

# **FINCANTIERI**

## **Update post Q1 2019 results**

**May 2019**

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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.

Fincantieri does not undertake to provide any additional information or to remedy any omissions in or from this Presentation. Fincantieri does not intend, and does not assume any obligation, to update industry information or forward-looking statements set forth in this Presentation. This presentation does not constitute a recommendation regarding the securities of the Company.

## 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.



## *Table of Contents*

**Section 1** Description of the Group

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**Section 2** Financial overview

---

**Section 3** Balance Sheet and Capital Structure

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**Section 4** Strategy & Outlook

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**Appendix**

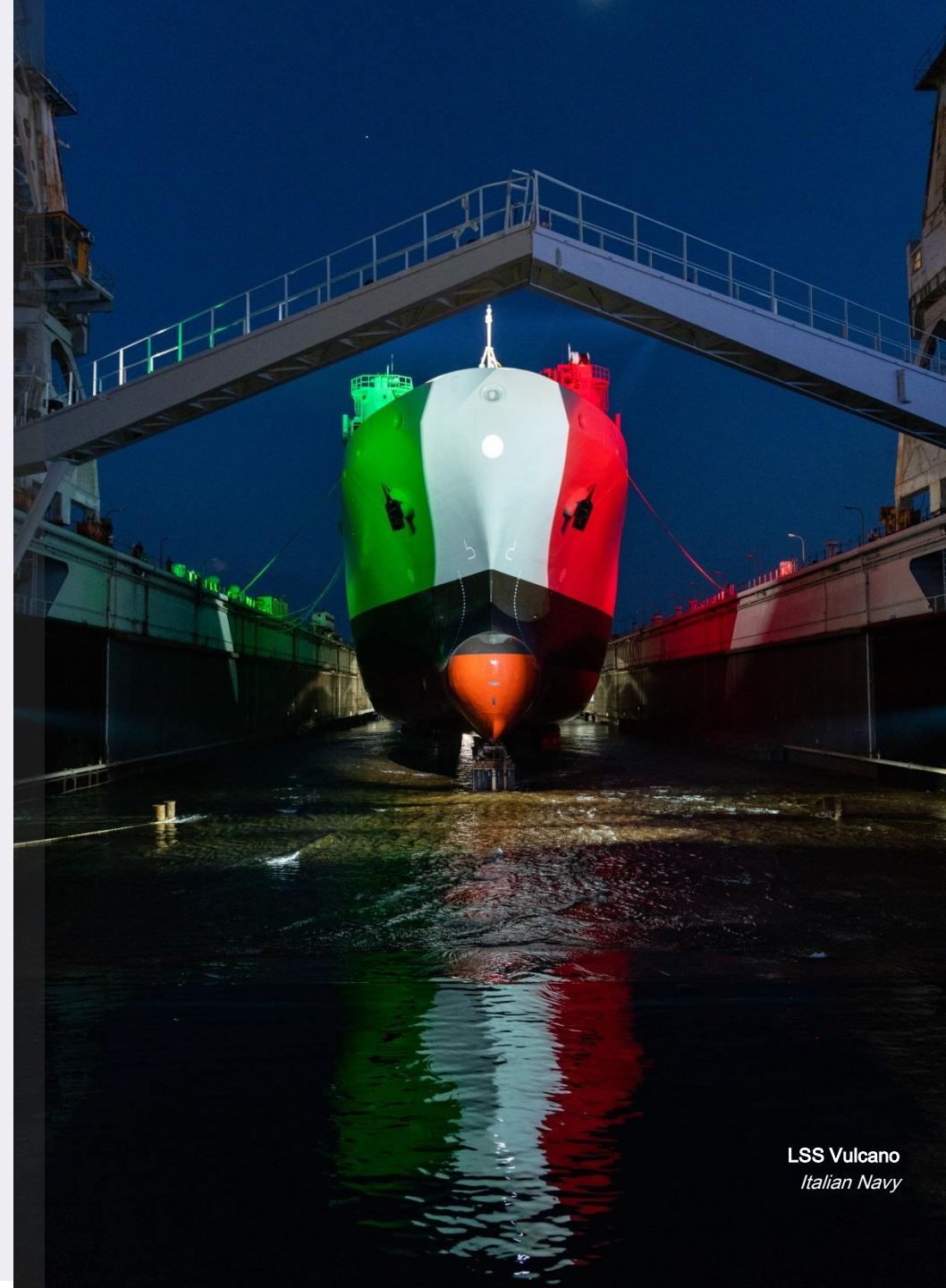
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**Nieuw Statendam**  
*Holland America Line*

## Section 1

## Description of the Group



LSS Vulcano  
*Italian Navy*



# Fincantieri at a glance

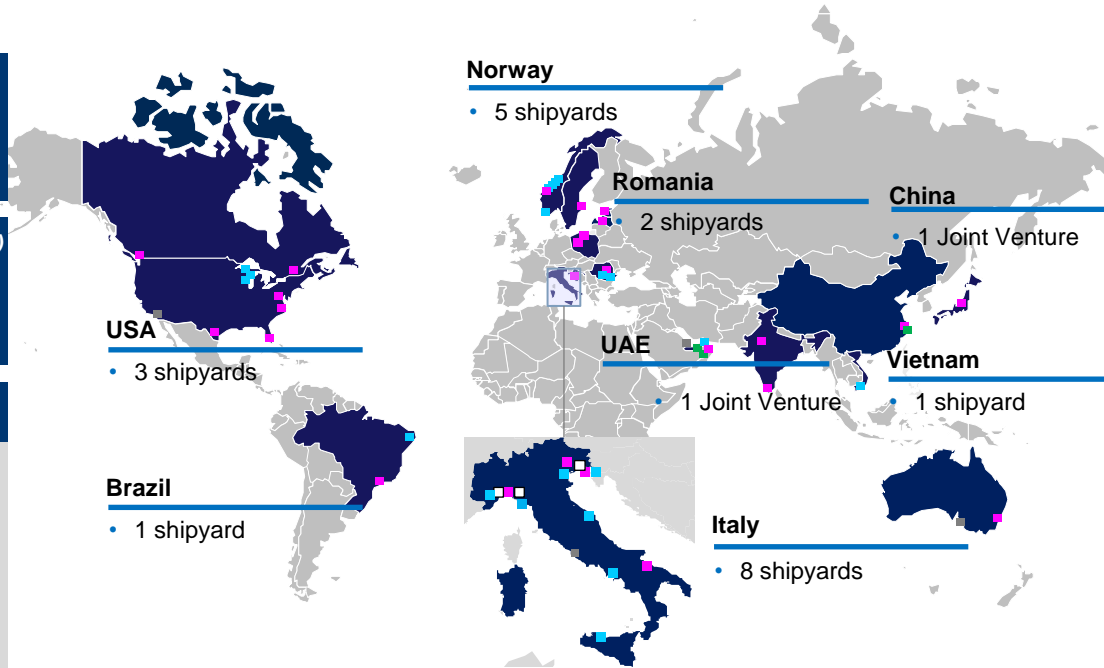
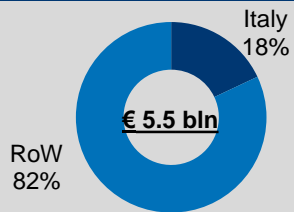
#1 Western designer & shipbuilder<sup>(1)</sup>  
with 230 years of history & >7,000 ships built

€ 5,474 mln revenues

~ € 34.3 bln total backlog<sup>(2, 3)</sup>

- € 30.7 bln backlog
- € 3.6 bln soft backlog

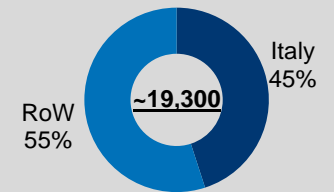
## Revenues by geography



20 shipyards  
4 continents

~ 19,300 employees  
~ 80,000 subcontractors

## Employees by location



Note: all figures reported at December 31, 2018, except for backlog and soft backlog which are referred to Q1 2019 (at March 31, 2019)

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


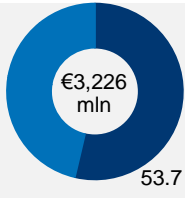

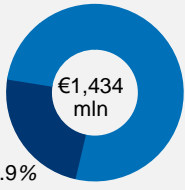
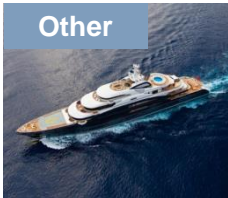
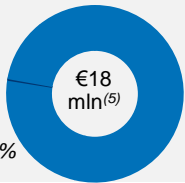

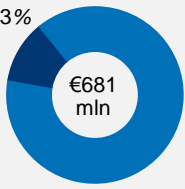
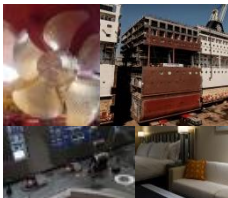
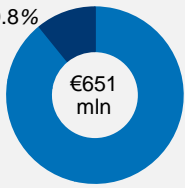
(2) At March 31, 2019

(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

- Corporate/BU headquarters
- Shipyard
- Joint Venture
- Operating subsidiary
- Representative / Sales office

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# Consolidated positioning in Fincantieri's reference markets

	End markets	Main products	Comments	Revenues 2018 <sup>(1)</sup>	Backlog <sup>(2)</sup>
Shipbuilding	<b>Cruise</b> 	<ul style="list-style-type: none"> <li>All cruise ships <i>(from large contemporary ships to small luxury and expedition ships)</i></li> </ul>	<ul style="list-style-type: none"> <li>A world leader in the design and construction of vessels for all segments of the cruise industry</li> </ul>	 <p>€3,226 mln</p> <p>53.7%</p>	€ 28,974 mln (79 ships)
	<b>Naval</b> 	<ul style="list-style-type: none"> <li>All surface vessels <i>(also stealth)</i></li> <li>Support &amp; Special vessels</li> <li>Submarines</li> </ul>	<ul style="list-style-type: none"> <li>Sole supplier for Italian Navy<sup>(3)</sup></li> <li>One of key suppliers for US Navy &amp; Coast Guard<sup>(4)</sup></li> <li>Key supplier for Qatar Emiri Naval Forces and one of the key suppliers for UAE Navy</li> </ul>	 <p>€1,434 mln</p> <p>23.9%</p>	
	<b>Other</b> 	<ul style="list-style-type: none"> <li>Ferries</li> <li>Mega-yachts</li> </ul>	<ul style="list-style-type: none"> <li>Focus on the design and construction of:                             <ul style="list-style-type: none"> <li>High tech ferries</li> <li>Large mega-yachts</li> </ul> </li> </ul>	 <p>€18 mln<sup>(5)</sup></p> <p>0.3%</p>	
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>	<ul style="list-style-type: none"> <li>Traditionally focused on the design and construction of <b>offshore support vessels</b></li> <li>Recent <b>diversification into new segments</b> (fishery, ferries, special vessels)</li> </ul>	 <p>€681 mln</p> <p>11.3%</p>	€ 920 mln (25 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; conversions</li> </ul>	<ul style="list-style-type: none"> <li>Design and manufacturing of <b>high-tech equipment &amp; systems</b></li> <li>Full range of <b>repair &amp; conversion services, logistical support and after sale services</b></li> <li>Insourcing of critical components</li> </ul>	 <p>€651 mln</p> <p>10.8%</p>	€ 1,607 mln

(1) Before eliminations and consolidation adjustments

(2) At March 31, 2019

(3) For all the large ships and excluding minesweepers and small ships below 45 m in length


(4) For medium size ships, e.g. patrol vessels and corvettes

(5) Revenues from other activities

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# Diversified client base with long standing relationships, unrivalled track record & technological leadership

		Key clients and relationships	Track record	<ul style="list-style-type: none"> <li>Proven track record of on-time, on-budget deliveries</li> <li>Strong technological know-how and design skills:                             <ul style="list-style-type: none"> <li>~ 100 prototypes delivered in the last 15 years</li> </ul> </li> <li>Strong commitment to R&amp;D:                             <ul style="list-style-type: none"> <li>~ 90 projects ongoing</li> <li>2015-2018 expenditure &gt; € 400 mln</li> </ul> </li> </ul>
Shipbuilding	Cruise	 	<ul style="list-style-type: none"> <li>87 ships delivered from 1990 to 2018</li> <li>2 ships delivered in Q1 2019</li> </ul>	
	Naval	 	<ul style="list-style-type: none"> <li>121<sup>(3)</sup> ships delivered from 1990 to 2018</li> <li>1 ship delivered in Q1 2019</li> </ul>	
Offshore & Specialized Vessels		 	<ul style="list-style-type: none"> <li>399<sup>(4)</sup> ships delivered from 1990 to 2018</li> <li>5 ships delivered in Q1 2019</li> </ul>	
Equipment Systems & Services		 	<ul style="list-style-type: none"> <li>Strong revenue growth to € 651 mln in 2018 (2015-2018 CAGR: +9.3%)</li> </ul>	

