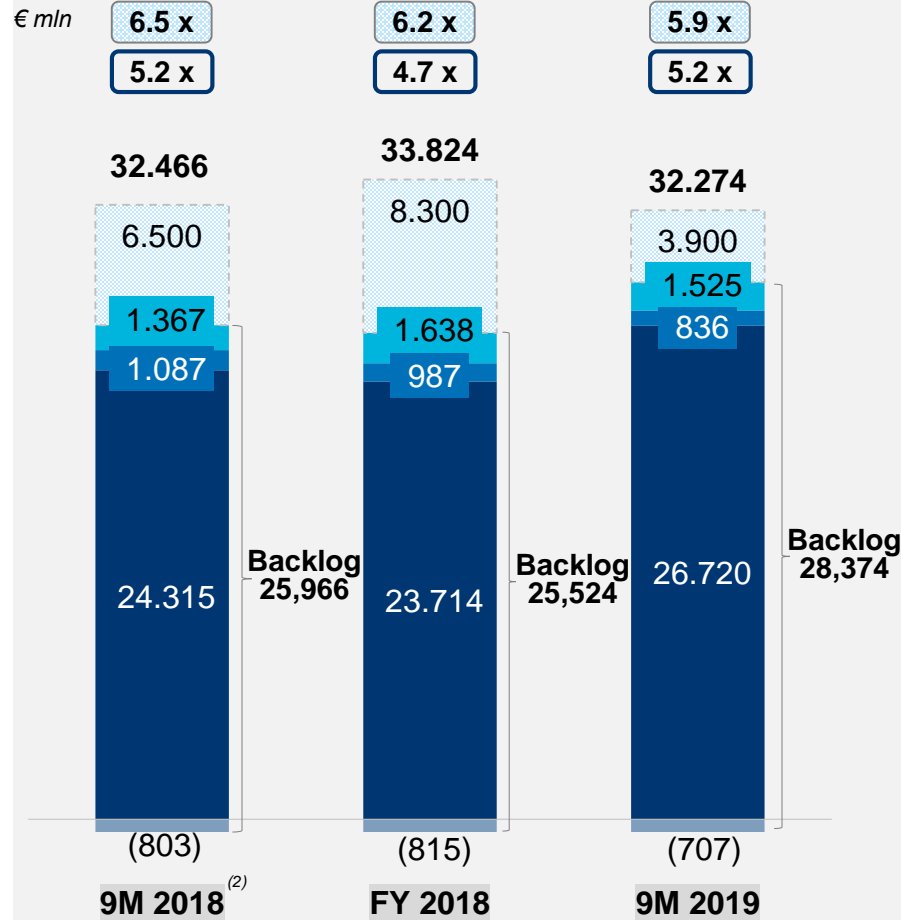
<sup>(1)</sup> Sum of backlog and soft backlog  
<sup>(2)</sup> Soft backlog represents the value of existing contract options and letters of intent as well as contracts in advanced negotiation, none of which yet reflected in the order backlog

# 9M 2019 order intake and backlog: breakdown by segment

## Order intake



## Total backlog<sup>(1)</sup>



- Total order intake for the quarter € 6.8 bln, mainly coming from Shipbuilding
- Total backlog with 106 units at € 32.3 bln, approximately 5.9 times 2018 revenues

Shipbuilding   Offshore & Specialized Vessels   Equipment, Systems & Services   Eliminations

Book-to-bill (Order intake/revenues)   Backlog /Revenues   Total backlog / revenues   Soft backlog<sup>(3)</sup>

(1) Sum of backlog and soft backlog

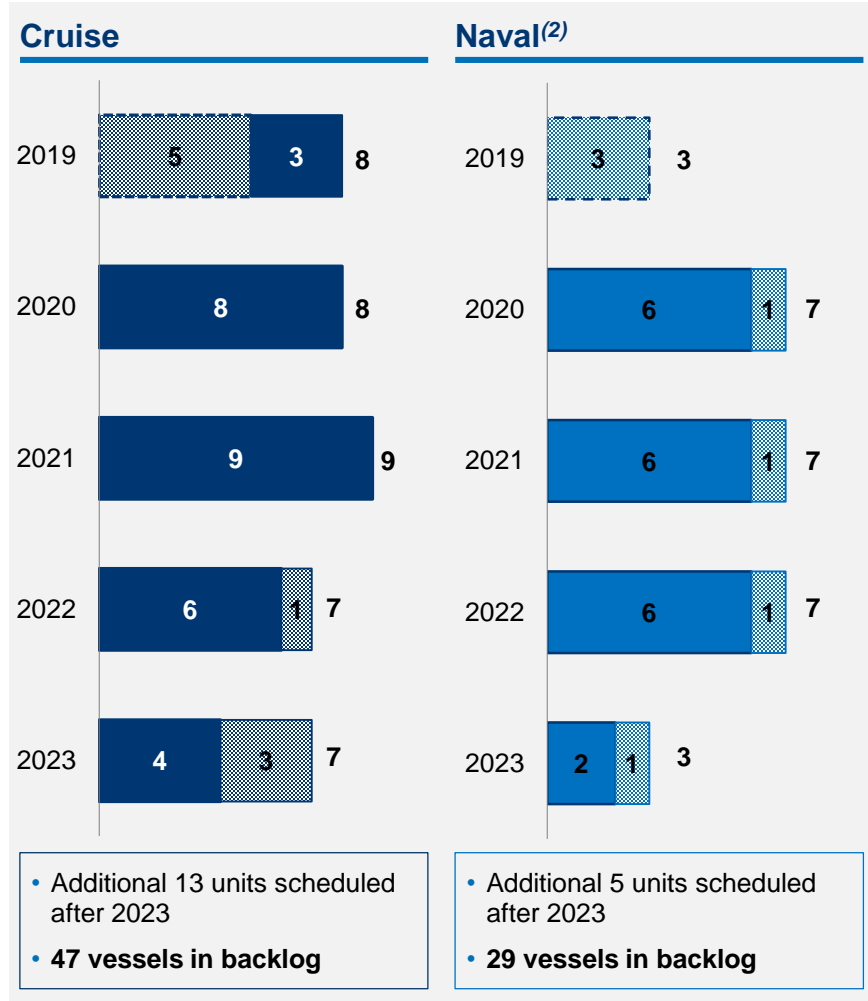
(2) Restated following the reorganization of VARD

(3) 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

# 9M 2019 backlog deployment: breakdown by segment and end market

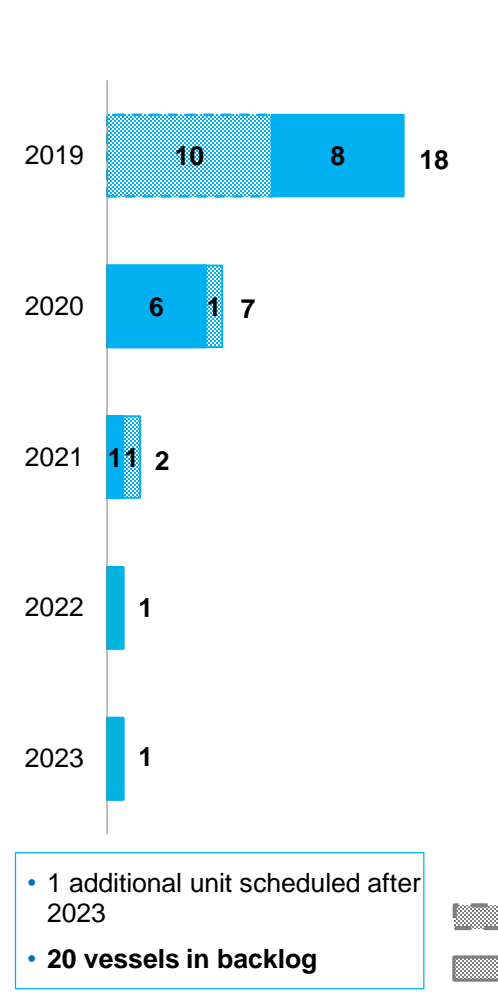
## Shipbuilding

# ship deliveries<sup>(1)</sup>



## Offshore & Specialized Vessels

# ship deliveries<sup>(1)</sup>



- **18 units delivered in 9M 2019 and 96 ships in backlog**
- Cruise: 47 vessels
  - Deliveries up to 2027
  - 13 units scheduled after 2023
- Naval: 29 vessels
  - Deliveries up to 2026
  - 5 units scheduled after 2023
- Offshore & Specialized Vessels<sup>(3)</sup>: 20 vessels
  - Deliveries up to 2024

