



# EXANE BNP PARIBAS Roadshow 2020

04 June 2020

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# 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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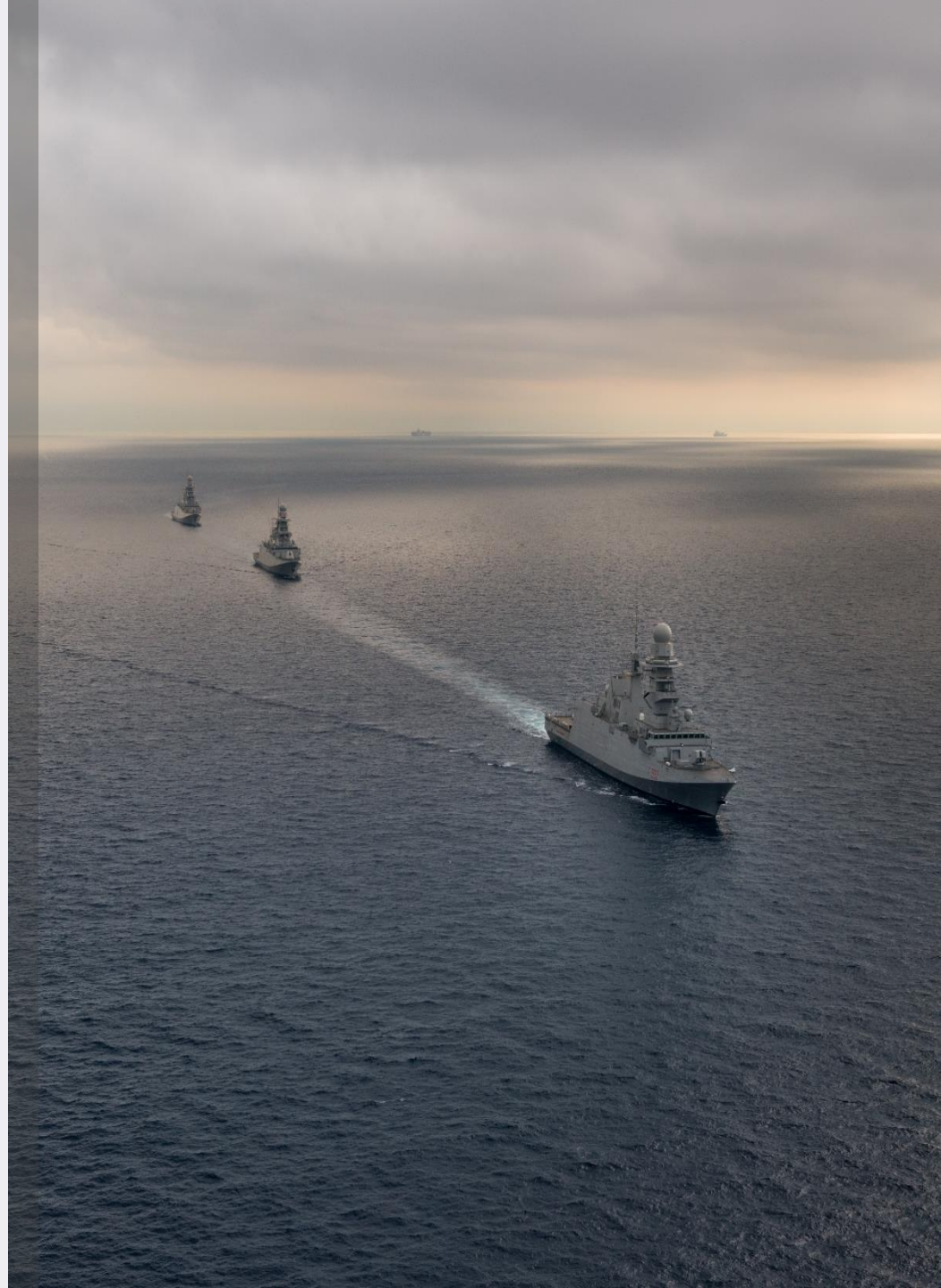
**Appendix**

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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