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

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

# Consolidated capability to acquire new clients and develop long term partnerships

## Client diversification



## Long standing relationships

		Vessels delivered <sup>(1)</sup>	Vessels in backlog <sup>(1)</sup>	
<b>CARNIVAL CORPORATION &amp; PLC</b> <sup>(2)</sup>	• From 1986	67	9	76 • Up to 2025
<b>NORWEGIAN CRUISE LINE</b> <sup>(3)</sup>	• From 2007	3	10	13 • Up to 2027
<b>SILVERSEA</b>	• From 2007	2	2	4 • Up to 2021
<b>PONANT</b>	• From 2008	7	4	11 • Up to 2021
<b>VIKING OCEAN CRUISES</b>	• From 2012	6	8	14 • Up to 2025
<b>MSC CROCIERE</b>	• From 2014	2	6	8 • Up to 2026
<b>VOYAGES</b>	• From 2015	4	4	• Up to 2023
<b>TUI Cruises</b>	• From 2018	2	2	• Up to 2026

• **Agreements for additional vessels have been formalized, such as options for 6 vessels for Viking Ocean Cruises**

Source: Company information

(1) As of April 5, 2019

(2) Parent company of several brands: Carnival Cruise Lines, Costa Crociere, Cunard, Holland America Line, P&O Cruises, Princess Cruise Lines and Seabourn Cruise Lines

(3) Parent company of several brands: Norwegian Cruise Line, Oceania Cruises, Regent Seven Seas Cruises

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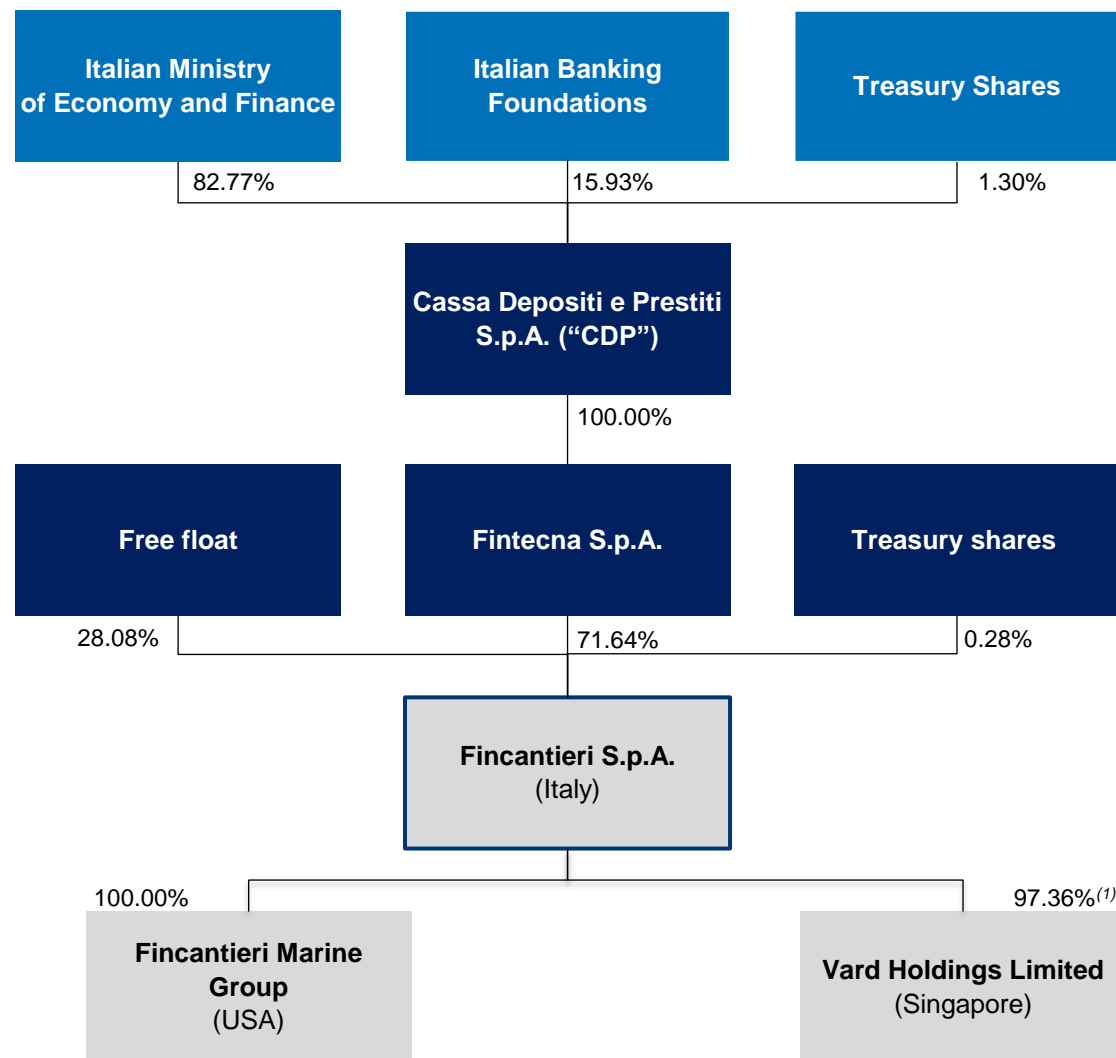


# Ownership and Group structure

## Brief description of the Group structure

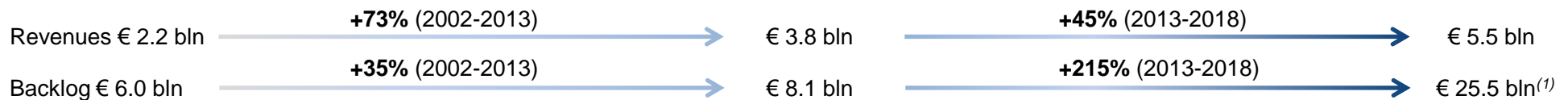
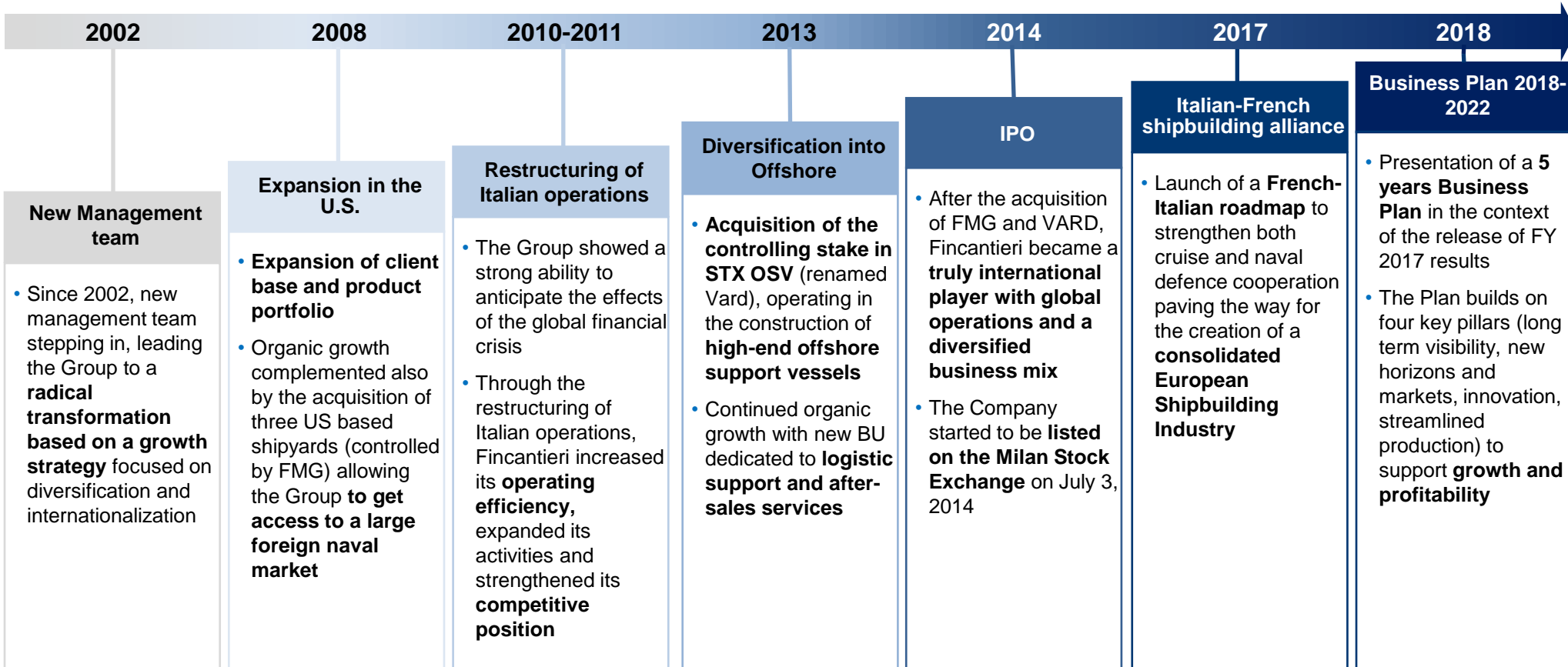
- Fincantieri shares are listed on the Milan Stock Exchange since July 3, 2014
- Fincantieri's reference shareholder is Fintecna S.p.A., a holding company fully owned by CDP, owning 71.64% stake
- CDP is an Italian state-owned National Development Institution holding major stakes in several listed / 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 March 31, 2019

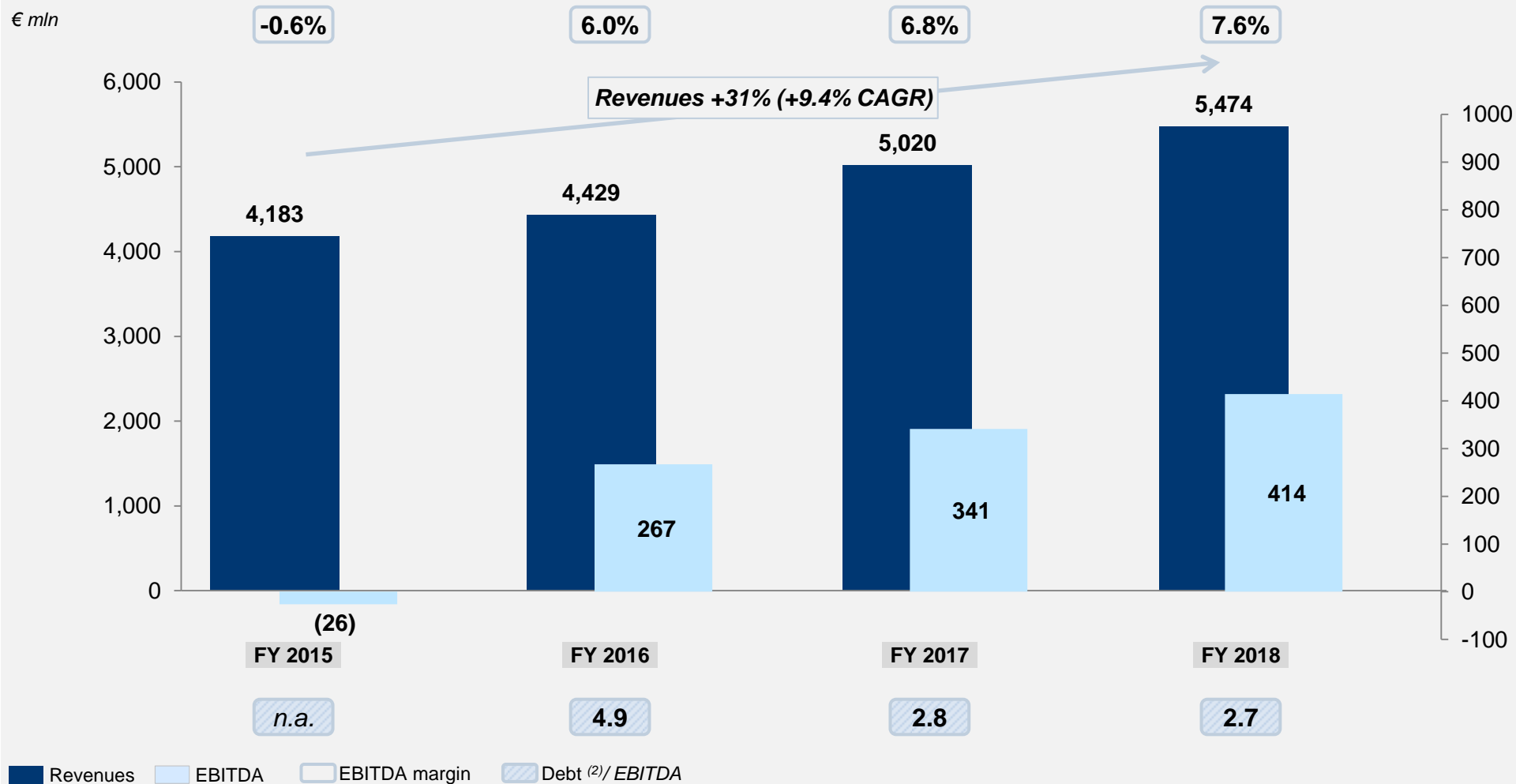
# Creation of an international leading player with a well diversified product portfolio



(1) Backlog was € 30.7 bln at March 31, 2019

# Revenue growth 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

# Key competitive strengths

**FINCANTIERI**



wide portfolio of  
clients & products



flexible & global  
production network



technological  
leadership

## 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 amounting to approximatively 6.3 years of work if compared to 2018 revenues<sup>(1)</sup>