• Additional 13 units scheduled after 2023  
• **47 vessels in backlog**

• Additional 5 units scheduled after 2023  
• **29 vessels in backlog**

• 1 additional unit scheduled after 2023  
• **20 vessels in backlog**

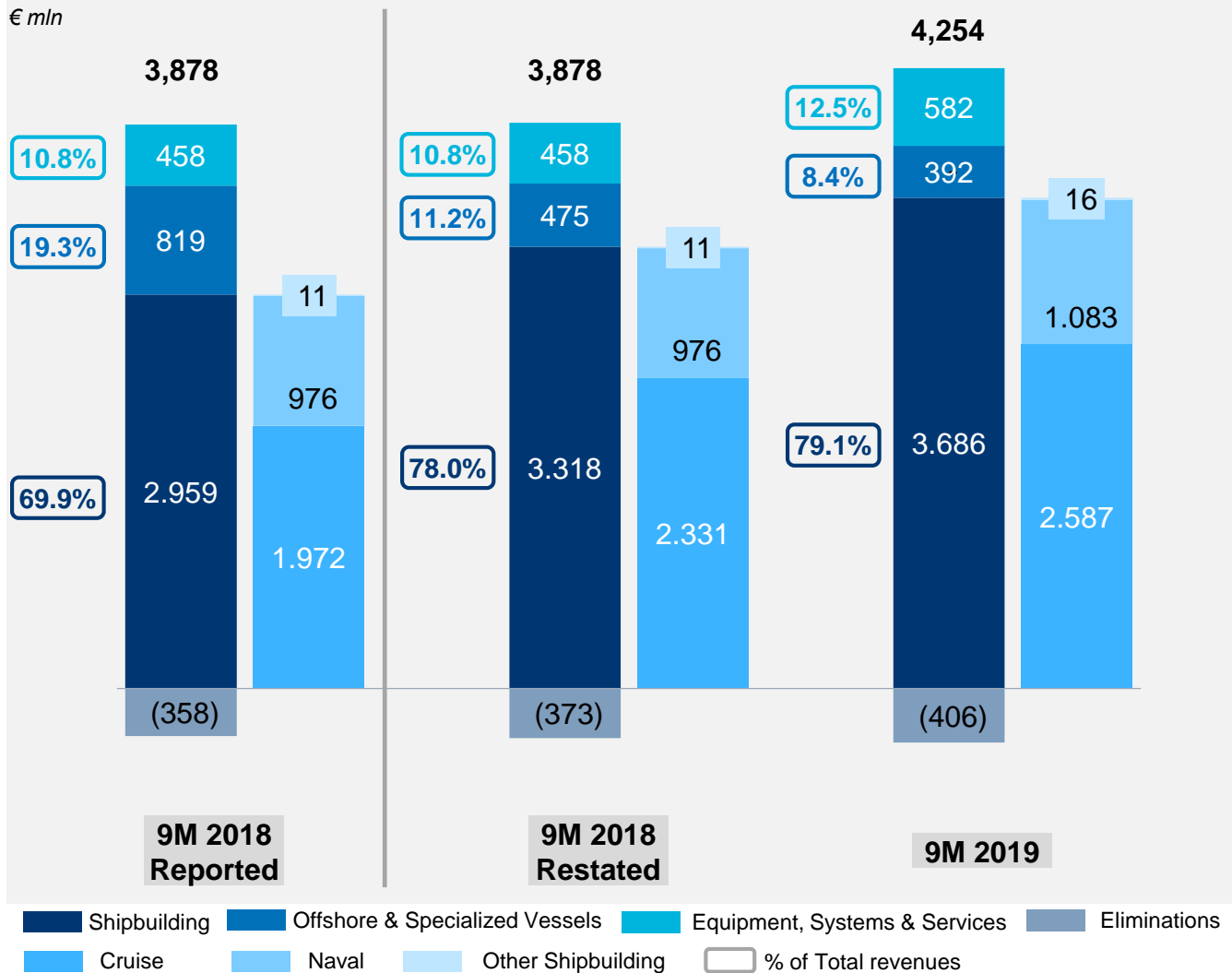
Delivered in 9M 2019  
New orders in 9M 2019

(1) For reasons connected to the organizational responsibility of VARD yards split between Cruise and Offshore, one fishery vessel (for Havfisk) scheduled for delivery in 2020 is included in the cruise deliveries and two Expedition cruise vessels (for Coral Expeditions) the first one delivered in 2019 and the second scheduled for delivery in 2020 are included in Offshore & Specialized Vessels  
 (2) Articulated Tug Barge (ATB) is an articulated unit consisting of a barge and a tug, thus being counted as two vessels in one unit  
 (3) Offshore & Specialized Vessels business generally has shorter production times and, as a consequence, shorter backlog and quicker order turnaround than Cruise and Naval



# 9M 2019 Revenues

## Revenues breakdown by segment<sup>(1)</sup>



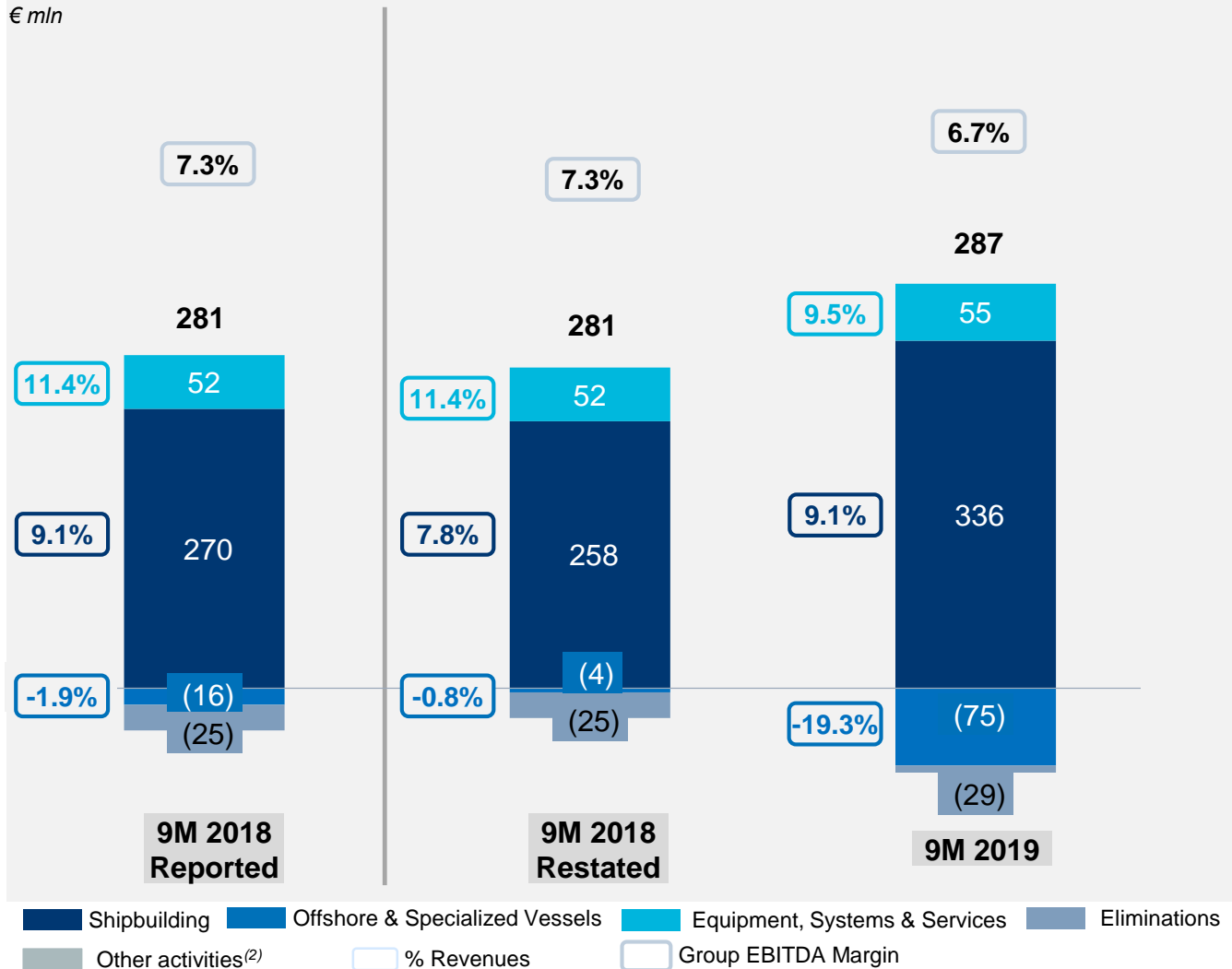
- Revenues up 9.7% vs 9M 2018
  - Shipbuilding revenues up 11.1% vs 9M 2018
  - Offshore & Specialized Vessels revenues down 17.5% vs 9M 2018
  - Equipment, Systems & Services revenues up 27.1% vs 9M 2018

(1) Breakdown calculated on total revenues before eliminations

# 9M 2019 EBITDA

## EBITDA<sup>(1)</sup> and EBITDA margin

€ mln



• EBITDA at € 287 mln, EBITDA margin at 6.7% (7.3% in 9M 2018)

- Positive performance of the Shipbuilding (+30.2% vs 9M 2018), despite the adverse contribution of Vard Cruise projects due to the revision of the estimated costs at completion
- Negative profitability of the Offshore and Specialized Vessels segment

(1) EBITDA is a Non-GAAP Financial Measure. The Company defines EBITDA as profit/(loss) for the period before (i) income taxes, (ii) share of profit/(loss) from equity investments, (iii) income/expense from investments, (iv) finance costs, (v) finance income, (vi) depreciation and amortization (vii) expenses for corporate restructuring, (viii) accruals to provision and cost of legal services for asbestos claims, (ix) other non recurring items

(2) Other costs



Section 3

## Balance Sheet and Capital Structure



# Working capital dynamics

## Indicative payment terms

## Illustrative phases of the shipbuilding process<sup>(1)</sup>

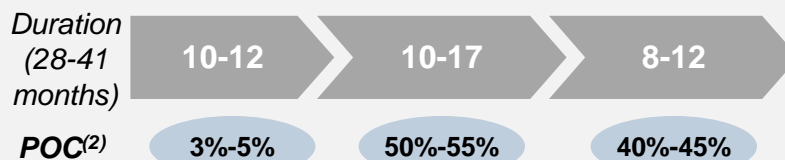


## Impact on net working capital

### Cruise



- 20% during construction
- 80% on delivery

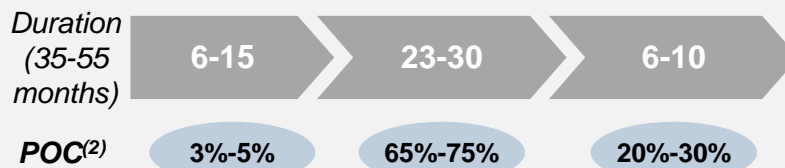


- Increases during construction
- Impact on net debt/construction loans

### Naval<sup>(3)</sup>



- According to % of completion

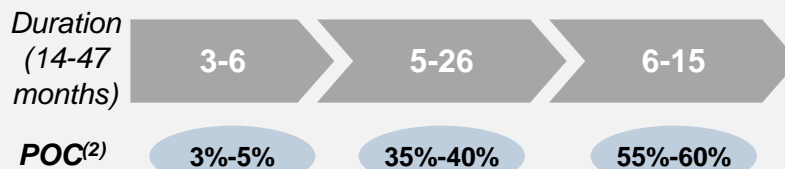


- Positive or neutral profile

### Offshore<sup>(3)</sup>



- 20% during construction
- 80% on delivery



- Increases during construction
- VARD generally uses construction loans (guaranteed by the ship as collateral)