€ 5.8 bn  
FY19 revenues

€ 31.8 bn  
Total backlog<sup>(2,3)</sup>



### Our global reach

20  
shipyards

4  
continents

~ 19,800  
employees

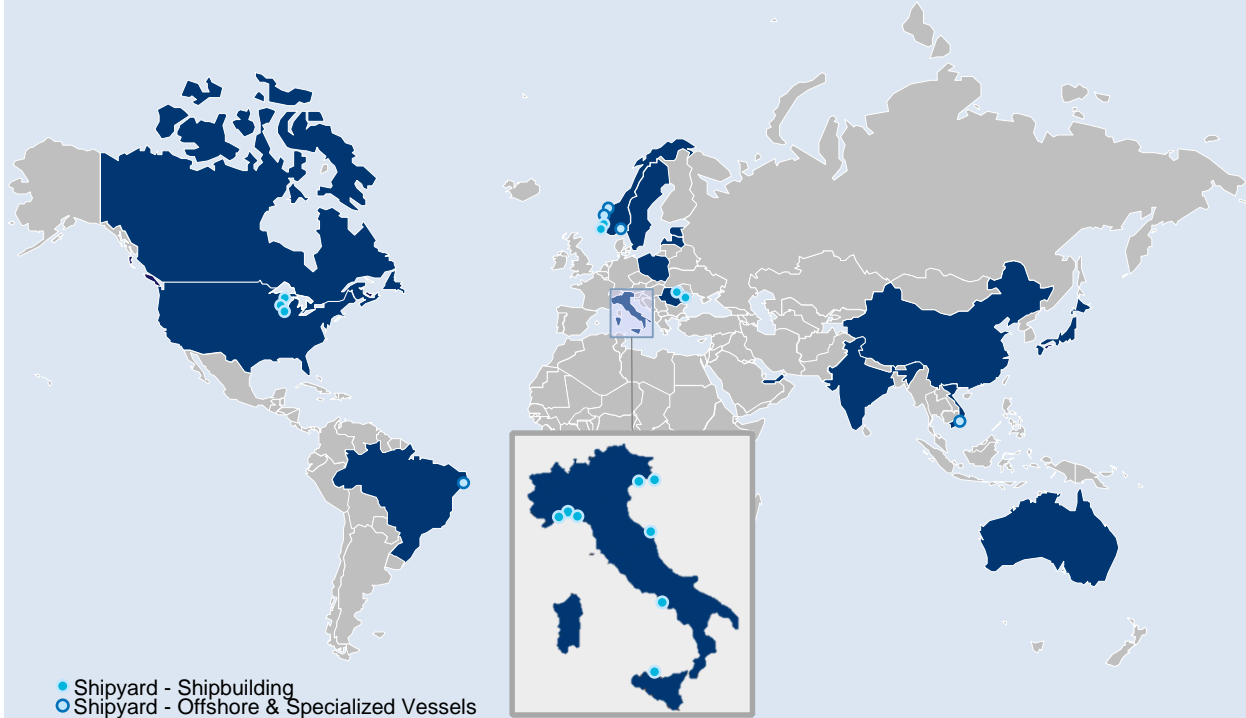
> 80,000  
subcontractors

### Our impact

4.5x  
Economic multiplier<sup>(4)</sup>

5.9x  
Employment multiplier<sup>(5)</sup>

47% of our employees are based in Italy and 82% of revenues come from international clients<sup>(1)</sup>



## We are the #1 Western designer & shipbuilder<sup>(6)</sup> with 230 years of history and over 7,000 ships built

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

<sup>(2)</sup> At March 31, 2020;

<sup>(3)</sup> 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

<sup>(4)</sup> Value generated for each euro invested in shipbuilding according to the CENSIS "5th Report on the Economy of the Sea" (2015)

<sup>(5)</sup> Fincantieri valuation according to Censis methodology based on Italian operations

<sup>(6)</sup> 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 2019 <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> <div>(4)</div> <div>CARNIVAL CORPORATION &amp; PLC</div> <div>VIKING OCEAN CRUISES</div> <div>SILVERSEA</div> <div>TUI Cruises</div> </div> <div> <div>(5)</div> <div>NORWEGIAN CRUISE LINE HOLDINGS LTD.</div> <div>VOYAGES</div> <div>MSC CRUISES</div> <div>PONANT</div> </div>	<p>€3,574 mln</p> <p>55.6%</p>	
	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> <div>Italian Navy and Coast Guard</div> <div>Qatar Emiri Naval Forces</div> <div>Algerian Navy</div> </div> <div> <div>US Navy</div> <div>United Arab Emirates Navy</div> <div>Indian Navy</div> </div>	<p>€1,503 mln</p> <p>23.4%</p>	€ 25,857 mln (78 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>		<p>€11 mln</p> <p>0.2%</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>	<div> <div>DCF</div> <div>SOLSTAD OFFSHORE ASA</div> <div>Prysmian Group</div> <div>TOPAZ</div> <div>Technip</div> </div> <div> <div>ISLAND OFFSHORE</div> <div>BOREAL TRANSPORT</div> <div>TRANSPECTRO</div> <div>FRASAT</div> </div>	<p>€440 mln</p> <p>6.8%</p>	€ 813 mln (14 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> <div>Italian Navy and Coast Guard</div> <div>United Arab Emirates Navy</div> <div>US Navy</div> <div>Qatar Emiri Naval Forces</div> </div> <div> <div>GRIMALDI LINES</div> <div>MSC CRUISES</div> <div>WINDSTAR CRUISES</div> <div>Carnival</div> <div>ROYAL CARIBBEAN</div> </div>	<p>€899 mln</p> <p>14.0%</p>	€ 2,008 mln

(1) Before eliminations and consolidation adjustments

(2) At March 31, 2020

(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

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# Markets and positioning

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

	End markets	Market Trend	Main Drivers	Track record
Shipbuilding	<b>Cruise</b> 	<ul style="list-style-type: none"> <li>• <b>Record order levels in 2019</b></li> <li>• Significant impact of <b>COVID-19</b>, affecting Cruise operators' liquidity and operations</li> </ul>	<ul style="list-style-type: none"> <li>• To be reviewed once the effects of COVID-19 will be quantifiable</li> </ul>	<ul style="list-style-type: none"> <li>• <b>World leader</b> in the design and construction of vessels for all segments of the cruise industry</li> <li>• <b>95 ships delivered</b> from 1990 to 2019 (4 delivered in Q1 2020)</li> </ul>
	<b>Naval</b> 	<ul style="list-style-type: none"> <li>• <b>Stable high margin business</b> in the low double-digit range</li> <li>• <b>Focus on accessible markets</b></li> <li>• <b>Large programs under development</b> (Italian Navy fleet renewal program, LCS program, Qatari Navy program, FREMM program)</li> </ul>	<ul style="list-style-type: none"> <li>• Defence budgets for accessible markets</li> <li>• Global geopolitical situation</li> <li>• Naval fleet renewals</li> </ul>	<ul style="list-style-type: none"> <li>• <b>128<sup>(1)</sup></b> ships delivered from 1990 to 2019</li> <li>• 1 vessel delivered in Q1 2020</li> </ul>
Offshore & Specialized Vessels		<ul style="list-style-type: none"> <li>• <b>O&amp;G sector crisis and postponements of E&amp;P projects</b> caused a slowdown in related equipment industry (PSV, AHTS)</li> <li>• <b>Segment diversification strategy</b> (Fishery, Aquaculture, OPV, Special vessels, Renewable energies)</li> </ul>	<ul style="list-style-type: none"> <li>• Oil price and E&amp;P investments</li> <li>• Demand of special purpose vessels for marine infrastructure and exploitation of marine resources</li> <li>• New business opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• <b>414<sup>(2)</sup></b> ships delivered from 1990 to 2019</li> <li>• 3 vessels delivered in Q1 2020</li> </ul>
Equipment Systems & Services		<ul style="list-style-type: none"> <li>• <b>High potential and high margin business</b></li> <li>• Result of the <b>insourcing of strategic activities</b></li> <li>• <b>A minor, but growing, share</b> of the total company's turnover</li> </ul>	<ul style="list-style-type: none"> <li>• Shipbuilding programs ongoing</li> <li>• Fleet ageing and development of new technologies</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Strong revenue growth to € 899 mln in 2019</b> (2016-2018 CAGR: +20.40%)</li> </ul>