## 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

## 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. 19,000 employees located in both emerging and Western countries

## Technological leadership

- Technological leadership based on high innovation capacity and system integrator capabilities (coordination of whole product lifecycle as prime contractor)
- Strong commitment to R&D and proven track record of on-time and on-budget deliveries

## Experienced management team

- CEO enjoying more than 15 years experience in Fincantieri and senior management team with extensive experience in their fields
- International (55% of the workforce located outside Italy) and highly specialized human resources

<sup>(1)</sup> At March 31, 2019



## Section 2

## Financial overview



Skandi Africa  
DOF  
Ship of the Year 2015

# Q1 2019 Key Messages

## Revenues up 13%, orders at € 6.5 bln with 11 cruise vessels, total backlog at € 34.3 bln

### Order intake

- **Total order intake at € 6.5 bn:**
  - Record order acquisition of 11 cruise ships for 5 different brands (Oceania, Regent Seven Seas Cruises, Viking, MSC, Princess)
  - 1 Littoral Combat Ship (LCS31) for the US Navy, the sixteenth unit of the "Freedom" class
- **Total backlog<sup>(1)</sup> at € 34.3 bln: backlog with 104 units at € 30.7 bln** (€ 21.8 bln in Q1 2018) and **soft backlog<sup>(2)</sup> at € 3.6 bln** (€ 5.9 bln in Q1 2018)

### Financials

- **Revenues up 13% at € 1.4 bln** (€ 1.2 bln in Q1 2018)
- **EBITDA at € 90 mln** (€ 89 mln in Q1 2018) and **EBITDA margin at 6.5%** (7.3% in Q1 2018)
- **Net debt<sup>(3)</sup> at € 505 mln** (€ 494 mln at December 31, 2018)

### Business update

- **Delivery of 8 units** including two cruise ships "Viking Jupiter" and "Costa Venezia" (the first vessel for the Italian shipowner specifically designed for the Chinese market), and of a naval vessel for the US Navy
- Inauguration of the **Fincantieri Infrastructure** production plant and steel cutting ceremony for the bridge over the Polcevera river
- **Ongoing focus of the Group on sustainability:** the newly appointed Board of Directors beyond the regulatory requirements for gender diversity with an equal number of elected men and women

(1) Sum of backlog and soft backlog

(2) 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

(3) Excluding Construction loans

# Ongoing strategic development

## Defence industry

- Building on the support of the French and Italian Governments, **Fincantieri and Naval Group laid the grounds 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

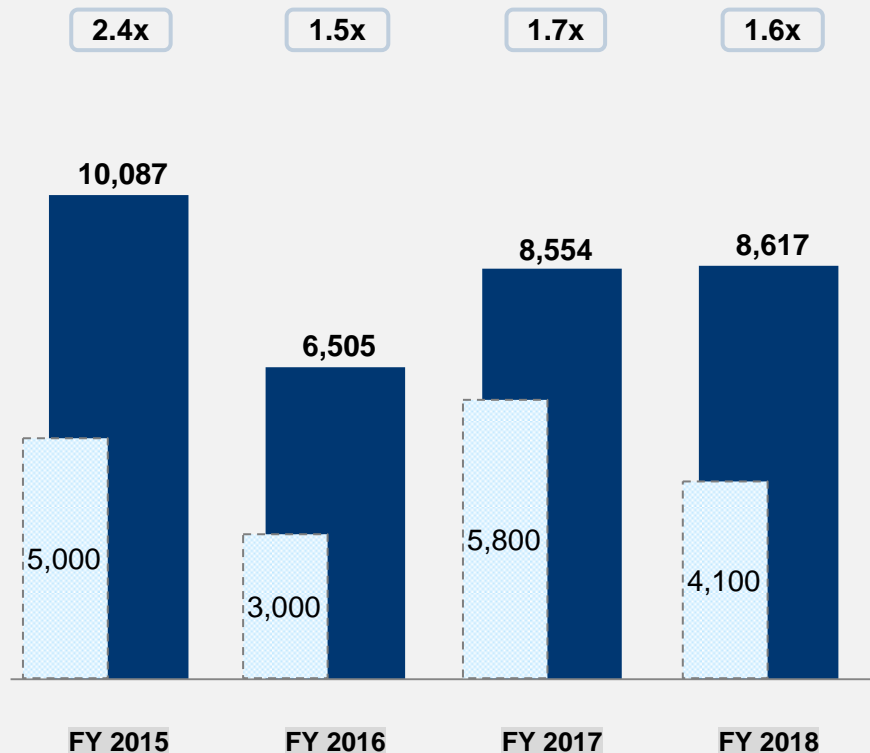
## VARD

- **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

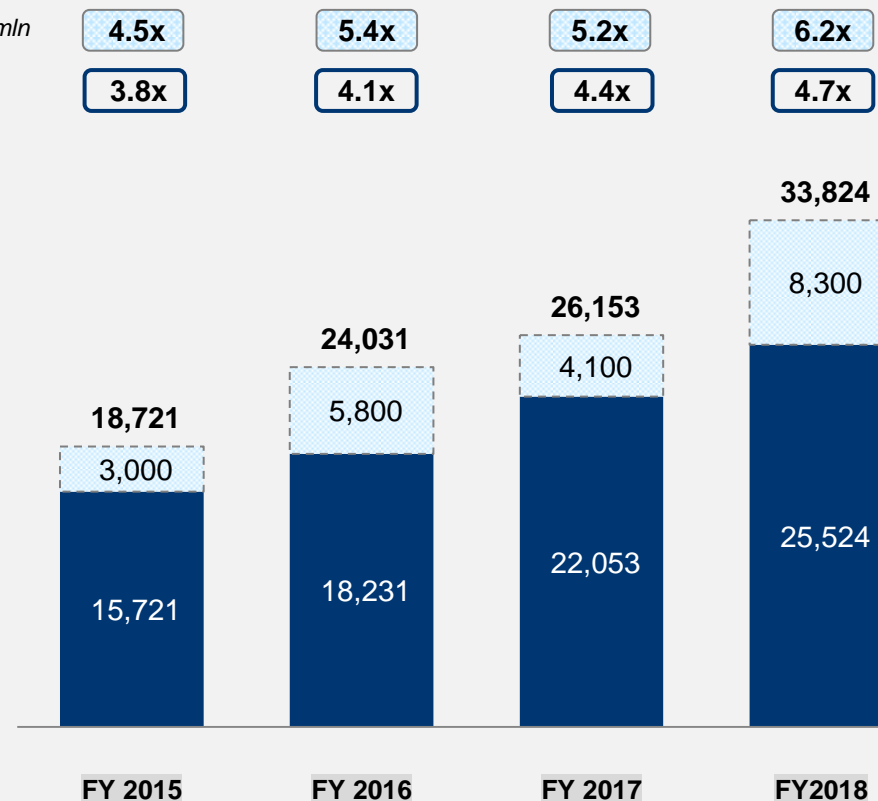
€ mln



□ Book to Bill (Order intake / Revenues) □ Soft backlog previous FY

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

€ mln



■ Backlog □ Soft backlog<sup>(2)</sup> □ Backlog / Revenues □ Total backlog / Revenues

- 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

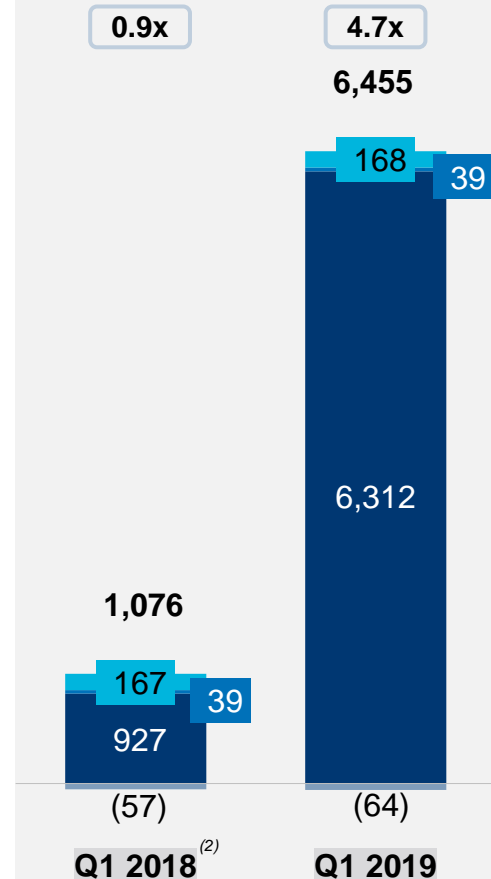
<sup>(2)</sup> Soft backlog represents the value of existing contract options and letters of intent as well as contracts in advanced negotiation, none of which yet reflected in the order backlog



# Q1 2019 order intake and backlog: breakdown by segment

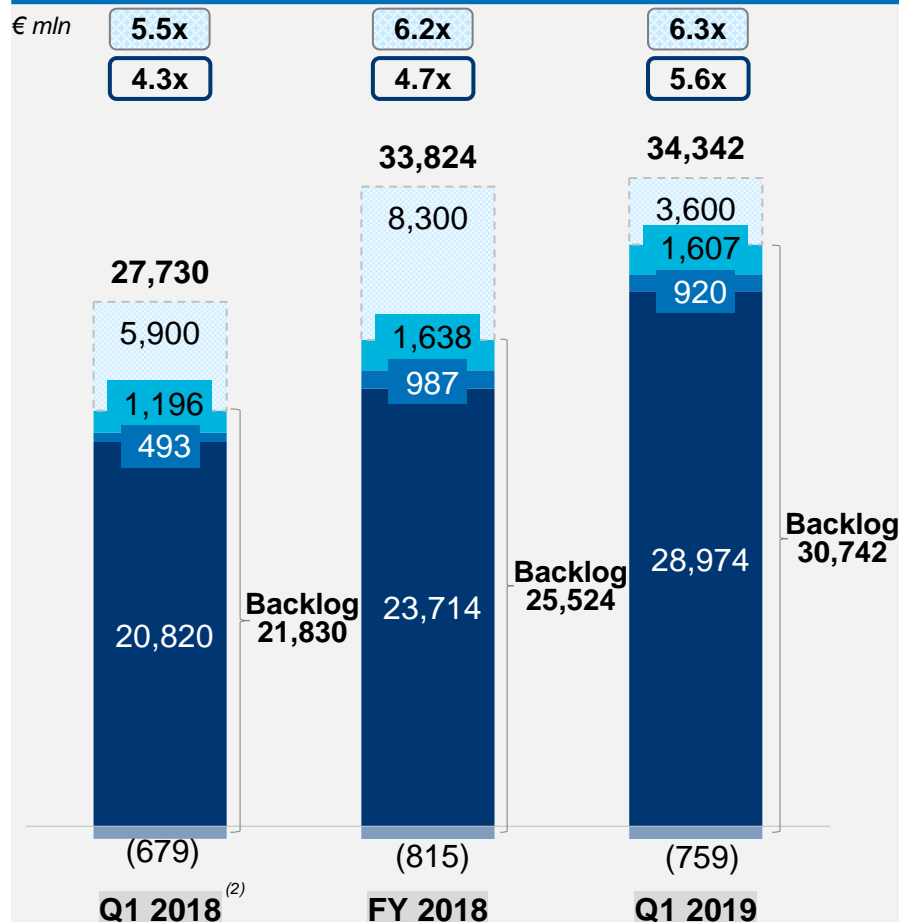
## Order intake

€ mln



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

€ mln



- Total order intake for the quarter € 6.5 bln
- Record order acquisition in cruise business area with contracts signed for 11 cruise ships
- Total backlog at € 34.3 bln, approximately 6.3 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