<sup>(1)</sup> Phases and durations may be subject to changes depending on circumstances, regions and vessels specificity, production geographical area and type of construction

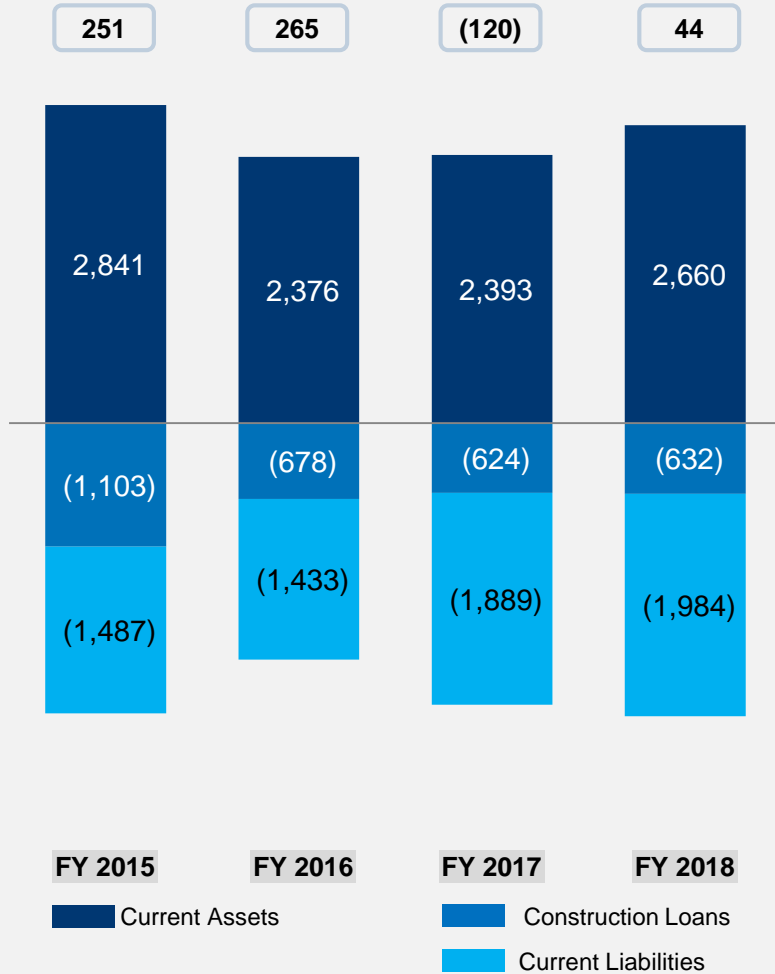
<sup>(2)</sup> Percentage of Completion

<sup>(3)</sup> Illustrative for frigates and support vessels

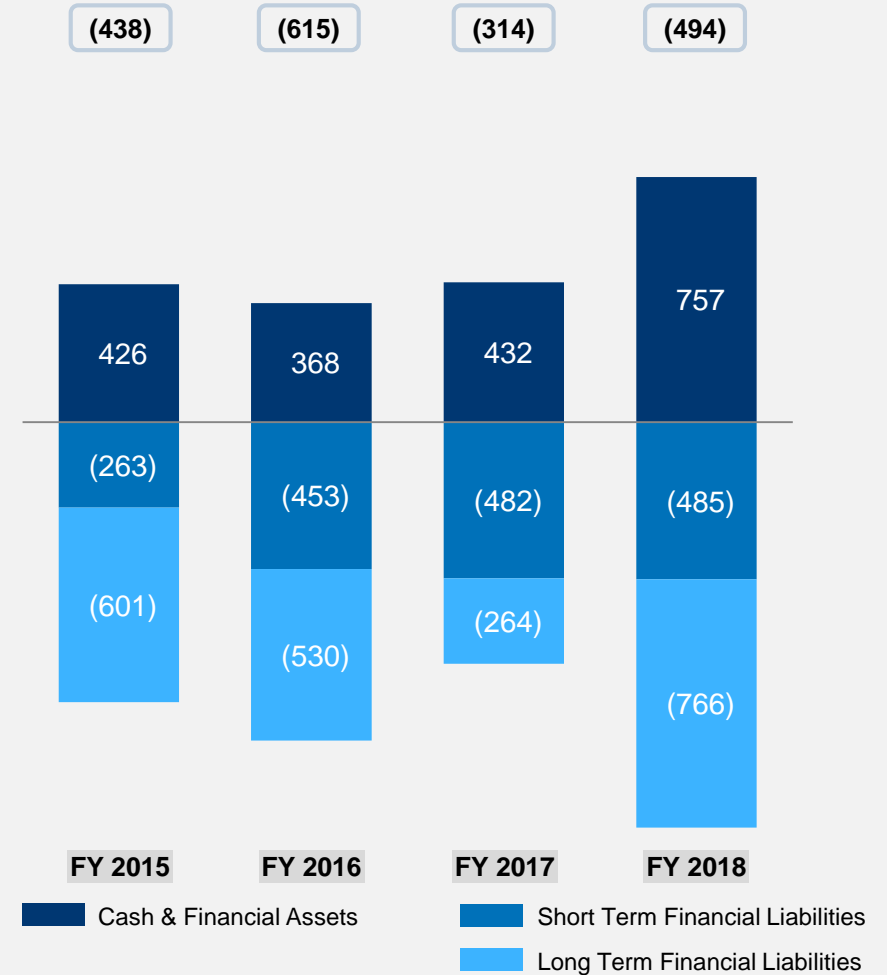
# Historical evolution of Net Working Capital and Net Financial Position

## Net Working Capital<sup>(1)</sup>

€ mln



## Net Financial Position<sup>(2)</sup>



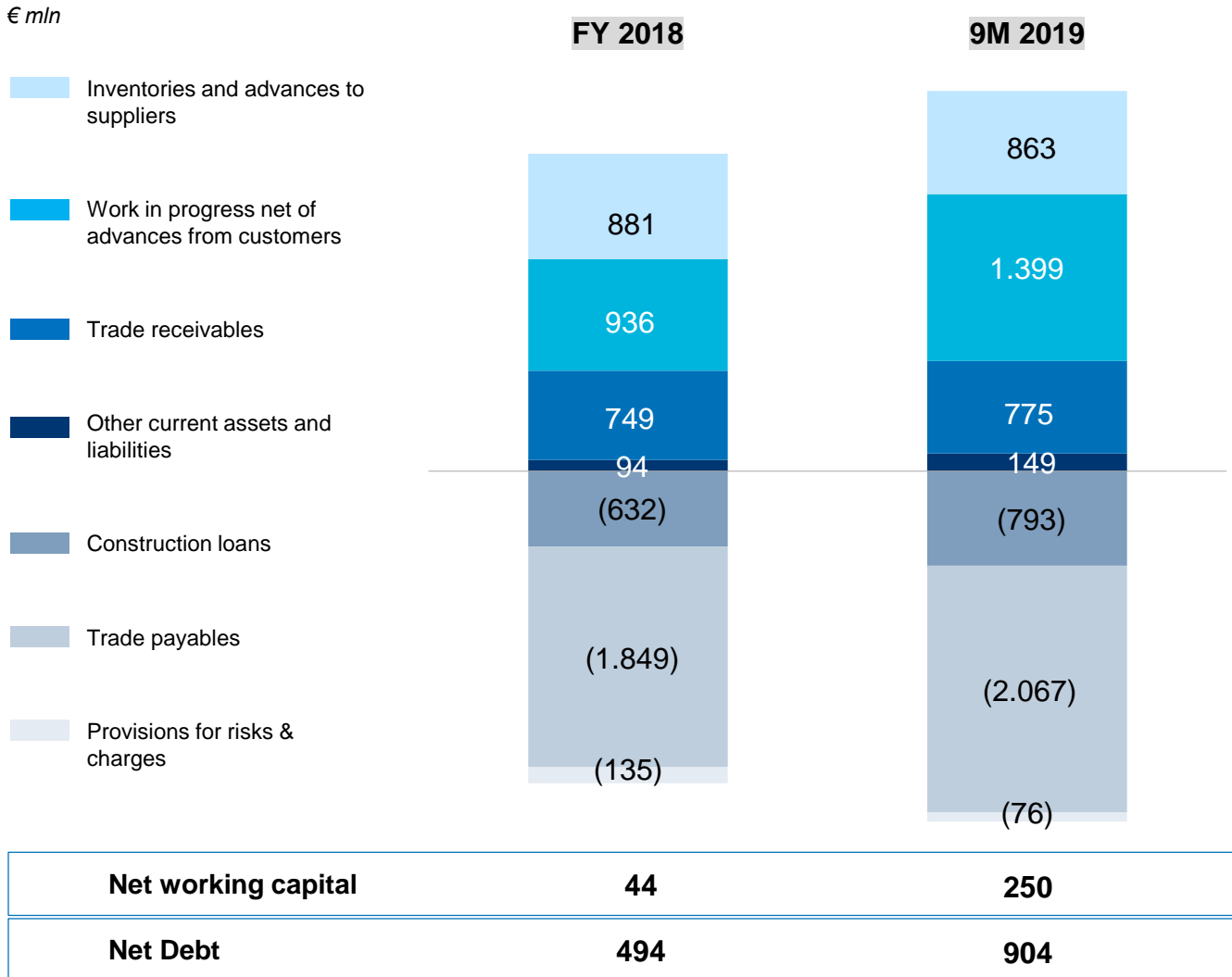
(1) Construction loans are committed working capital financing facilities, treated as part of Net working capital, not in Net financial position, as they are not general purpose loans and can be a source of financing only in connection with ship contracts