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

(2) 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





# Key competitive strengths

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

### 1 Consolidated leadership in diversified markets and sizeable backlog



- Leader in cruise market and in naval segment
- Cruise visibility influenced by Covid-19 impacts
- Sizable order book and total backlog<sup>(1)</sup> amounting to approximatively 5.5 years of work if compared to 2019 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



### 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 > € 500 mln for the period 2015-2019

### 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 almost 20,000 employees located in both emerging and Western countries

(1) At March 31, 2020

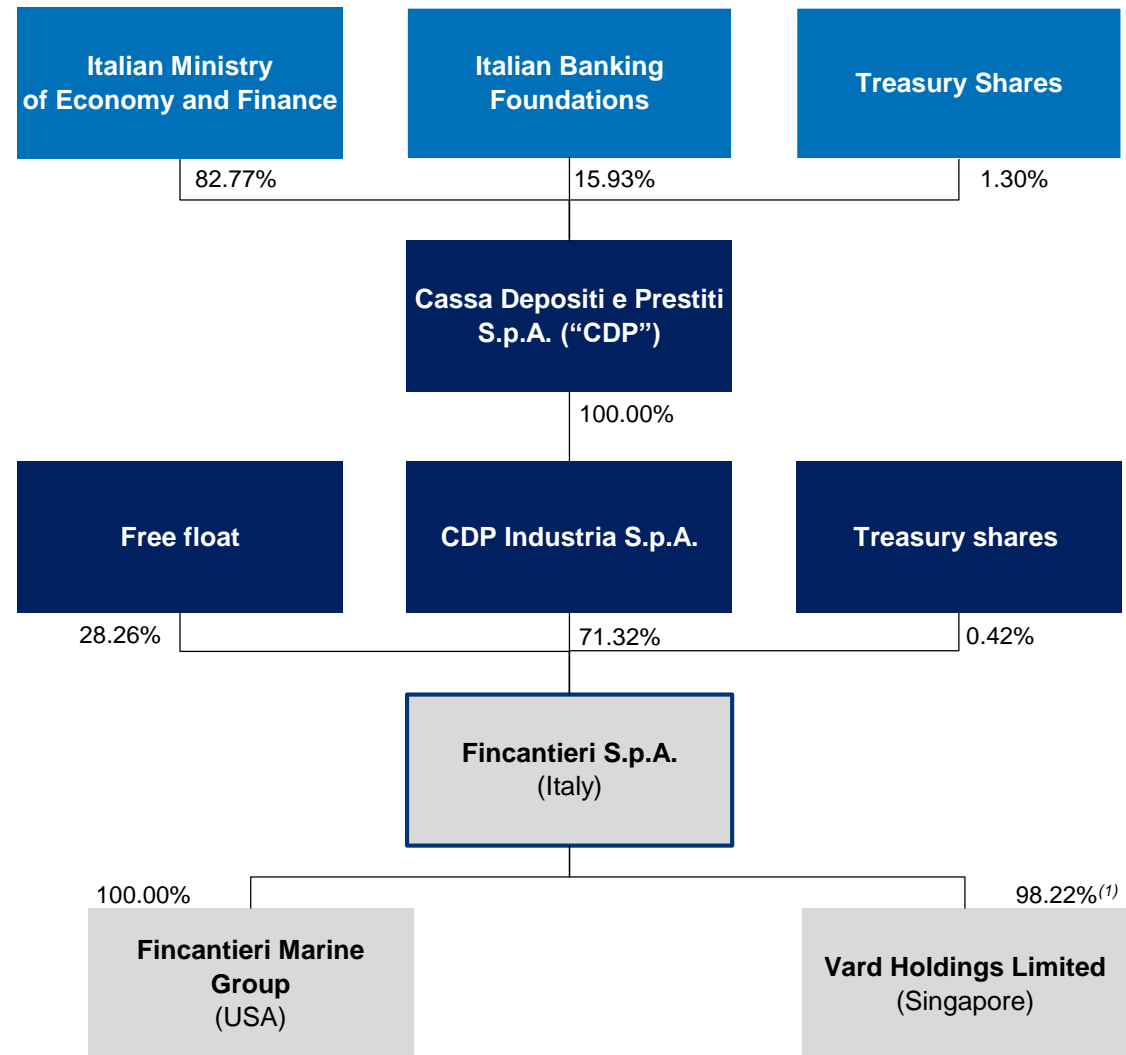
# Ownership and Group structure

## 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 **CDP Industria 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