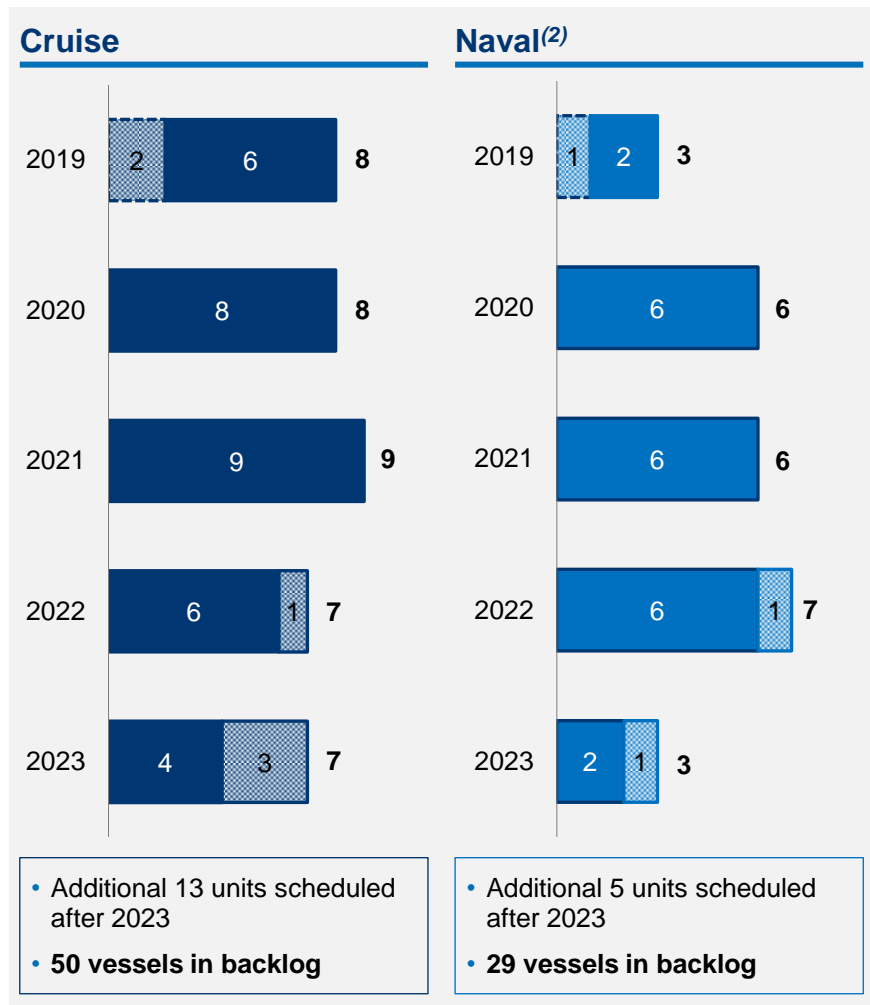
(2) Restated following the reorganization of VARD

(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

# Q1 2019 backlog deployment: breakdown by segment and end market

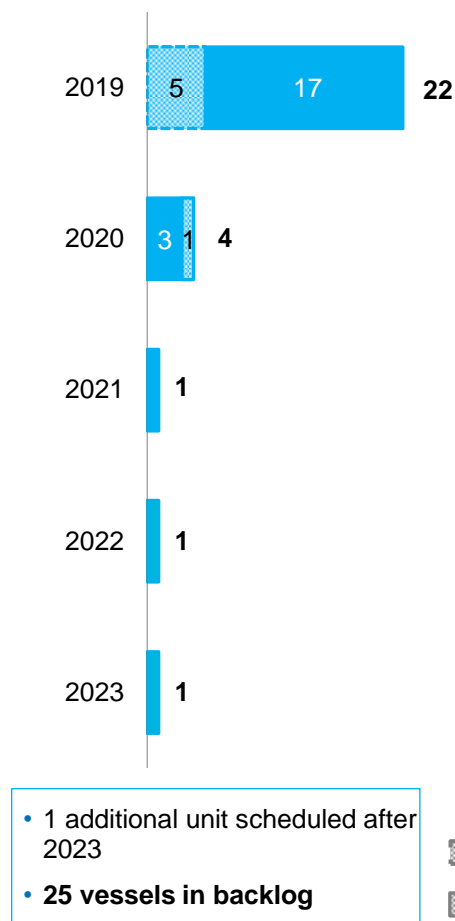
## Shipbuilding

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



## Offshore & Specialized Vessels

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



Delivered in Q1 2019  
 New orders in Q1 2019

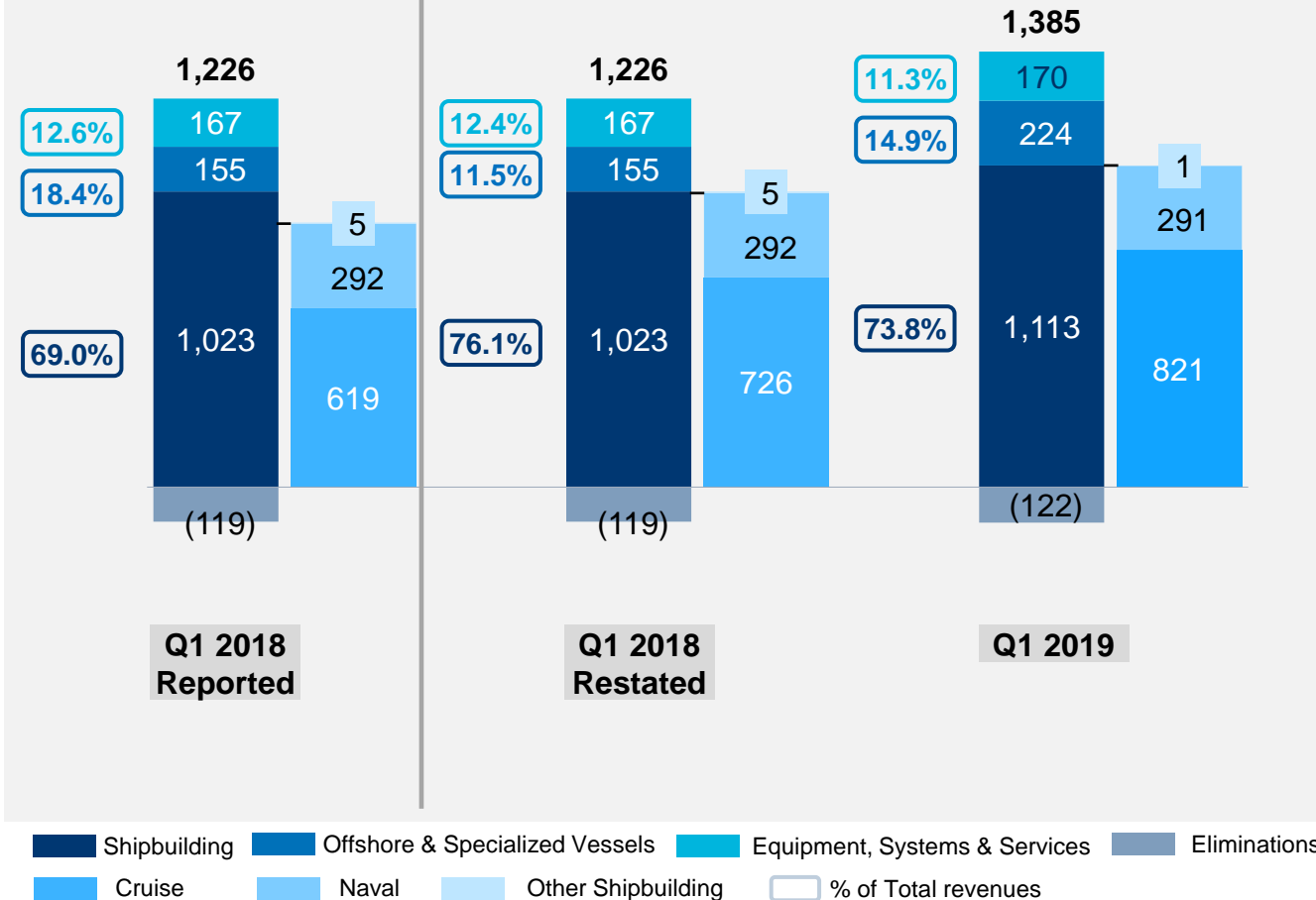
- **8 units delivered in Q1 2019 and 104 ships in backlog**
- Cruise: 50 vessels
  - Deliveries up to 2027
  - 13 units scheduled after 2023, of which 7 acquired in Q1 2019
- Naval: 29 vessels
  - Deliveries up to 2026
  - 5 units scheduled after 2023
- Offshore & Specialized Vessels<sup>(3)</sup>: 25 vessels
  - Deliveries up to 2024

<sup>(1)</sup> 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) scheduled for delivery in 2019 and in 2020 are included in Offshore & Specialized Vessels  
<sup>(2)</sup> Ships with length > 40 m; Articulated Tug Barge (ATB) is an articulated unit consisting of a barge and a tug, thus being counted as two vessels in one unit  
<sup>(3)</sup> Offshore & Specialized Vessels business generally has shorter production times and, as a consequence, shorter backlog and quicker order turnaround than Cruise and Naval

# Q1 2019 Revenues: +13% YoY

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

€ mln



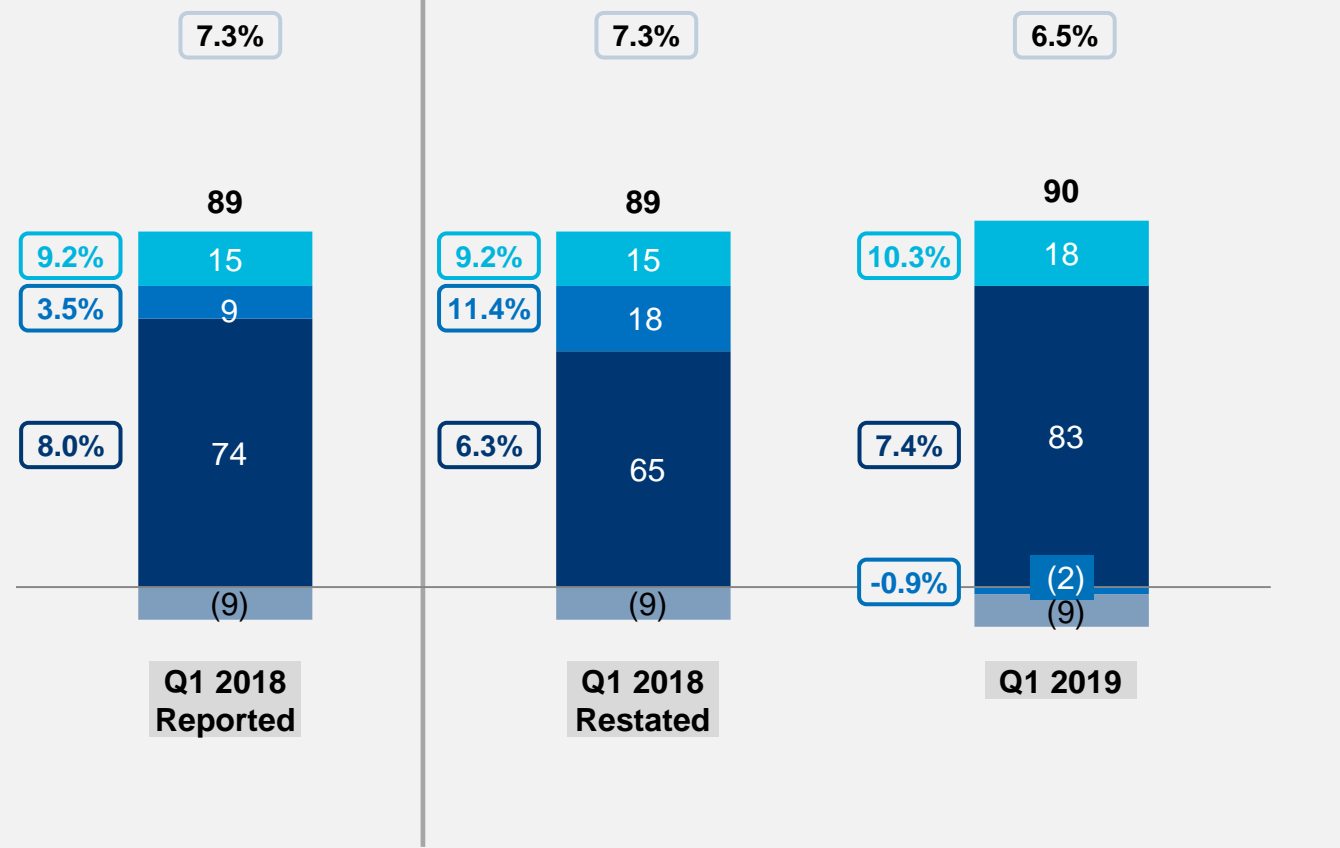
- Revenues up 13% vs Q1 2018 at € 1,385 mln
- Shipbuilding revenues up 8.8% vs Q1 2018
- Offshore & Specialized Vessels revenues up 44.5% vs Q1 2018
- Equipment, Systems & Services revenues up 1.8% vs Q1 2018

(1) Breakdown calculated on total revenues before eliminations

# Q1 2019 EBITDA

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

€ mln



- EBITDA at € 90 mln (€ 89 mln in Q1 2018), EBITDA margin at 6.5% (7.3% in Q1 2018)

- Trend substantially resulting from:
  - Positive performance of the Shipbuilding and the Equipment, Systems and Services segments
  - Negative profitability of the Offshore and Specialized Vessels segment

Shipbuilding Offshore & Specialized Vessels Equipment, Systems & Services Eliminations

Other activities<sup>(2)</sup>

% Revenues

Group EBITDA 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) expenses for corporate restructuring, (viii) accruals to provision and cost of legal services for asbestos claims, (ix) other non recurring items