(2) Net financial position does not account for Construction loans as they are not general purpose loans and can be a source of financing only in connection with ship contracts



# 9M 2019 Net working capital and Net Debt <sup>(1)</sup>

## Breakdown by main components

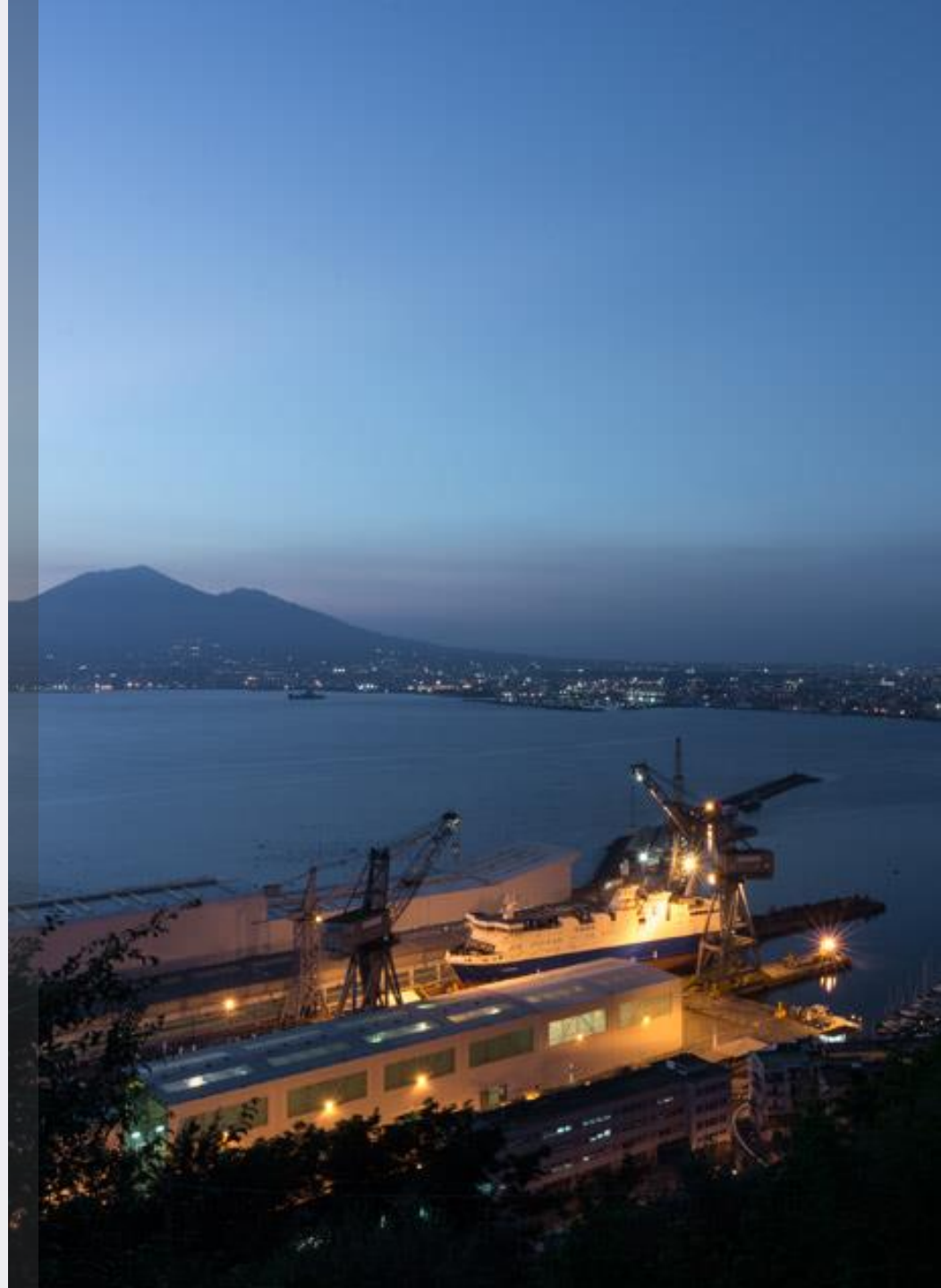


- Net working capital and Net debt dynamics mirror:
  - The increase in production volumes and cruise delivery schedule (3 ships delivered in October)
  - The use of provisions due to the settlement of the "Serene" litigation
  - The delivery of a vessel previously classified as inventory
- Construction loans at € 793 mln (€ 293 mln Vard and € 500 mln Fincantieri)

(1) Construction loans are committed working capital financing facilities, treated as part of Net working capital, not in Net financial position, as they are not general purpose loans and can be a source of financing only in connection with ship contracts

Section 4

## Strategy & Outlook



# Growth strategy based on long term visibility, new horizons and markets, innovation and streamlined production

**Strong top line expansion and consolidation as a global champion in the shipbuilding industry**



**Greater efficiency and positive market momentum to drive a structural increase in profitability**

## Targets

### Key pillars of the 2018-2022 Business Plan

#### **Long term visibility**

Backlog supported by positive underlying momentum, particularly in the cruise segment

#### **New horizons and markets**

Expansion into new geographical areas and development of after-sales services

#### **Innovation**

Proven capability to develop cutting edge designs and technological solutions to meet clients' evolving needs

#### **Streamlined production**

Continued focus on seamless execution through streamlining of processes and production

- **Positive Group performance** related to the propitious dynamics of cruise and naval projects across all geographies, limited by negative performance of Vard both in cruise and offshore
- **Efforts to align industrial management systems and economic planning of Vard to the best practices of the Group** are still ongoing and any potential adjustment of cost estimates for medium-long term projects that may arise from the process will be included in Group results
- **Presentation of a reorganization plan for Vard** together with the Group FY 2019 results
- **Net debt expected to slightly decrease** following the delivery of 3 cruise ships in October, even if financing needs for the units in production and scheduled for delivery remain high

## **Shipbuilding**

- 3 cruise ships delivered in October
- Full swing of production activities related to the order for the Qatari Ministry of Defense with 3 units under construction, the first of which is scheduled for delivery in 2021

## **Offshore & Specialized Vessels**

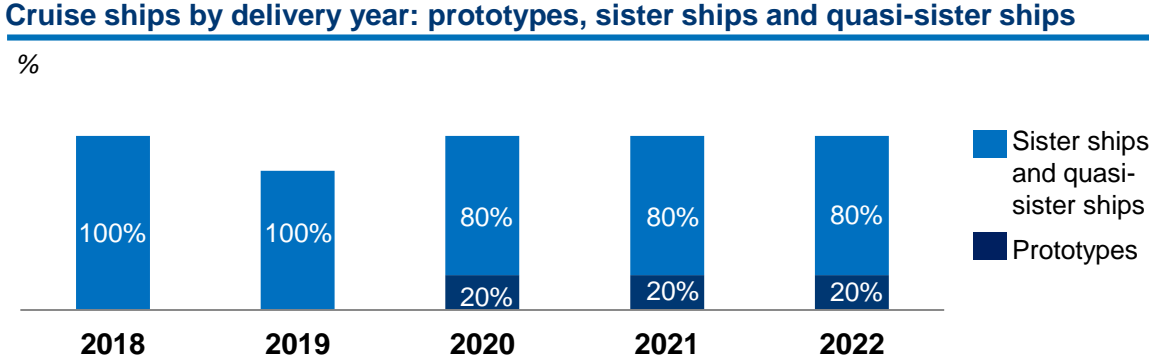
- Focus on execution of Vard's diversified backlog and organizational and production adjustments
- Commercial activities aimed at developing innovative products and cutting-edge solutions for non O&G related sectors

## **Equipment, Systems & Services**

- Confirmation of the revenues growth trend thanks to: backlog development relating to naval contracts, higher volumes for the production of cabins and public areas for cruise ships, as well as infrastructure activities

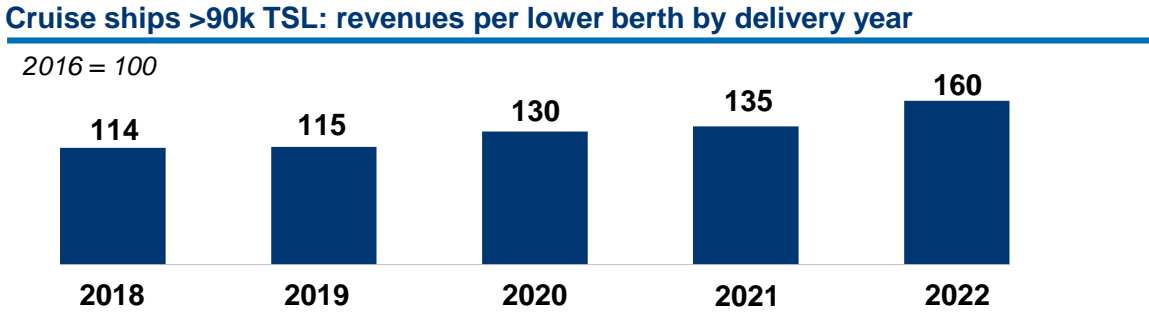
# Shipbuilding: quantifying main drivers of growth and increasing profitability

Cruise: mix prototypes/sister ships and quasi-sister ships



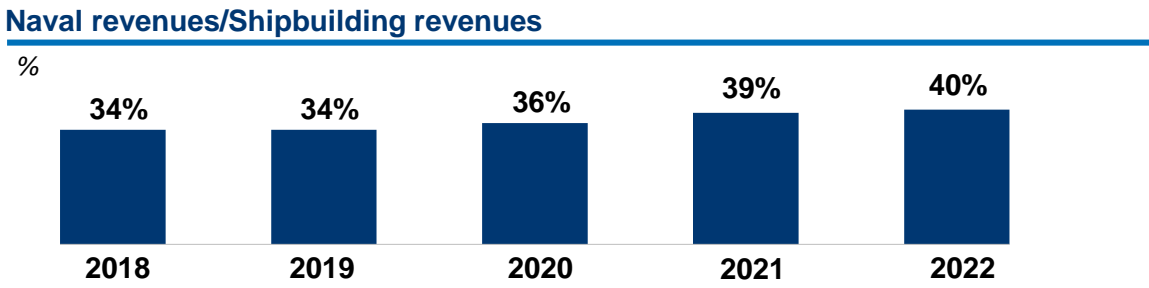
Deliveries heavily skewed towards sister ships with lower execution risks and better margins