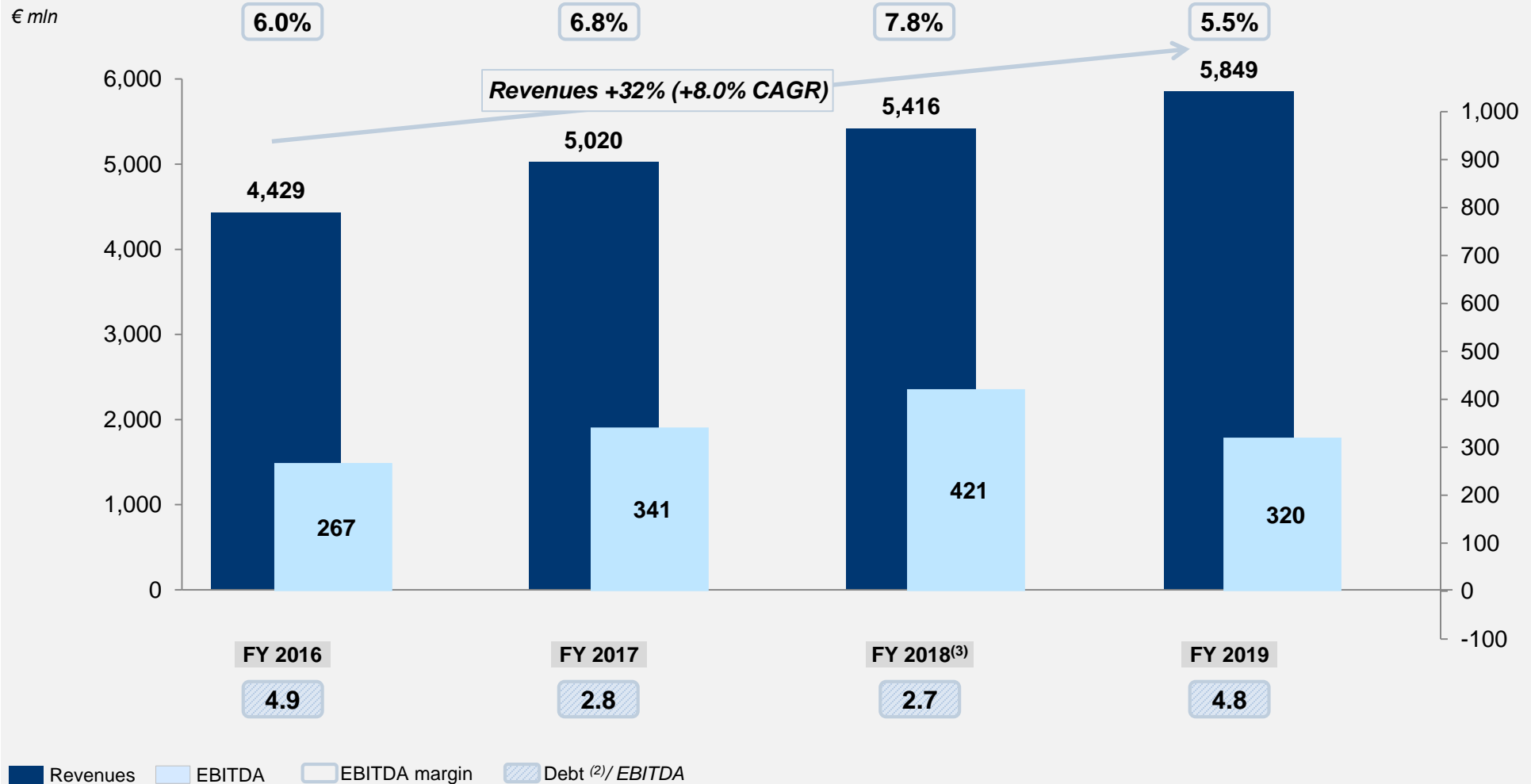


(1) Ownership as of December 2019

# Key financials

## Revenues and operating performance

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



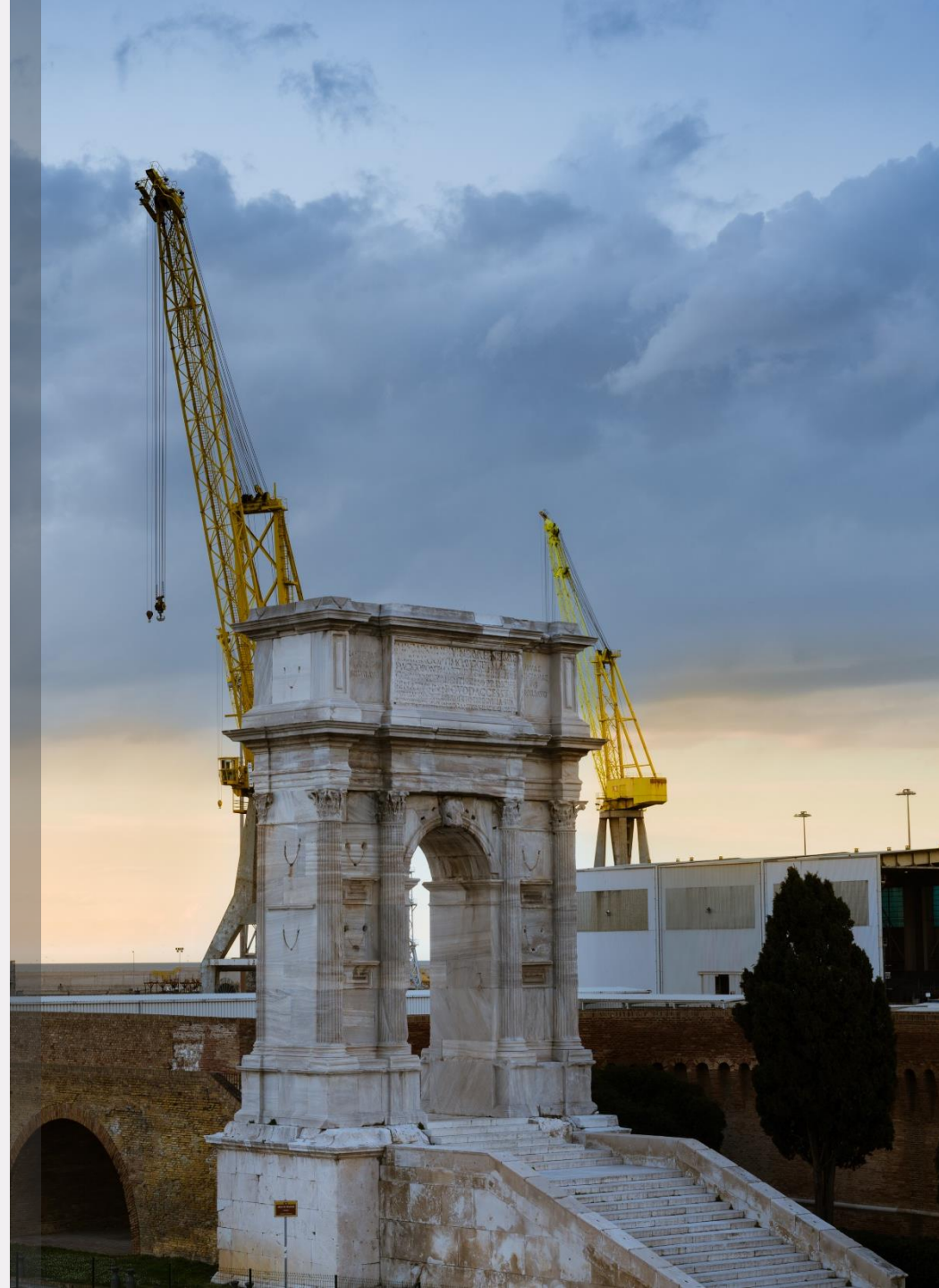
(1) EBITDA is a Non-GAAP Financial Measure. The Company defines EBITDA as profit/(loss) for the period before (i) income taxes, (ii) share of profit/(loss) from equity investments, (iii) income/expense from investments, (iv) finance costs, (v) finance income, (vi) depreciation and amortization, (vii) 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

(3) For comparative purposes, 2018 figures have been restated following the disposal of Vard Aukra in 2019

## Section 2

## Financial overview



### Protecting the safety of our people and ensuring backlog resiliency

*“I wish to recall that Fincantieri is a spearhead of the Italian manufacturing sector and as such it proudly embraces the commitment to developing the territories in which it is deeply rooted”*

*(Giuseppe Bono, Chief Executive Officer)*

#### Operations

- **Production halted since March 16<sup>th</sup>** to prevent further spreading of the COVID-19 virus
- **Operations gradually resumed since April 20<sup>th</sup> in all Italian shipyards:** safety measures promptly implemented to protect our people, including cutting-edge technology for contactless thermal scanning developed and implemented by a Group company

#### Production volumes

- **Production volumes reduced by 20%** compared to potential output, as a consequence of the **suspension of operations** in all Italian shipyards and production plants
- Production activities in VARD shipyards not suspended

#### Backlog

- **Ensuring backlog resiliency:** (i) avoid cancellation of orders and (ii) negotiation of new delivery schedules with ship owners currently ongoing
- **New delivery schedules also subject to recovery plan at full capacity of production activities**