(2) Other costs

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The sea ahead



## Section 3

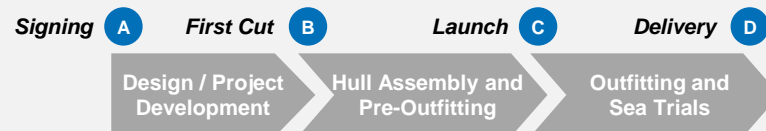
# Balance Sheet and Capital Structure



# Working capital dynamics

## Indicative payment terms

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

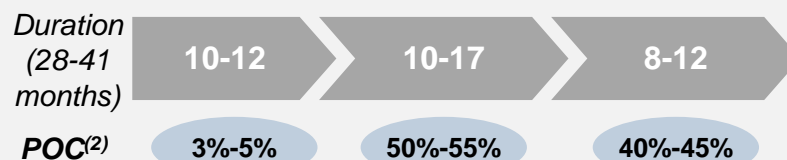


## Impact on net working capital

### Cruise



- 20% during construction
- 80% on delivery

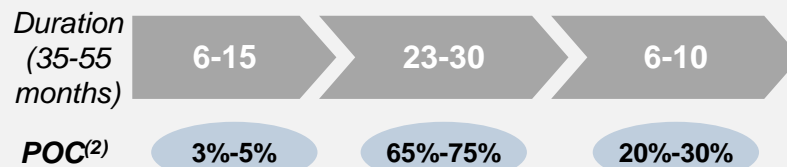


- Increases during construction
- Impact on net debt/construction loans

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



- According to % of completion

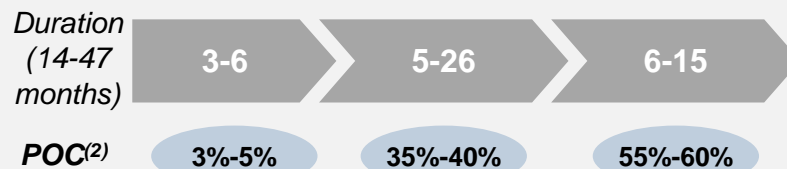


- Positive or neutral profile

### 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

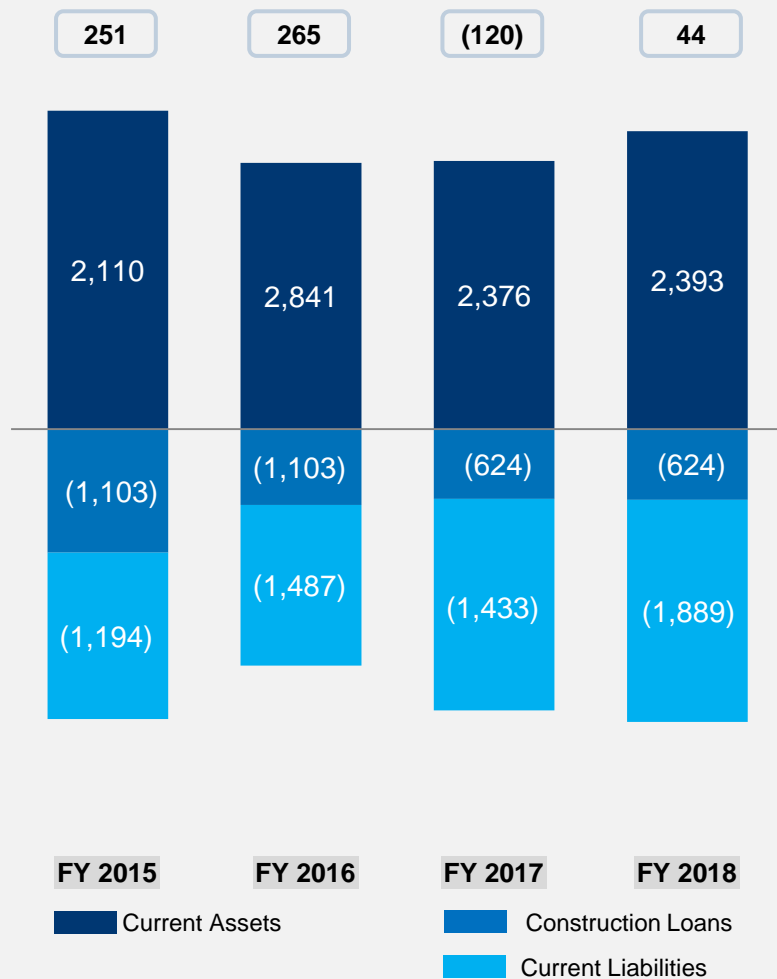
<sup>(2)</sup> Percentage of Completion

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

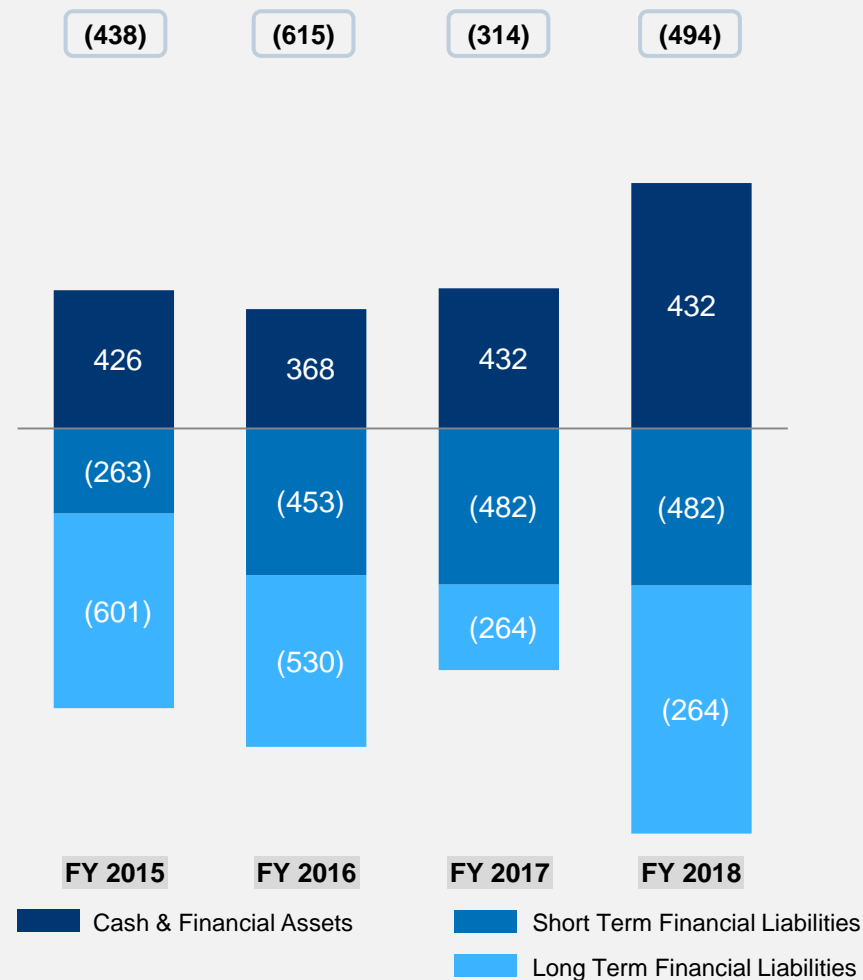
# Historical evolution of Net Working Capital and Net Financial Position

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

€ mln



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



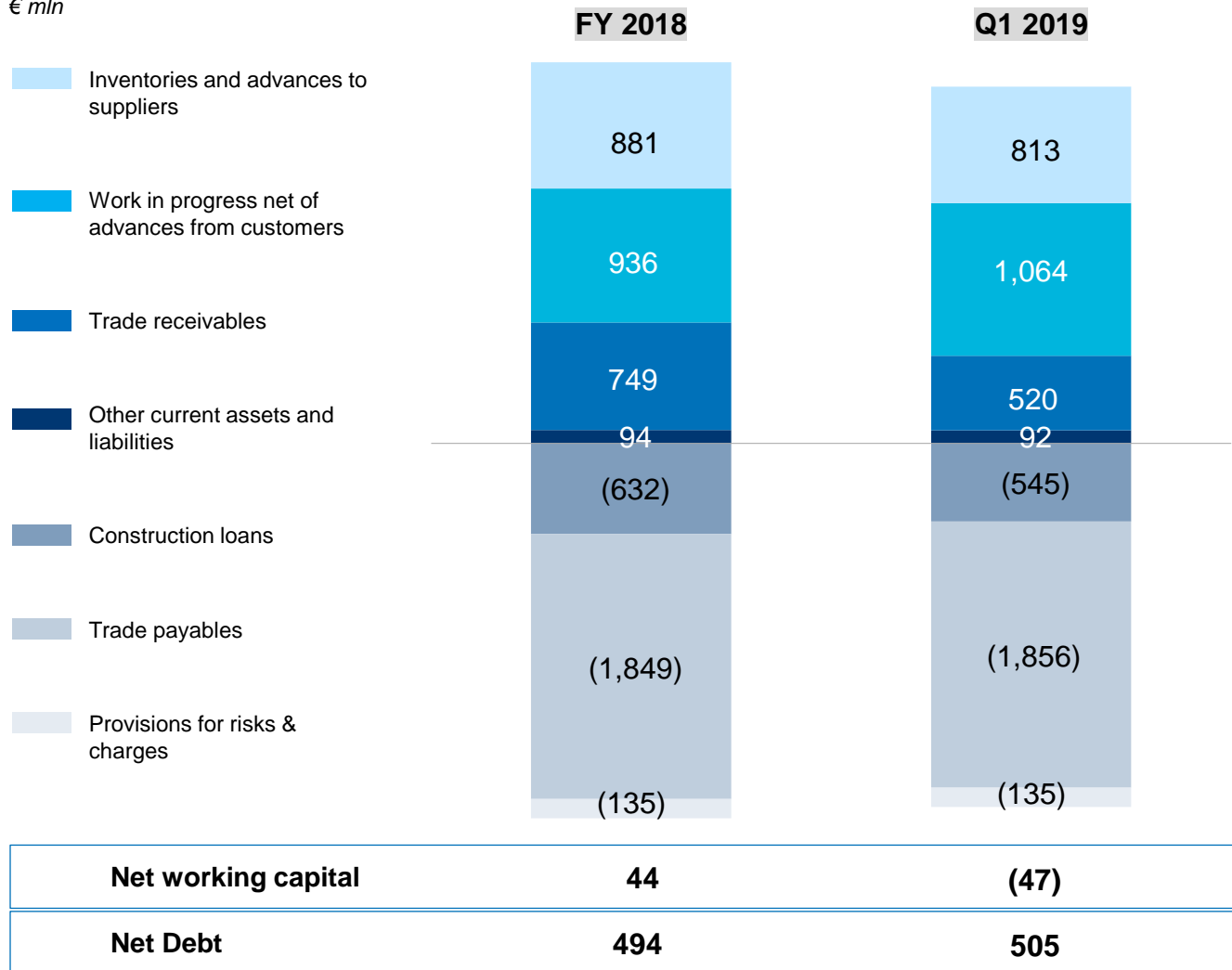
(1) Construction loans are committed working capital financing facilities, treated as part of Net working capital, not in Net financial position, as they are not general purpose loans and can be a source of financing only in connection with ship contracts

(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

# Q1 2019 Net working capital and Net debt<sup>(1)</sup>

## Breakdown by main components

€ mln



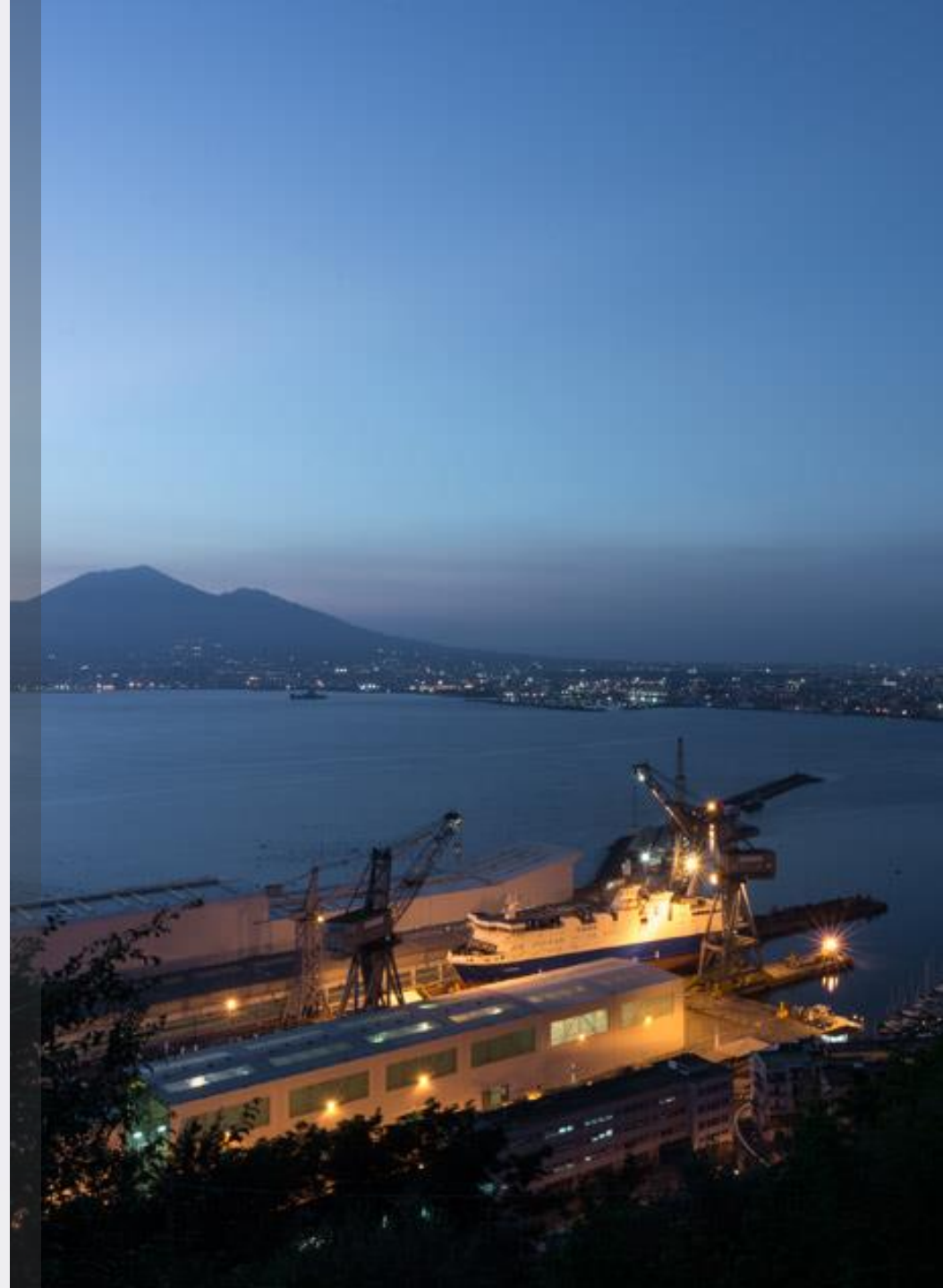
- Net working capital and Net debt dynamics mirror:
  - The increase in production volumes
  - The cash-in of the final payments for the cruise ships delivered in the quarter
  - The delivery of a vessel that was included in the inventory following the order cancellation
- Construction loans at € 545 mln (€ 395 mln Vard and € 150 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