Cruise: pricing trends



Positive trend due to progressive, structural increase in base line pricing for contracts acquired at greater margin

Naval revenues/Shipbuilding revenues



The relative contribution is influenced by the strong uptick in cruise volumes

Source: Fincantieri 2018 – 2022 Business Plan presentation published on March 28, 2018

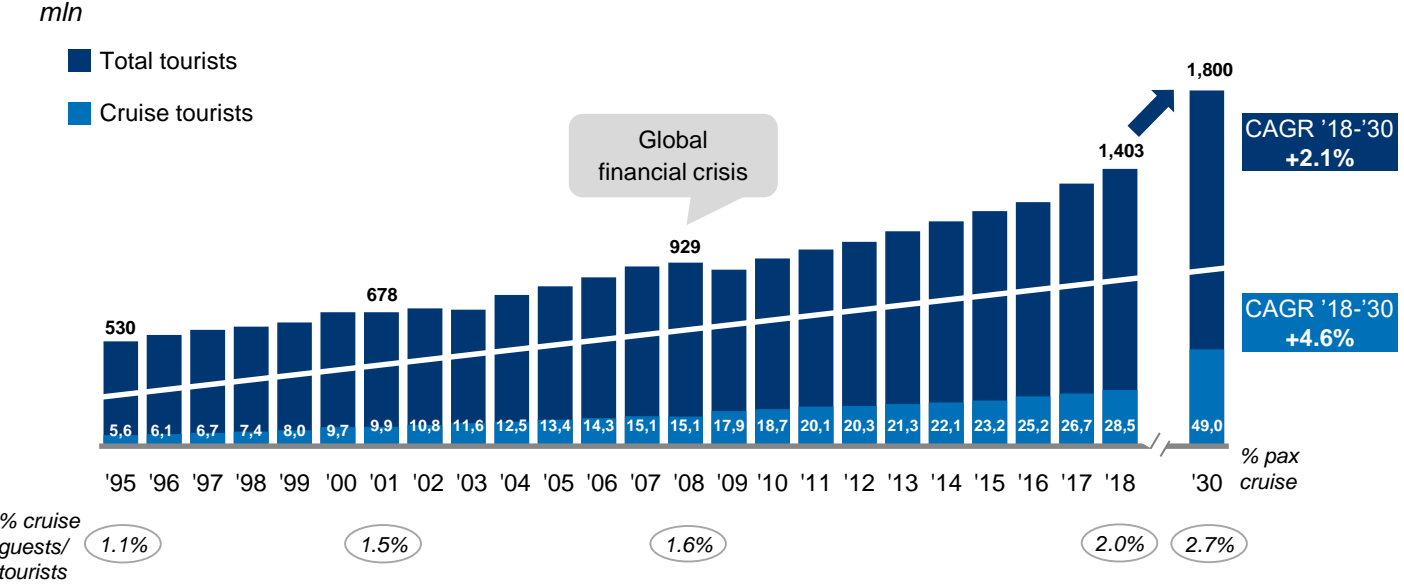


# Shipbuilding – Cruise trend: steady long-term passenger growth

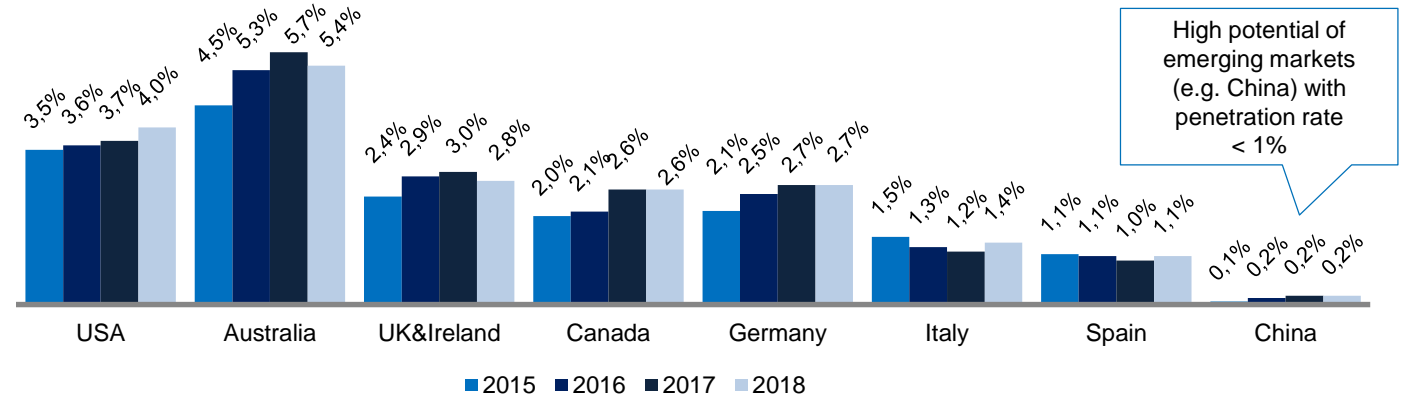
## Dynamics of cruise market

- The cruise industry has proven to be remarkably resilient, having continued to grow throughout the 2008-2010 economic crisis
- Cruise tourists on total tourists at only 2% and growing
- Cruise penetration (cruise passengers on national population) is still very low: at a mere 5.7%, Australia has the highest penetration in the world
- CLIA<sup>(1)</sup> forecasts 30.0 mln people around the world will take seagoing vacations in 2019 (+5.3% compared to 2018)
- In view of the positive market outlook of the leisure industry and of the **increasing penetration of the cruise sector**, the latter is expected to **significantly grow in the future**, in particular thanks to the **development of some emerging markets: China and Australia**