#### Strategic relationships

- **Safeguarding Group's strategic relationships with its subcontractor network:**
  - Almost 6,000 small & mid-sized companies only in Italy
- **New delivery schedules also subject to subcontractors' effective availabilities**



# Q1 2020 Key Messages

## Continuous strength despite «rough waters»

### Business update

- **“FFG(X)” programme awarded to FMM:** contract for the concept design and construction of the first-in-class guided missile frigate for the US Navy plus options for 9 units worth ~ \$ 5.5 bln
- **Completed the steel span of the Genoa bridge in record time:** 1 year from the steel cutting ceremony - March 11, 2019
- **VARD to design and build one Service Operation Vessel (SOV)** for wind-farm maintenance operations within the renewable energy sector
- Obtained the **B-rating within the CDP Climate Change Programme<sup>(5)</sup>** and a **score of 65/100 – first in the Mechanical Components & Equipment sector among global peers - within the Vigeo Eiris ranking for sustainability.**

### Operations

- **Total backlog at € 31.9 bln – about 5.5x 2019 revenues :**
  - **backlog with 92 units at € 27.7 bln** (€ 30.7 bln in Q1 2019),
  - **soft backlog at € 4.2 bln** (€ 3.6 bln in Q1 2019), and order intake at € 0.3 bln
- **8 units<sup>(4)</sup> delivered** including 2 cruise ships (“Seven Seas Splendor” for Regent and “Scarlet Lady” for Virgin), one expedition cruise vessel (“Le Bellot” for Ponant), and one military vessel (LCS 19 for the US Navy)

### Financials

- **Revenues at € 1,307 mln** (€ 1,368 mln in Q1 2019) with estimated loss of ~ € 190 mln
- **Group EBITDA at € 72 mln** (€ 92 mln in Q1 2019) and **EBITDA margin at 5.5%** (6.7% in Q1 2019): estimated loss of ~15 mln due to lack of progress in Shipbuilding orders
- **Covid-19 extraordinary costs at € 23 mln** due to reduced operating leverage and PPE-related costs
- **Net debt<sup>(3)</sup> at € 444 mln** (€ 736 mln in FY 2019)