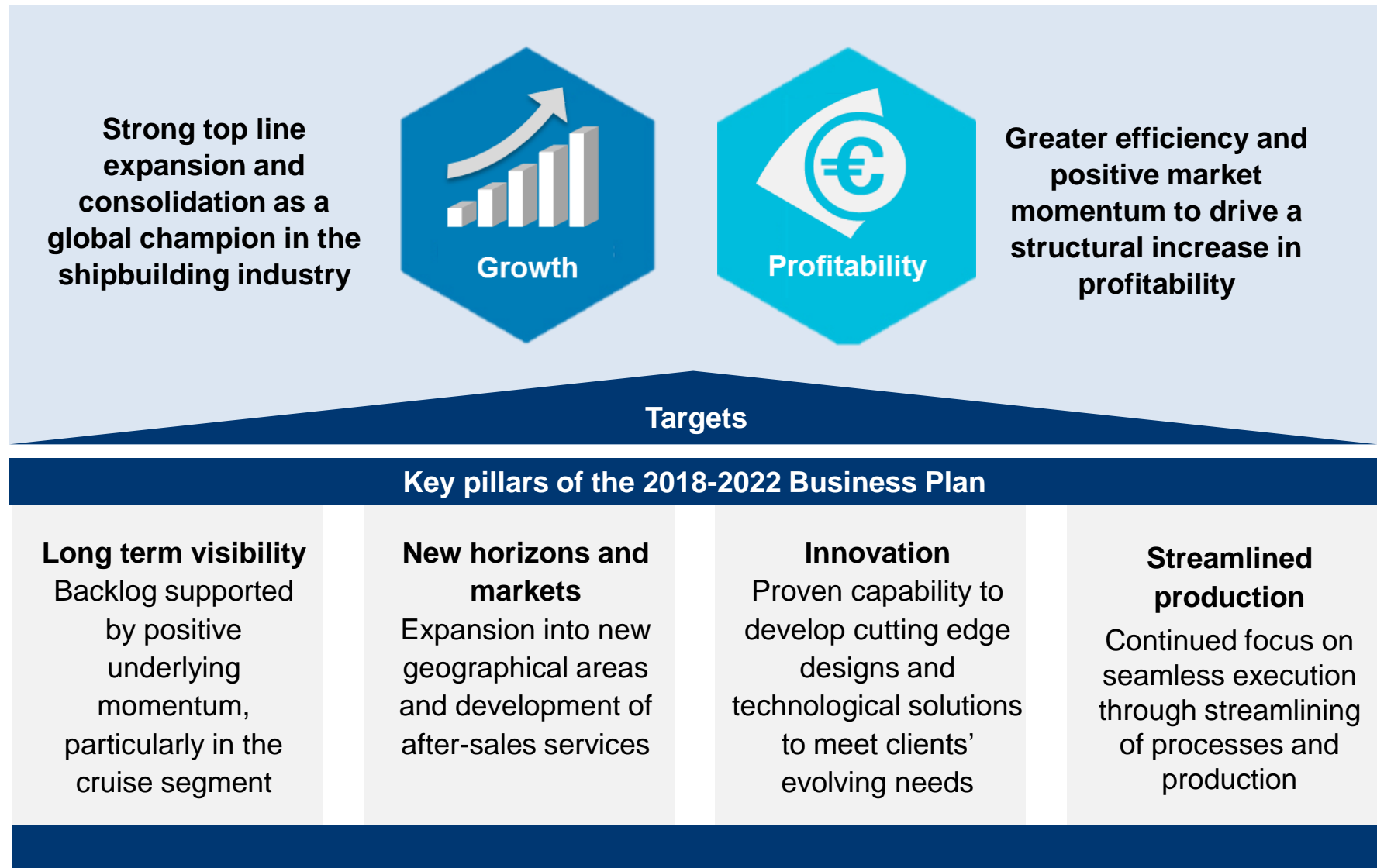


## Section 4

# Strategy & Outlook



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



- **2019 results expected to be in line with 2018 and consistent with 2018-2022 Business Plan guidelines**
  - Growth trend for revenues with an EBITDA margin confirmed to be in line with 2018
  - Expected increase in net debt due to working capital financing needs

## **Shipbuilding**

- Delivery of 8 additional units, of which 6 cruise ships and 2 naval units
- Full swing production of both the Italian Navy's fleet renewal program and the order for the Qatari Ministry of Defense, with delivery of the first unit due in 2021

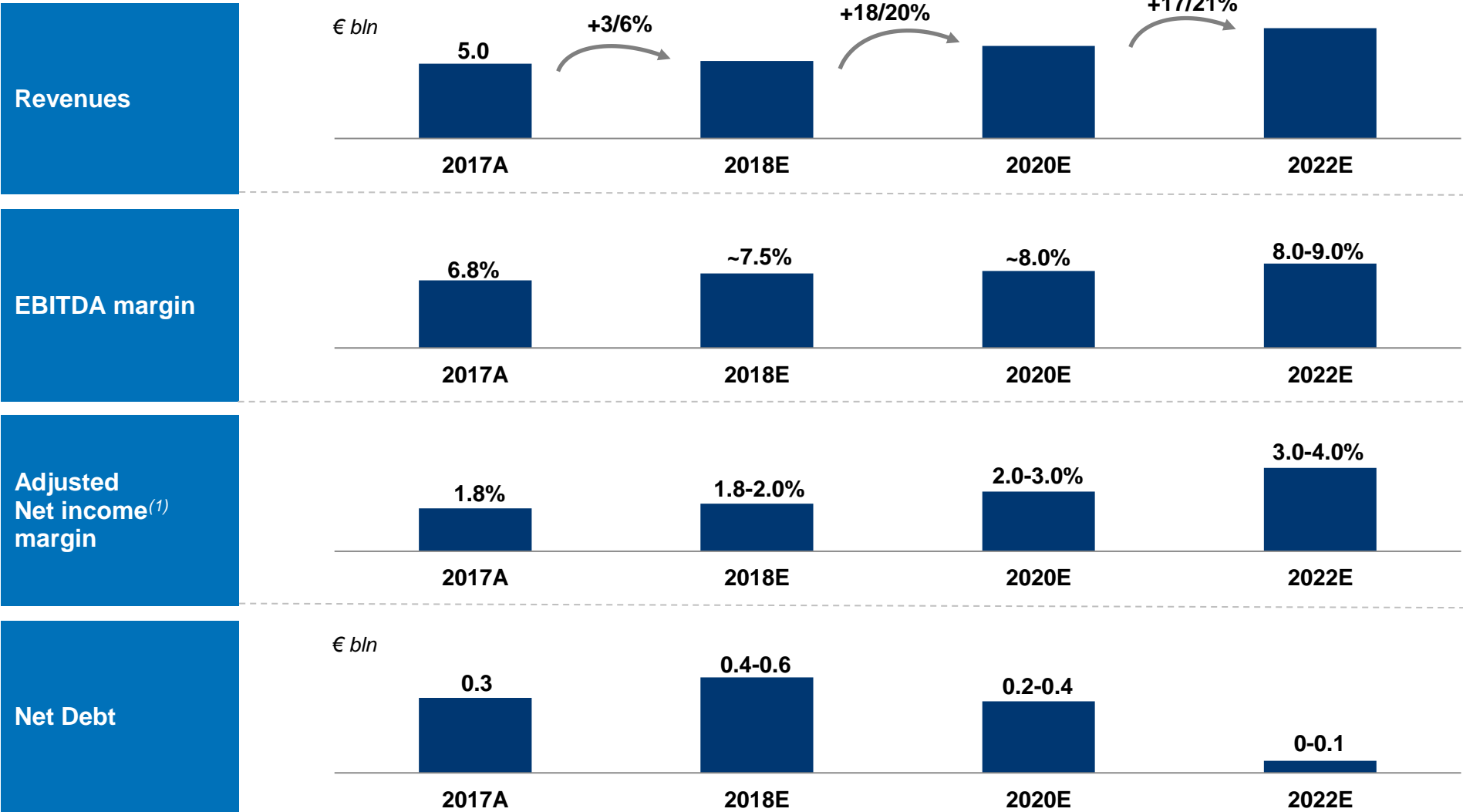
## **Offshore & Specialized Vessels**

- Continuing execution of VARD's diversified backlog and organizational and production adjustments aimed at margin recovery

## **Equipment, Systems & Services**

- Confirmation of the 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 the lengthening and infrastructure activities

# Short and medium term financial targets

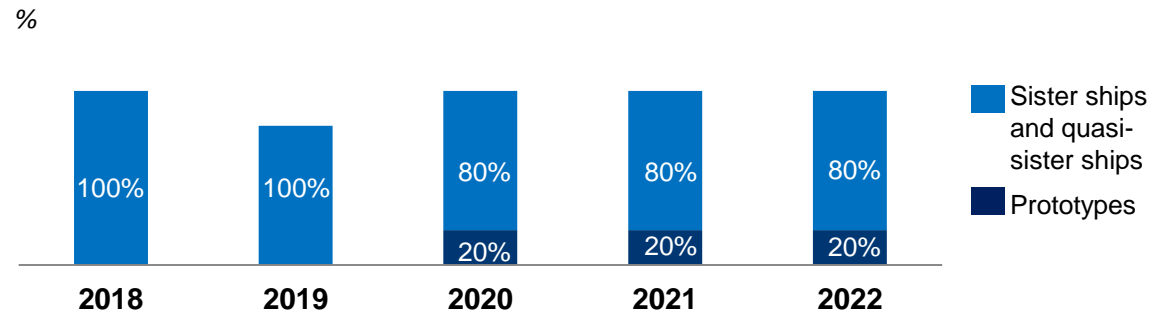


(1) Net income before extraordinary and non-recurring items  
Source: Fincantieri 2018 – 2022 Business Plan presentation published on March 28, 2018

# Shipbuilding: quantifying main drivers of growth and increasing profitability

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

Cruise ships by delivery year: prototypes, sister ships and quasi-sister ships

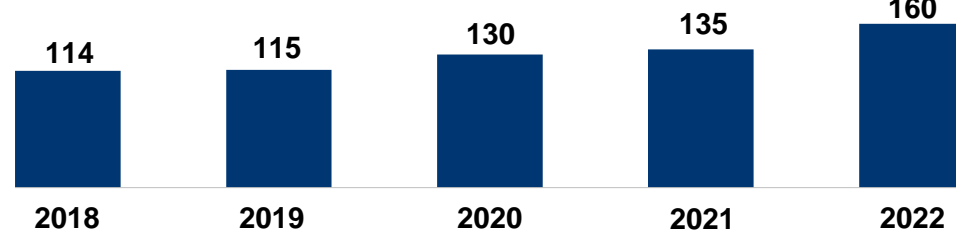


- Deliveries heavily skewed towards sister ships with lower execution risks and better margins