## Dynamics of global tourism and cruise passengers

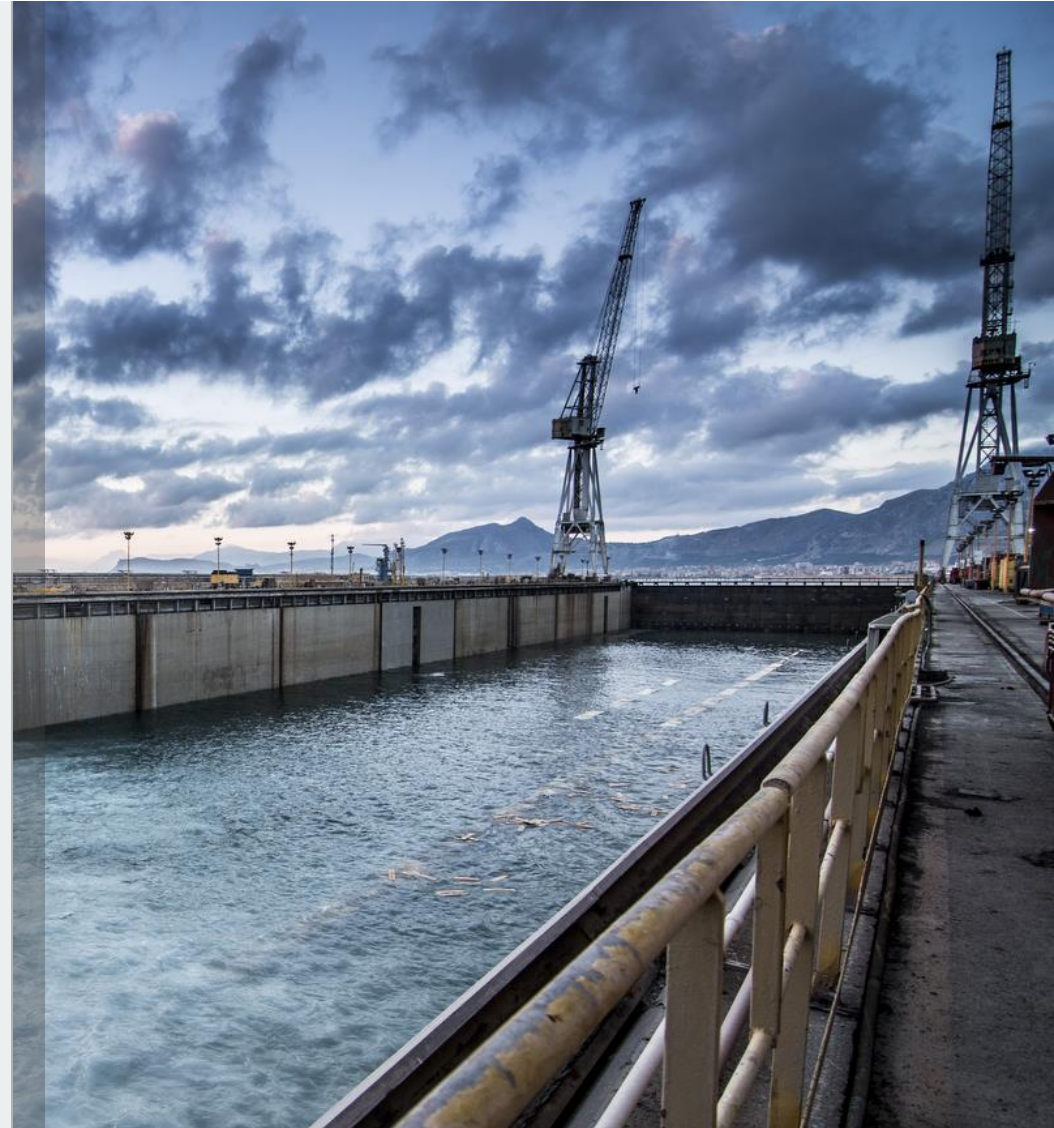


## Key source market penetration rate development



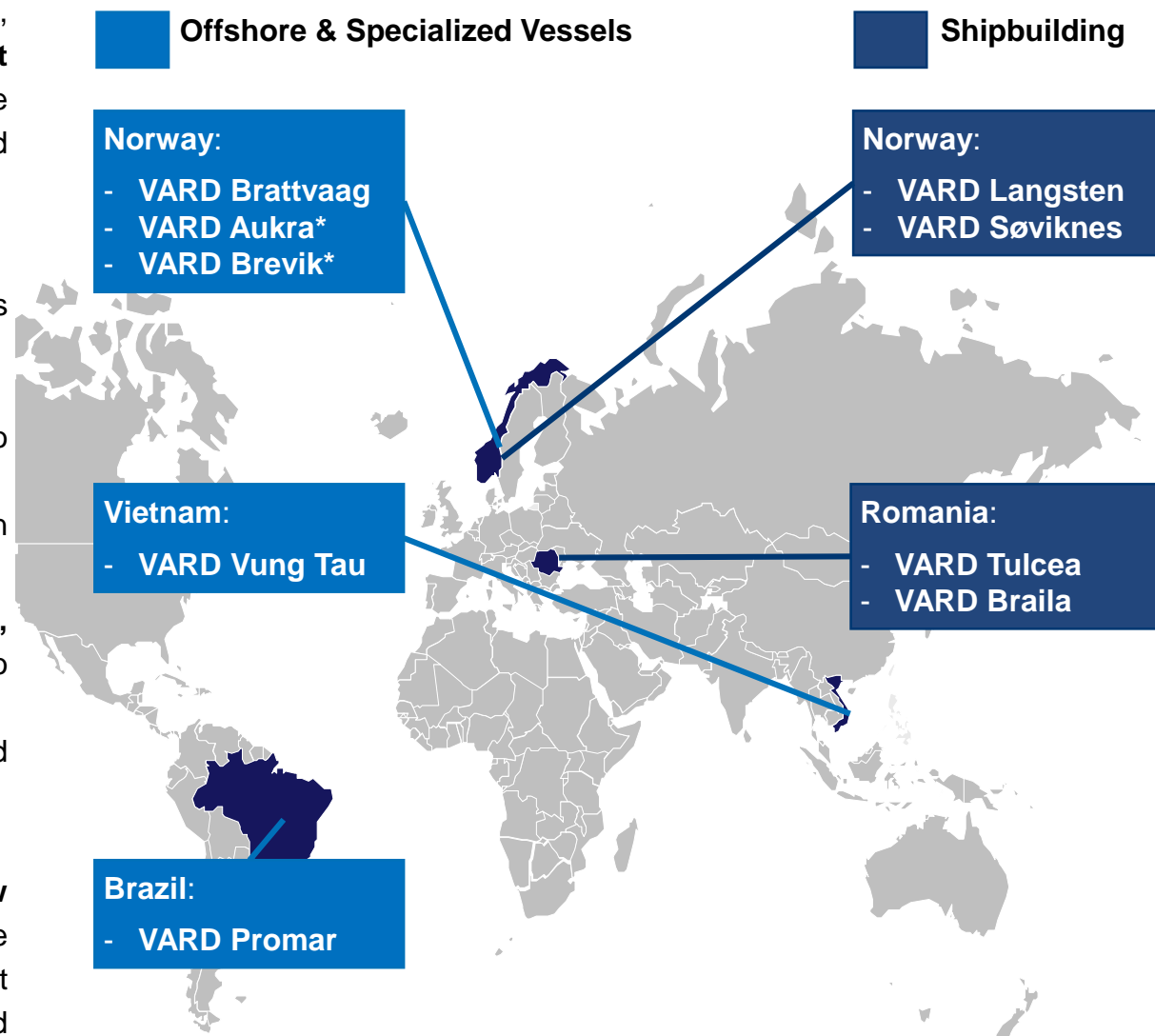
(1) CLIA – Cruise Lines International Association  
 Source: Total Tourists: World Tourism Organization, UNWTO – Tourism Highlights, 2018 Edition & Total cruise Tourist: Fincantieri estimates; China National Tourism Administration; CLIA Australia

# Appendix



## New organizational structure and segment review

- Following the delisting of VARD, in December 2018, the **full organizational integration with the Parent Company was launched**, both for expedition cruise shipbuilding projects and the related shipyards, and for offshore and special vessels projects
- VARD's activities are now split between:
  - **Cruise business unit**, which includes activities related to expedition cruise shipbuilding:
    - project management
    - Romanian and Norwegian yards dedicated to cruise ship construction
    - other key activities such as production oversight of public areas and purchasing
  - **Offshore & Specialized Vessels business unit**, which includes all the activities not related to expedition cruise shipbuilding:
    - project management of offshore, specialized and other vessels
    - remaining VARD shipyards
- **VARD Cruise business unit results are now aggregated into the Shipbuilding segment**, while VARD Offshore & Specialized Vessels business unit is part of the Offshore segment (now renamed Offshore & Specialized Vessels)



\* Under dismissal



# Deep – dive: Vard

## Ongoing integration and alignment to Group best practices

### What we did

### What we are working on

#### Action

- **Vard full integration process:**
  - **Delisting of the subsidiary in December 2018**
  - **Change in management**
  - **Operational reorganization** of both Cruise and Offshore & Specialized Vessels business units, including the revision of industrial management and economic planning of the projects
- **Revision of production footprint to minimize operational costs**
- **Exit from the small fishery and aquaculture support vessels business**

- **Additional efforts to align industrial management and economic planning of projects to the Group best practices**
- **Optimization of Vard operations and Vard reorganization plan**



#### Outcome

- **Recovery of production delays** of 2019 deliveries
- **Review of estimated costs at completion of the projects** weighting on the 9M 2019 results
- **Resizing of Promar shipyard in Brazil and disposal of Aukra and Brevik shipyards in Norway**

- **Margin recovery** in medium-to-long term
- **Additional review of estimated costs at completion** on long-term projects

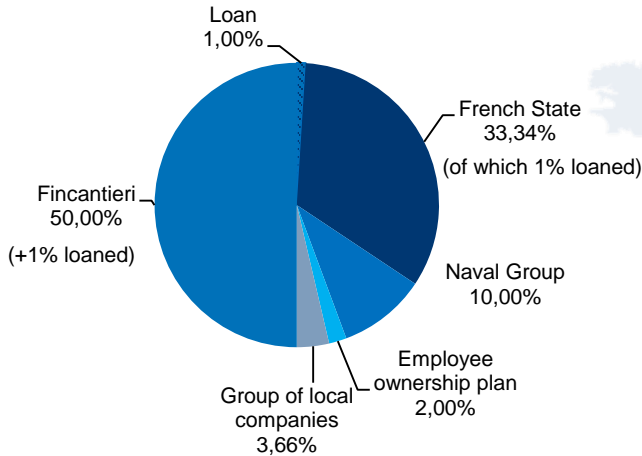


# STX France

- In February 2018 **Fincantieri<sup>(1)</sup> signed a share purchase agreement for the acquisition of 50% of STX France from the French State<sup>(2)</sup>**
- The signing follows the agreement between the **Italian and French Governments** to launch a joint process paving the way for the future creation of a progressive **alliance in the naval defence sector, through the involvement of Fincantieri, Naval Group and STX France**
- The completion of the transaction is subject to a series of conditions

### Future capital structure and governance

- Fincantieri will borrow 1% of shares from the French State (carrying all economic and voting rights)
- The Board of Directors of STX France will be composed as follows:
  - 4 members appointed by Fincantieri (including Chairman and CEO)
  - 2 members appointed by the French State (APE)
  - 1 member appointed by Naval Group
  - 1 member appointed by the employees
- The Chairman of the Board will have a “casting vote” in case of stall



### Industrial partnership

- Through this industrial partnership **Fincantieri strengthens its leadership on the global market**
- **The perfect complementarity of Fincantieri’s and STX France’s cruise activities and products** would allow the two companies to serve **all the clients and end-markets** and to **generate value not only for the shareholders, but also for the employees and the respective subcontractors’ networks**

Bringing together strengths of **Fincantieri, Naval Group and STX France** will create a **global European leader** aiming to become world’s top player in the construction of complex, high value-added vessels and largest exporter in both civil and military markets, with a significant activity in systems and services

(1) Through its subsidiary Fincantieri Europe SpA  
 (2) Represented by the Agence des Participations de l’Etat (APE)



## 9M 2019 main orders

Segment	Vessel	Client	# of ships	Expected Delivery
Shipbuilding	Cruise Ships	<i>Oceania Cruises</i>	2	2022-2025
		<i>Regent Seven Seas Cruises</i>	1	2023
		<i>Viking Cruises</i>	2	2024-2025
		<i>MSC Cruises</i>	4	2023-2026
		<i>Princess Cruises</i>	2	2023-2025
	Littoral Combat Ship	<i>US Navy</i>	1	2023
Offshore & Specialized Vessels	Expedition Cruise Vessel "Coral Geographer"	<i>Coral Expeditions</i>	1	2020

## 9M 2019 main deliveries

Segment	Vessel	Client	Shipyard
Shipbuilding	Cruise ship "Viking Jupiter"	<i>Viking Cruises</i>	Ancona
	Cruise ship "Costa Venezia"	<i>Costa Crociere</i>	Monfalcone
	Littoral Combat Ship "Billings" (LCS 15)	<i>US Navy</i>	Marinette
	FREMM "Antonio Marceglia"	<i>Italian Navy</i>	Muggiano
	Expedition cruise vessel "Le Bougainville"	<i>Ponant</i>	Vard Søviknes
	Expedition cruise vessel "Le Dumont d'Urville"	<i>Ponant</i>	Vard Søviknes
	Expedition cruise vessel "Hanseatic Nature"	<i>Hapag-Lloyd Cruises</i>	Vard Langsten
	Littoral Combat Ship (LCS 17)	<i>US Navy</i>	Marinette
Offshore & Specialized Vessels	OSCV (3 vessels)	2 for <i>Topaz Energy and Marine</i> 1 for <i>Dofcon Navegação</i>	Vard Brattvaag Vard Promar
	Expedition cruise vessel "Coral Adventurer"	<i>Coral Expeditions</i>	Vard Vung Tau