(1) Sum of backlog and soft backlog

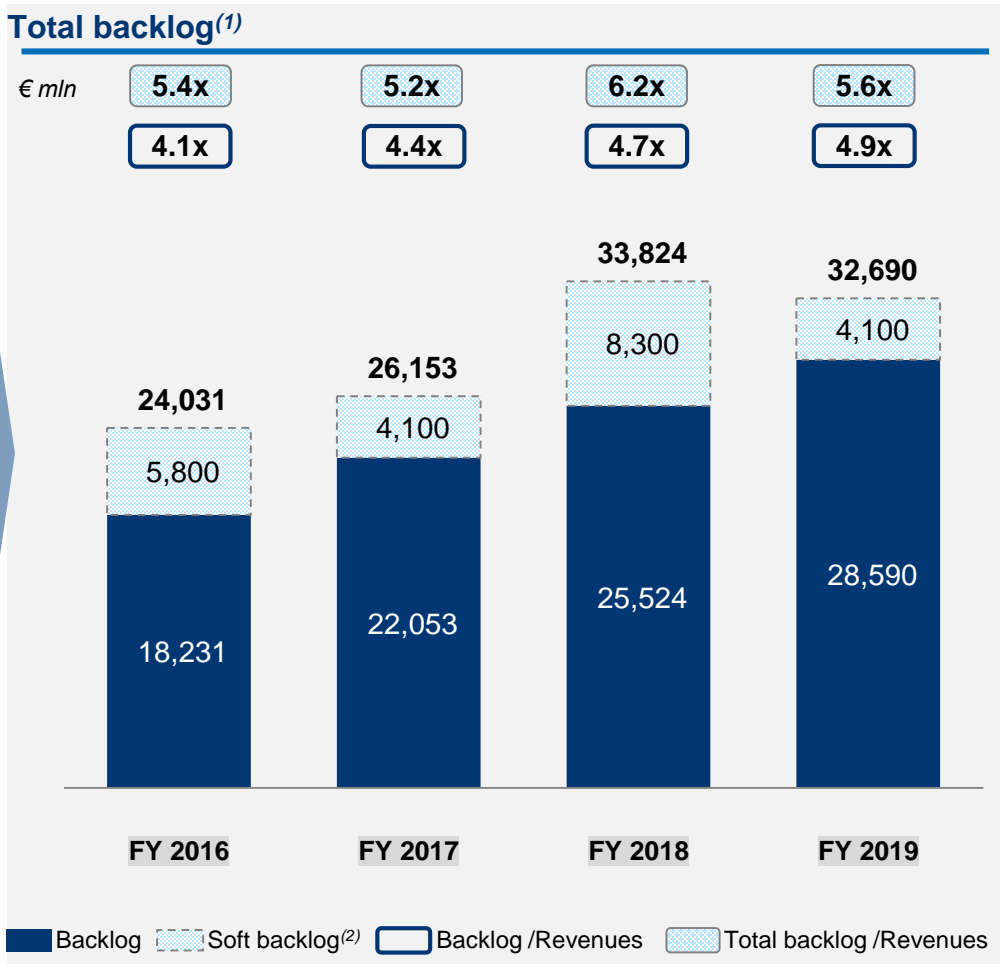
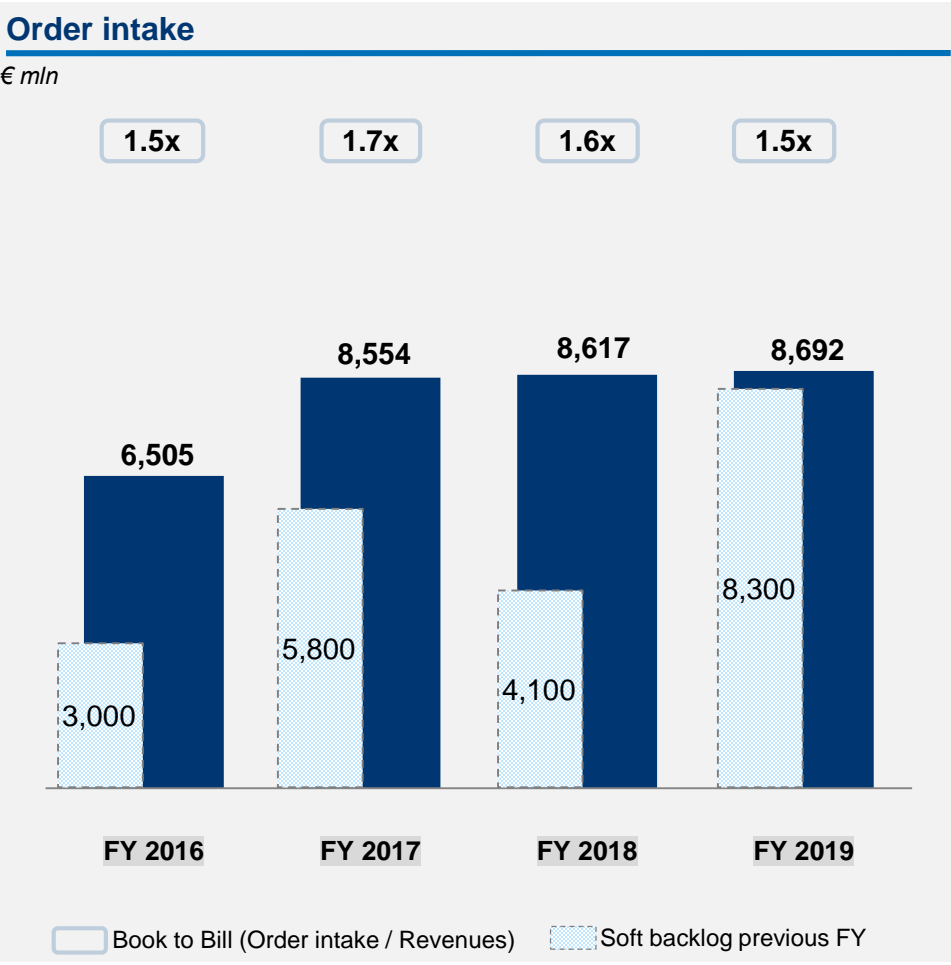
(2) Soft backlog which represents the value of existing contract options and letters of intent as well as contracts in advanced negotiation, none of which yet reflected in the order backlog