## Cruise: pricing trends

Cruise ships >90k TSL: revenues per lower berth by delivery year

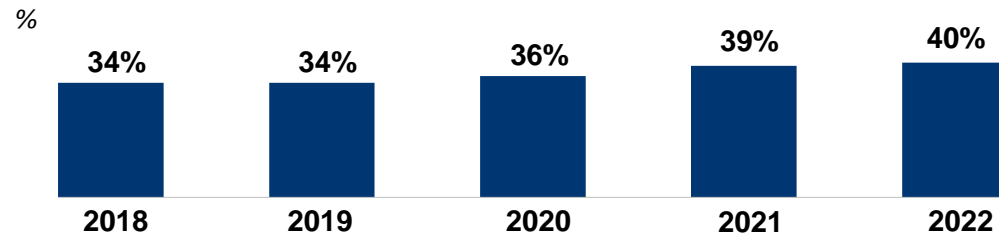
2016 = 100



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

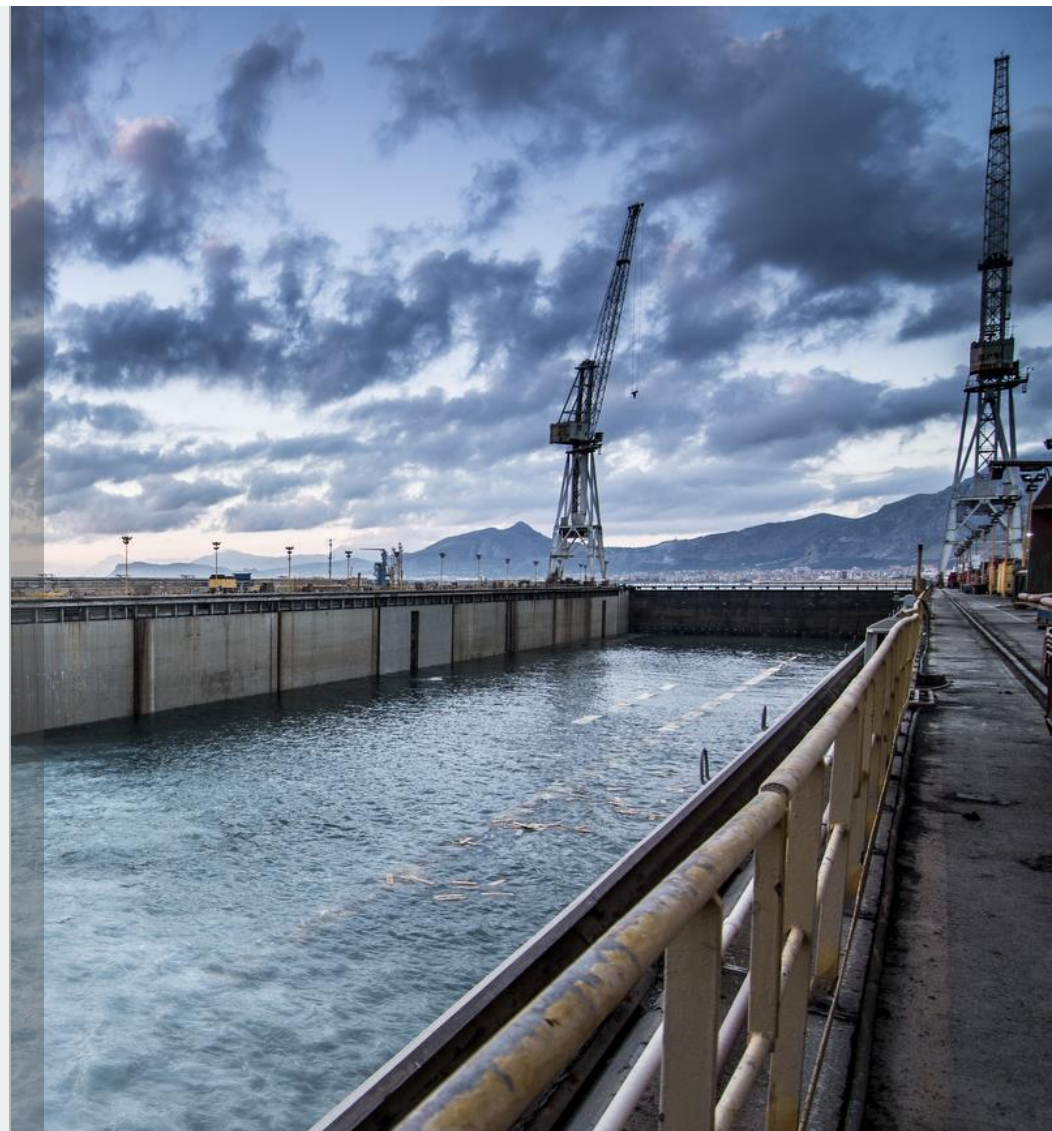
## Naval revenues/Shipbuilding revenues

Naval revenues/Shipbuilding revenues



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

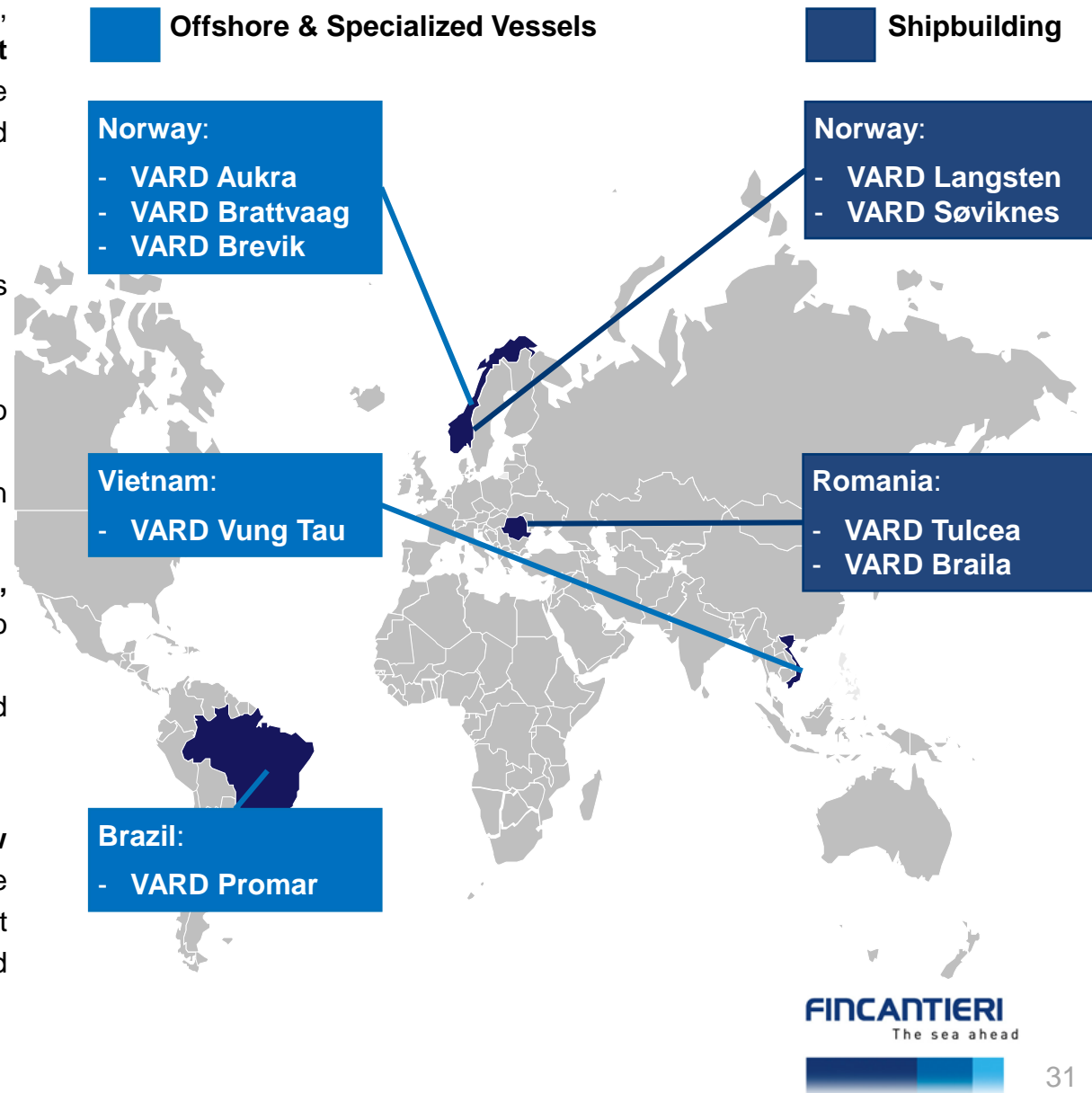
# Appendix





## New organizational structure and segment review

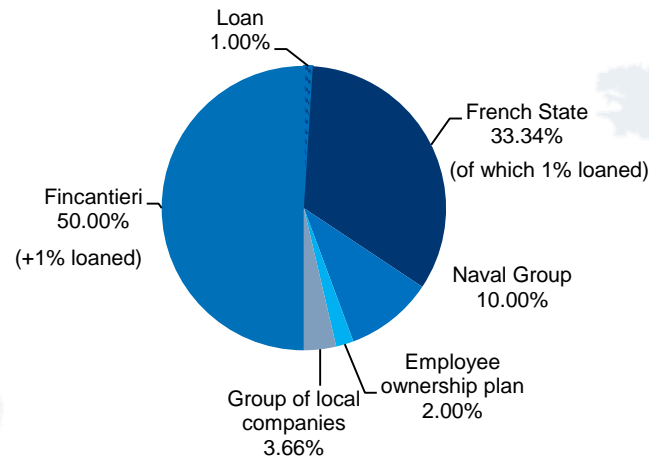
- Following the delisting of VARD, in December 2018, the **full organizational integration with the Parent Company was launched**, both for expedition cruise shipbuilding projects and the related shipyards, and for offshore and special vessels projects
- VARD's activities are now split between:
  - Cruise 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)



- 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)

## Q1 2019 main orders

Segment	Vessel	Client	Number 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	<i>Coral Expeditions</i>	1	2020

## Q1 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
Offshore & Specialized Vessels	OSCV (3 vessels)	2 for <i>Topaz Energy and Marine</i> 1 for <i>Dofcon Navegação</i>	Vard Brattvaag Vard Promar

# 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>	<i>15,721</i>	<i>18,231</i>	<i>22,053</i>	<i>25,524</i>
<i>Of which soft backlog</i>	<i>3,000</i>	<i>5,800</i>	<i>4,100</i>	<i>8,300</i>
<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>	<i>-0.6%</i>	<i>6.0%</i>	<i>6.8%</i>	<i>7.6%</i>
<b>EBIT</b>	<b>(137)</b>	<b>157</b>	<b>221</b>	<b>277</b>
<i>As a % of revenues</i>	<i>-3.3%</i>	<i>3.5%</i>	<i>4.4%</i>	<i>5.1%</i>
<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>	<i>(141)</i>	<i>66</i>	<i>95</i>	<i>111</i>
<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>	<i>(175)</i>	<i>25</i>	<i>57</i>	<i>72</i>
<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>	<i>(1,103)</i>	<i>(678)</i>	<i>(624)</i>	<i>(632)</i>
<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>

<sup>(1)</sup> 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)

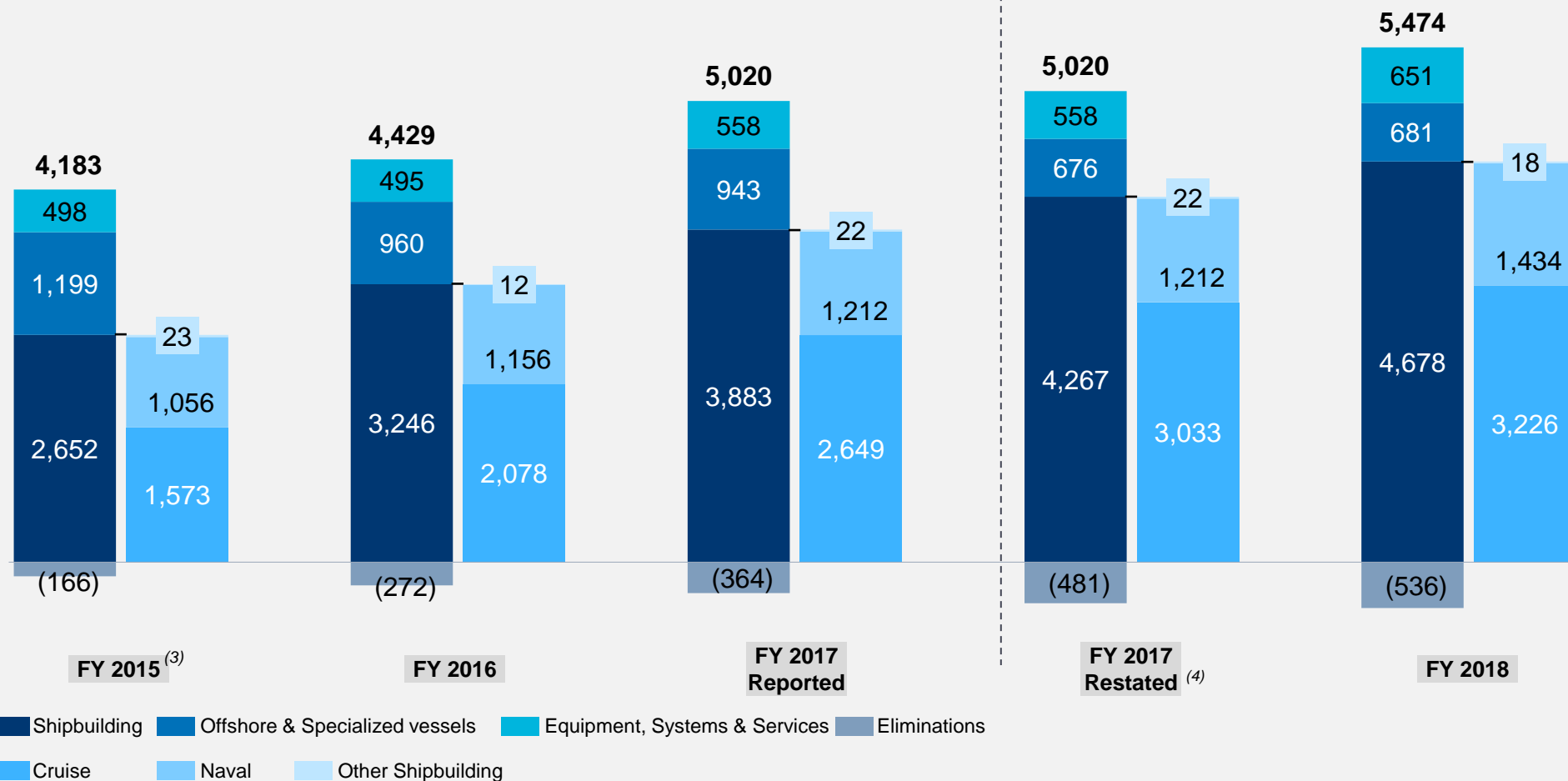
<sup>(2)</sup> Excluding extraordinary and Non Recurring Items net of tax effect