Delivered in Q3

# Overview of financial performance indicators<sup>(1)</sup>

€ mln	FY 2015	FY 2016	FY 2017	FY 2018
<b>Order intake</b>	<b>10,087</b>	<b>6,505</b>	<b>8,554</b>	<b>8,617</b>
<b>Total backlog</b>	<b>18,721</b>	<b>24,031</b>	<b>26,153</b>	<b>33,824</b>
<i>Of which backlog</i>	15,721	18,231	22,053	25,524
<i>Of which soft backlog</i>	3,000	5,800	4,100	8,300
<b>Revenues</b>	<b>4,183</b>	<b>4,429</b>	<b>5,020</b>	<b>5,474</b>
<b>EBITDA</b>	<b>(26)</b>	<b>267</b>	<b>341</b>	<b>414</b>
<i>As a % of revenues</i>	-0.6%	6.0%	6.8%	7.6%
<b>EBIT</b>	<b>(137)</b>	<b>157</b>	<b>221</b>	<b>277</b>
<i>As a % of revenues</i>	-3.3%	3.5%	4.4%	5.1%
<b>Adjusted profit/loss<sup>(2)</sup></b>	<b>(252)</b>	<b>60</b>	<b>91</b>	<b>108</b>
<i>Attributable to owners of the parent</i>	(141)	66	95	111
<b>Net result for the period</b>	<b>(289)</b>	<b>14</b>	<b>53</b>	<b>69</b>
<i>Attributable to owners of the parent</i>	(175)	25	57	72
<b>Net fixed assets</b>	<b>1,453</b>	<b>1,590</b>	<b>1,743</b>	<b>1,703</b>
<b>Net working capital<sup>(3)</sup></b>	<b>251</b>	<b>265</b>	<b>(120)</b>	<b>44</b>
<i>Of which construction loans</i>	(1,103)	(678)	(624)	(632)
<b>Equity</b>	<b>1,266</b>	<b>1,241</b>	<b>1,309</b>	<b>1,253</b>
<b>Net financial position</b> <i>Net cash/ (Net debt)</i>	<b>(438)</b>	<b>(615)</b>	<b>(314)</b>	<b>(494)</b>
<b>Employees</b>	<b>20,019</b>	<b>19,181</b>	<b>19,545</b>	<b>19,274</b>

(1) With the aim to provide a meaningful index to measure the Group financial results, the Group adopts an EBITDA definition which normalizes the trend of results over time, and increases the level of comparability of the same results by excluding the impact of non recurring and extraordinary operating items; for the same reason, the Group also monitors Net Income before non recurring and extraordinary items (both operating and financials)

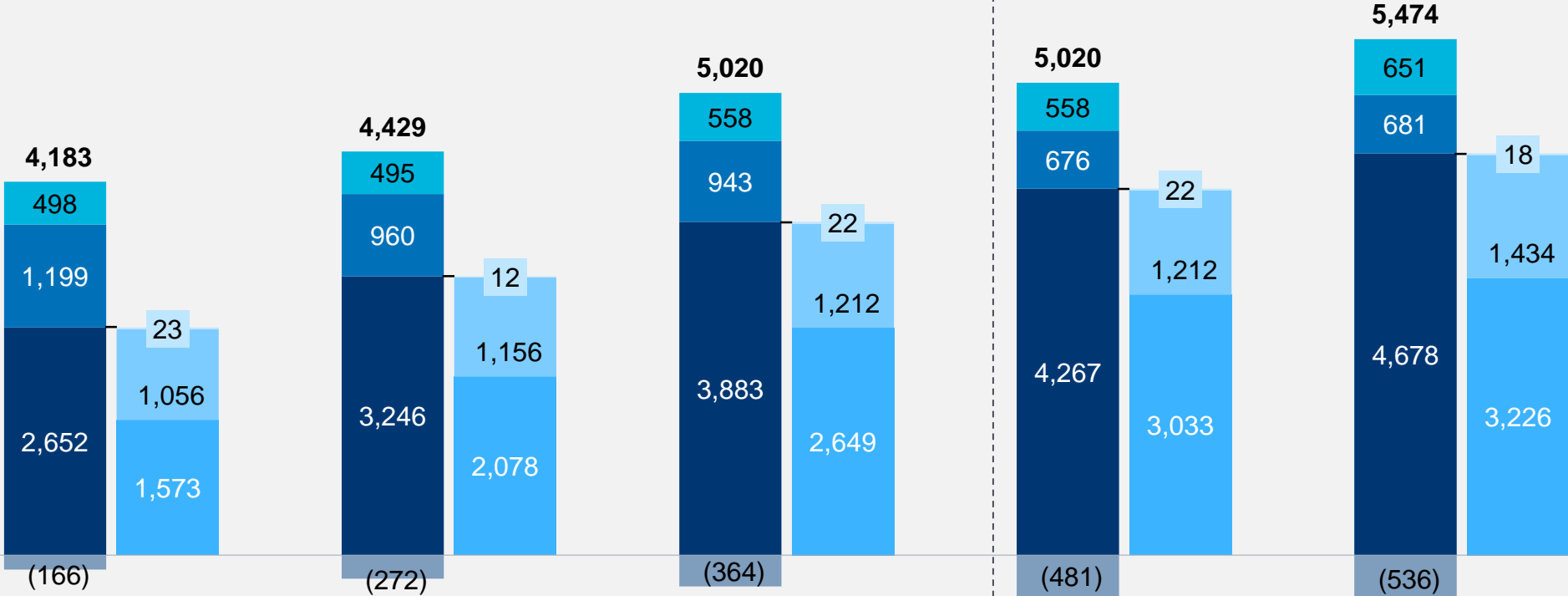
(2) Excluding extraordinary and Non Recurring Items net of tax effect

(3) Construction loans are accounted for in Net working capital, not Net financial position, as they are not general purpose loans and can be a source of financing only in connection with ship contracts

# Financial performance: Revenues

## Revenues<sup>(1)</sup>

€ mln



■ Shipbuilding  
 ■ Offshore & Specialized vessels  
 ■ Equipment, Systems & Services  
 ■ Eliminations  
■ Cruise  
 ■ Naval  
 ■ Other Shipbuilding

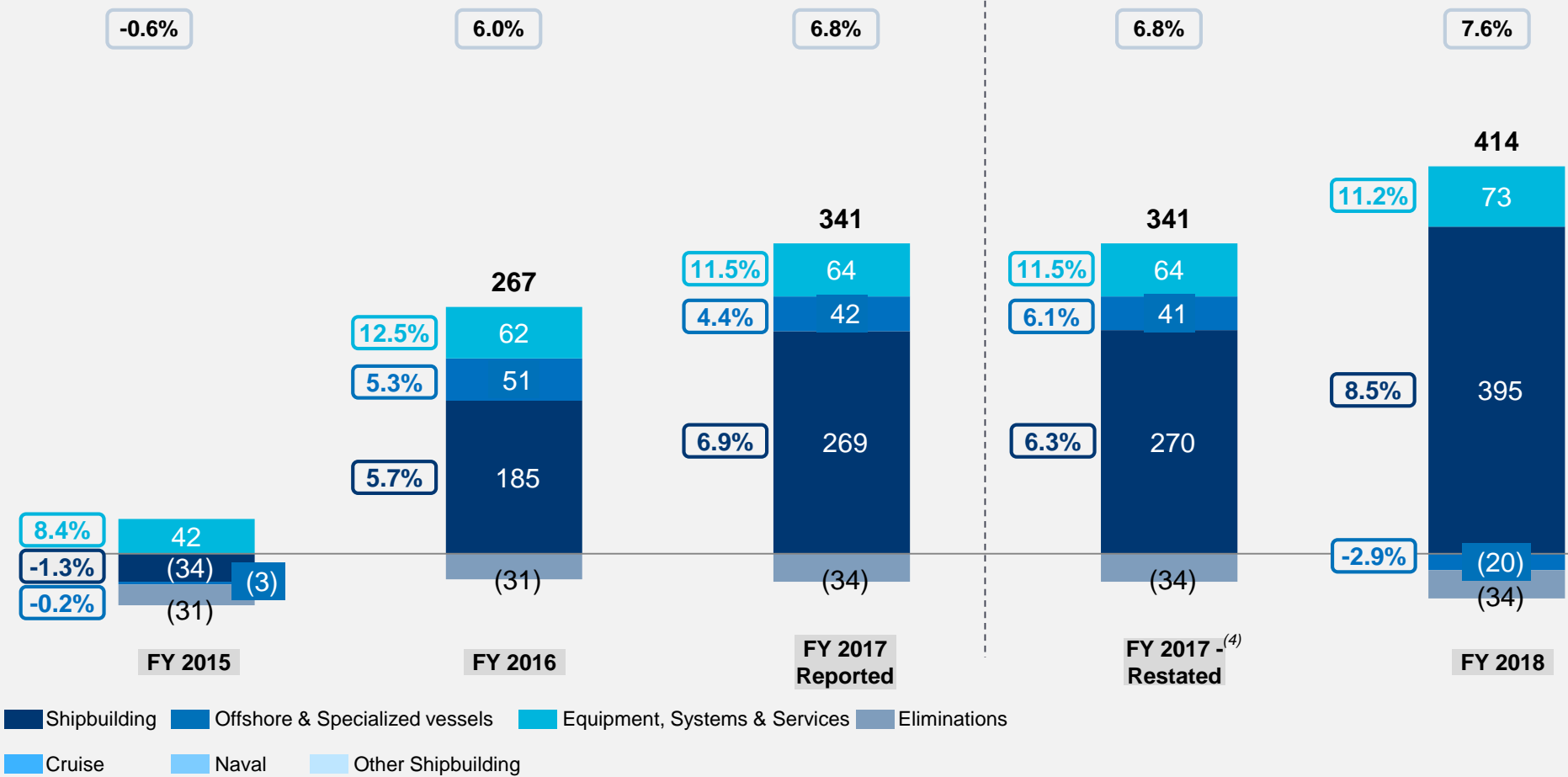
(1) Breakdown calculated gross of consolidation effects  
 (2) EBITDA is a Non-GAAP Financial Measure. The Company defines EBITDA as profit/(loss) for the period before (i) income taxes, (ii) share of profit/(loss) from equity investments, (iii) income/expense from investments, (iv) finance costs, (v) finance income, (vi) depreciation and amortization, (vii) extraordinary wages guarantee fund – Cassa Integrazione Guadagni Straordinaria, (viii) expenses for corporate restructuring and other non-recurring personnel costs, (ix) accruals to provision and cost of legal services for asbestos claims, (x) other non recurring items. EBITDA breakdown are referred only to operating segments