(3) Excluding Construction loans

(4) 1 ultra-luxury cruise ship for Regent; 1 cruise ship for Virgin Voyages; 1 expedition cruise vessel for Ponant; 1 military vessel for the US Navy; 1 fishery for Finnmark Havsfiske; 1 fishery for Nergard Havfiske, 1 ferry for Boreal Sjø

(5) Carbon Disclosure Project is a British organization whose goal is to improve the management of environmental risks. In 2019 fincantieri obtained the B rating on a scale ranging from D (minimum) to A (maximum)

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



- 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

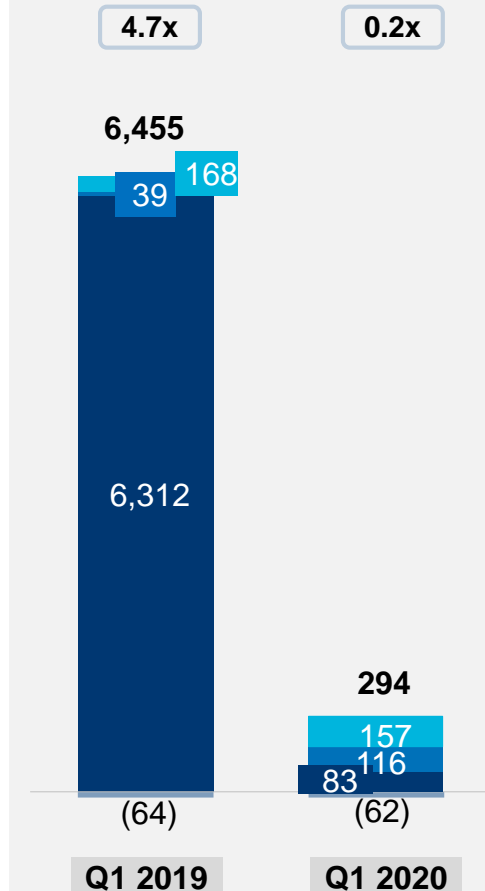


# Order intake and backlog

## Breakdown by segment

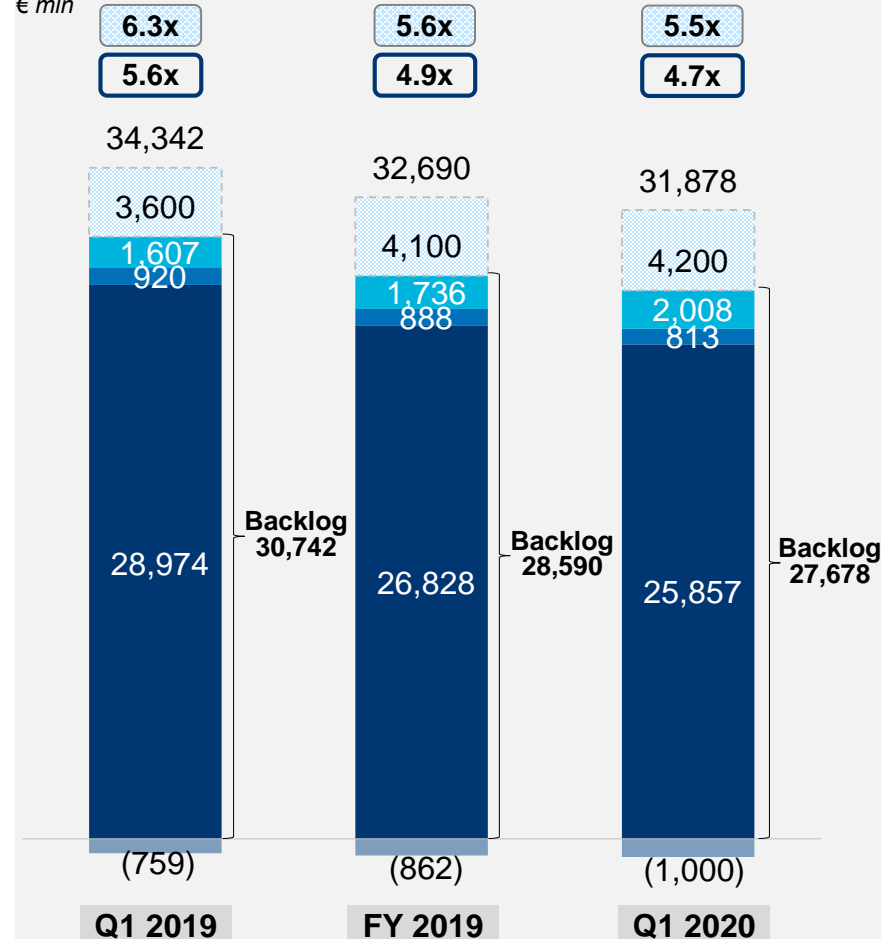
### Order intake

€ mln



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

€ mln



- Total backlog at € 31.8 bln, ~ 5.5 times 2019 revenues
- Order intake for the quarter € 0.3 bln