<sup>(3)</sup> 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



(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

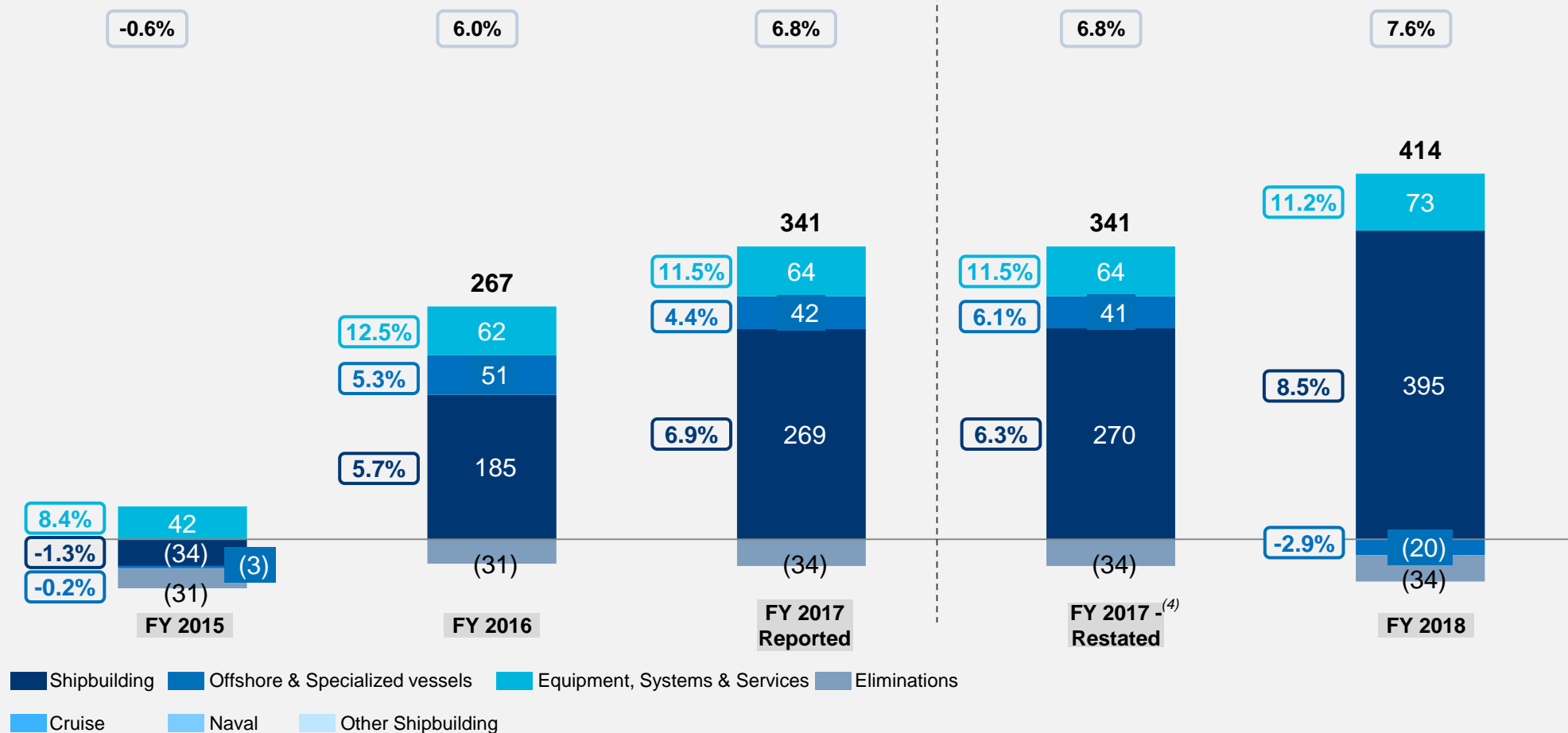
(3) For comparison purposes, 2015 figures are restated following the redefinition of operating segments. Following the operational reorganization carried out in November 2016, the repair & conversion services, cabins & public areas business, as well as integrated systems business, all previously included 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



(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

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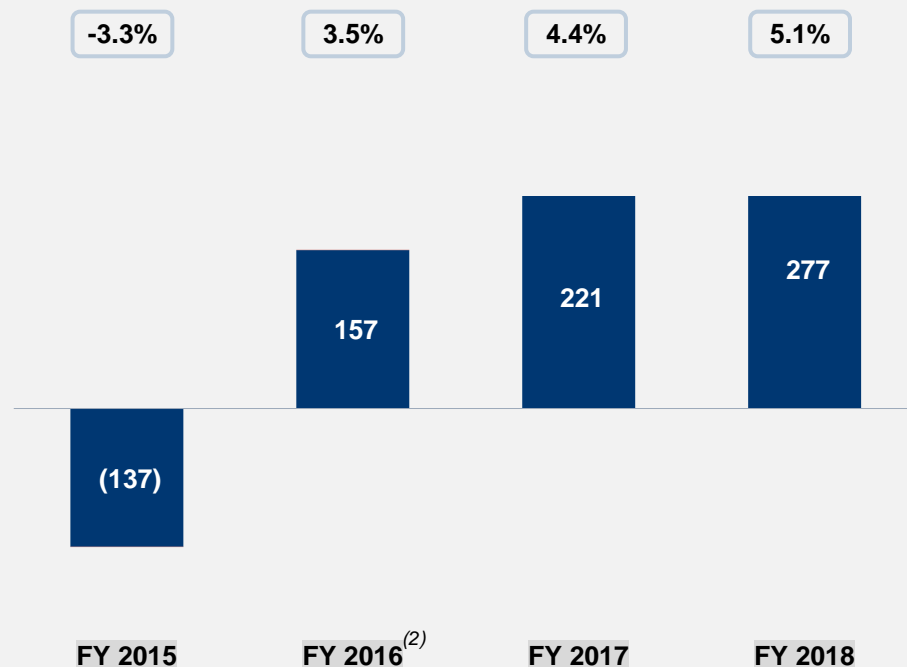
(4) Comparative numbers of 2017 are shown restated following the integration of the business unit Cruise of VARD within the Shipbuilding segment (November 2018)



# Financial performance: EBIT and Net result

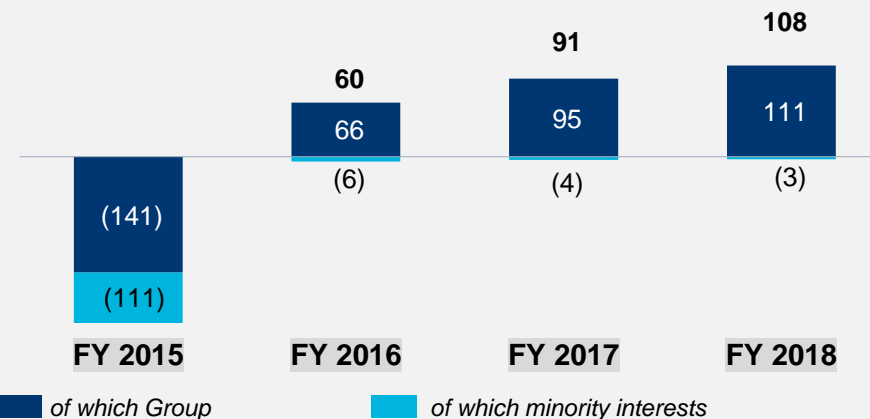
## EBIT / margin

€ mln



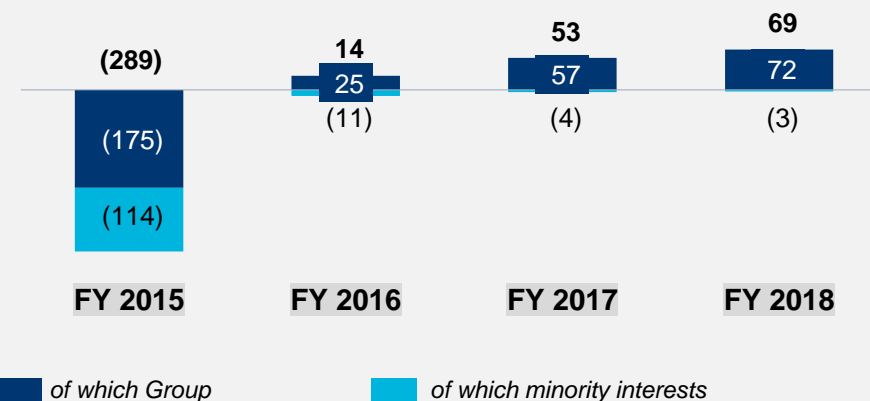
## Net result before extraordinary and non recurring items<sup>(1)</sup>

€ mln



## Net result

€ mln

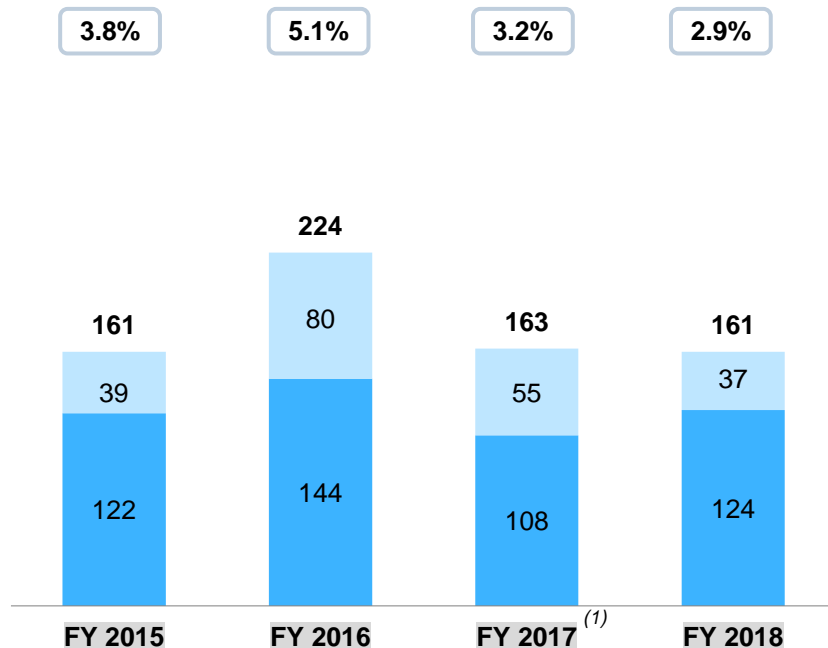


(1) Extraordinary and non recurring costs net of tax effect amounted to € 37 mln in 2015, € 46 mln in FY 2016, € 38 mln in 2017, and € 39 mln in 2018

# Capex: FY 2018

## Capex evolution

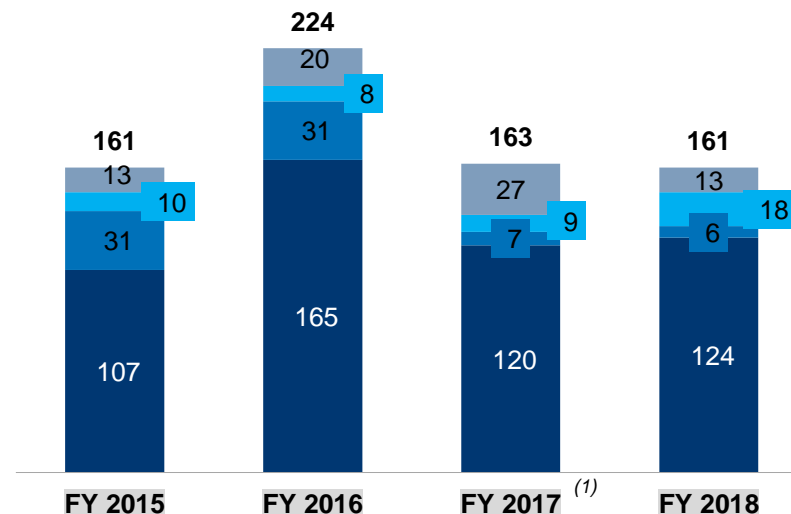
€ mln



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)