(3) For comparison purposes, 2015 figures are restated following the redefinition of operating segments. Following the operational reorganization carried out in November 2016, the repair & conversion services, cabins & public areas business, as well as integrated systems business, all previously included in the Shipbuilding segment, have been relocated to the Equipment, Systems & Services segment starting from FY 2016 results.  
 (4) Comparative numbers of 2017 are shown restated following the integration of the business unit Cruise of VARD within the Shipbuilding segment (November 2018)

# Financial performance: EBITDA

## EBITDA / margin<sup>(2)</sup>

€ mln



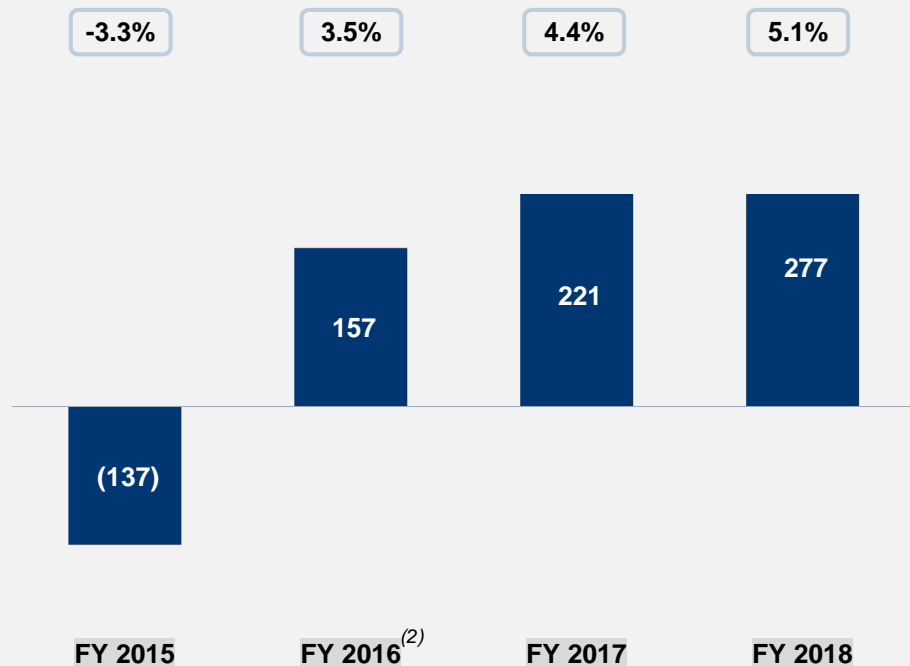
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# Financial performance: EBIT and Net result

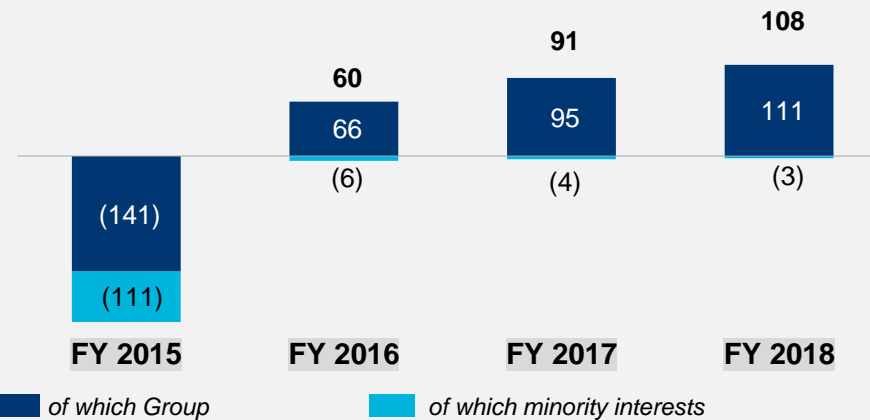
## EBIT / margin

€ mln



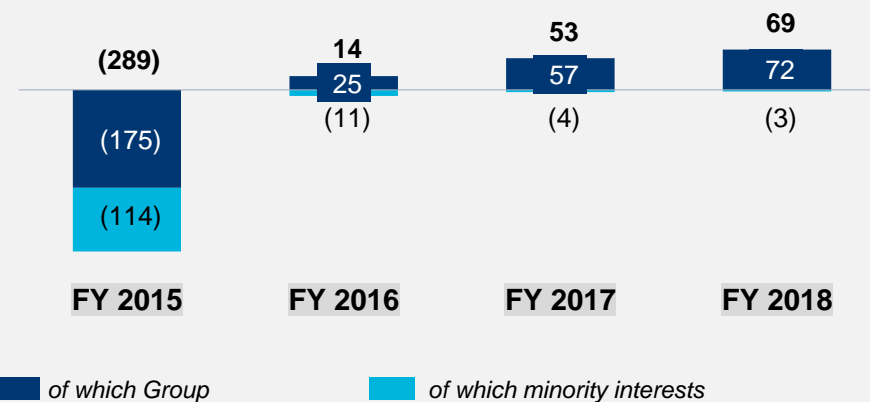
## Net result before extraordinary and non recurring items<sup>(1)</sup>

€ mln



## Net result

€ mln

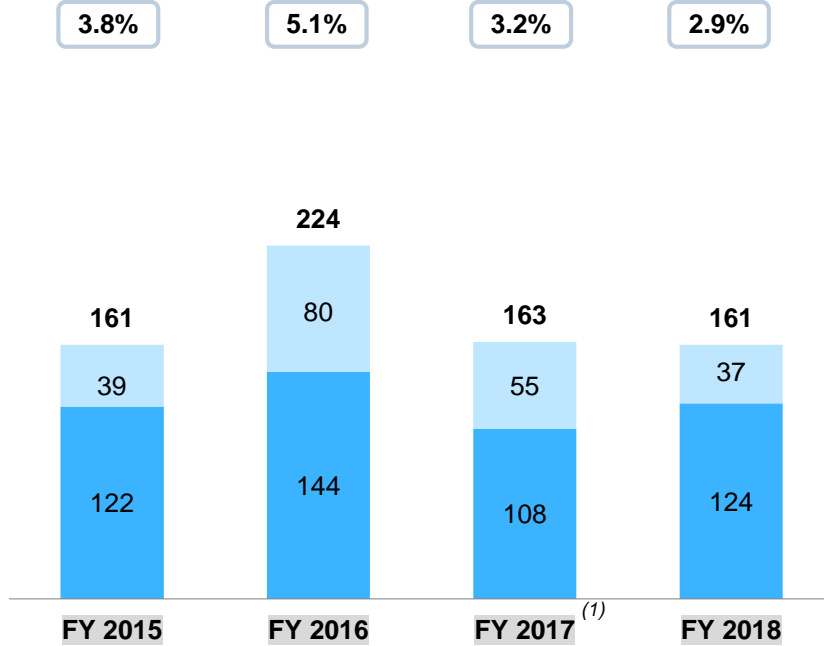


(1) Extraordinary and non recurring costs net of tax effect amounted to € 37 mln in 2015, € 46 mln in FY 2016, € 38 mln in 2017, and € 39 mln in 2018

# Capex: FY 2018

## Capex evolution

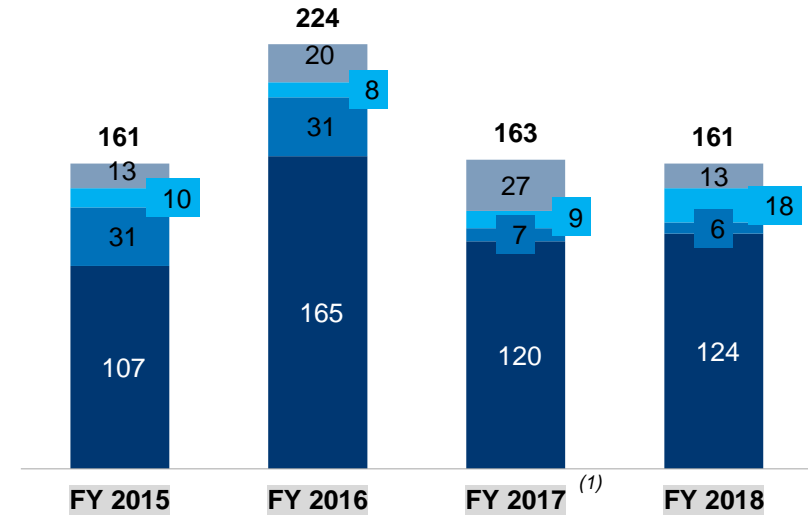
€ mln



Property, plant and equipment    Intangible assets    % of Revenues

## Capex by segment

€ mln



Shipbuilding  
Offshore and Specialized Vessels  
Equipment, Systems & Services  
Other activities

- **2018 Capex mainly related to:**

- Property, plant and equipment - aimed at supporting the development of production volumes and improving safety conditions and compliance with environmental regulations within the production sites
- Intangible assets – mainly related to the development of new technologies for cruise business and IT systems

<sup>(1)</sup> Comparative numbers of 2017 are shown restated following the integration of the business unit Cruise of VARD within the Shipbuilding segment (November 2018)