Shipbuilding Offshore & Specialized Vessels Equipment, Systems & Services Eliminations

Book-to-bill (Order intake/revenues) Backlog / Revenues Total backlog / revenues Soft backlog<sup>(2)</sup>

(1) Sum of backlog and soft backlog

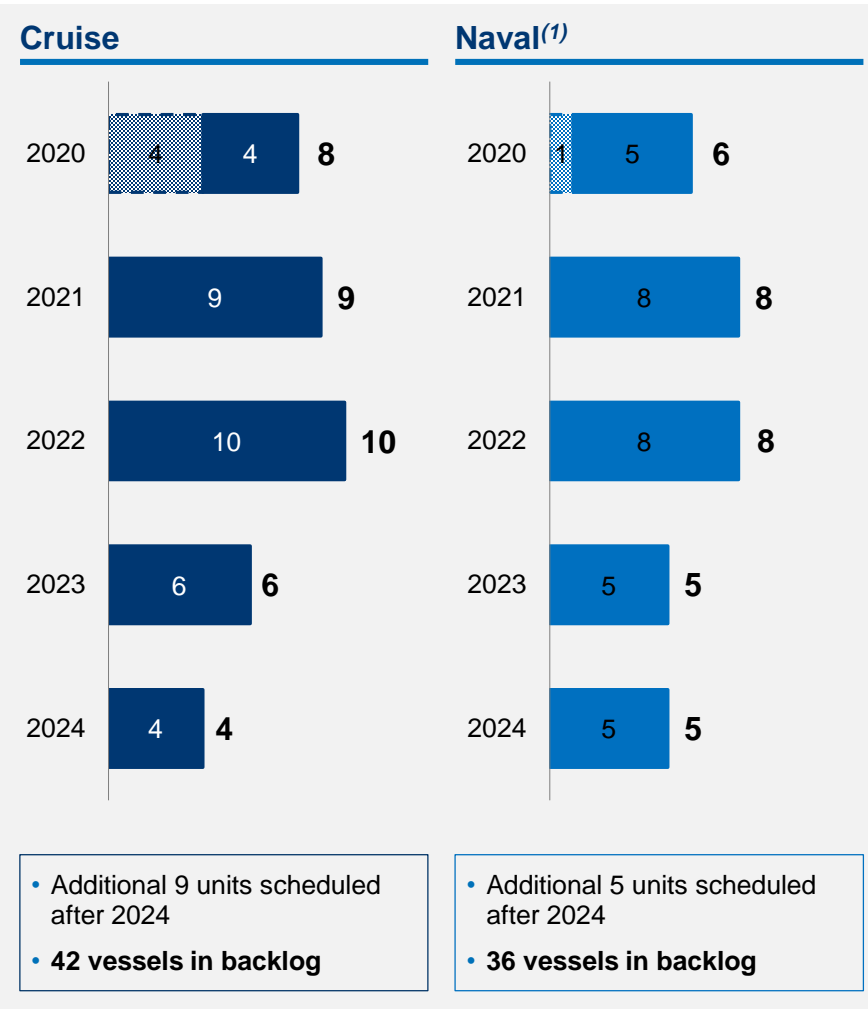
(2) Soft backlog represents the value of existing contract options and letters of intent as well as contracts in advanced negotiation, none of which yet reflected in the order backlog

# Backlog deployment

## Breakdown by segment and end market

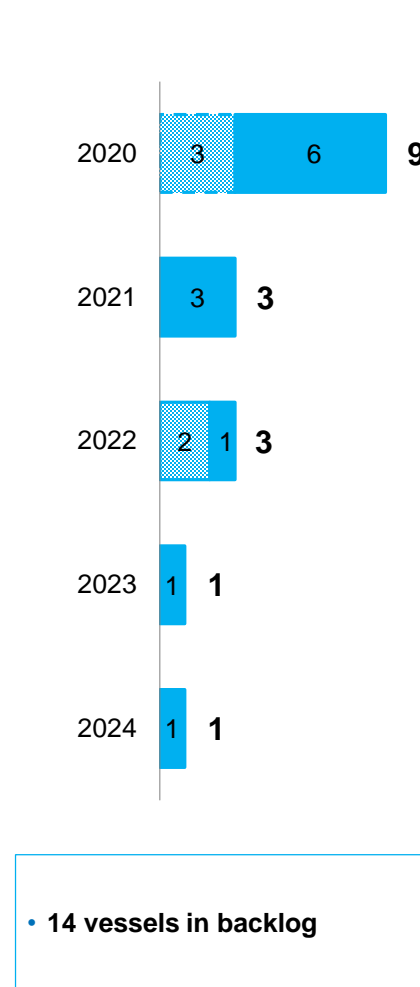
### Shipbuilding

# ship deliveries



### Offshore & Specialized Vessels

# ship deliveries



- **8 units delivered in 1Q 2020, 92 ships in backlog**

- Cruise: 42 vessels
  - Deliveries up to 2027
  - 9 units scheduled after 2024
- Naval: 36 vessels
  - Deliveries up to 2027
  - 5 units scheduled after 2024

- Offshore & Specialized Vessels<sup>(2)</sup>: 14 vessels

- Deliveries up to 2024

**Negotiations in progress with ship owners to arrange new delivery schedules.** New delivery programs also subject to suppliers' and subcontractors' effective availabilities

Delivered in Q1 2020  
 New orders in Q1 2020

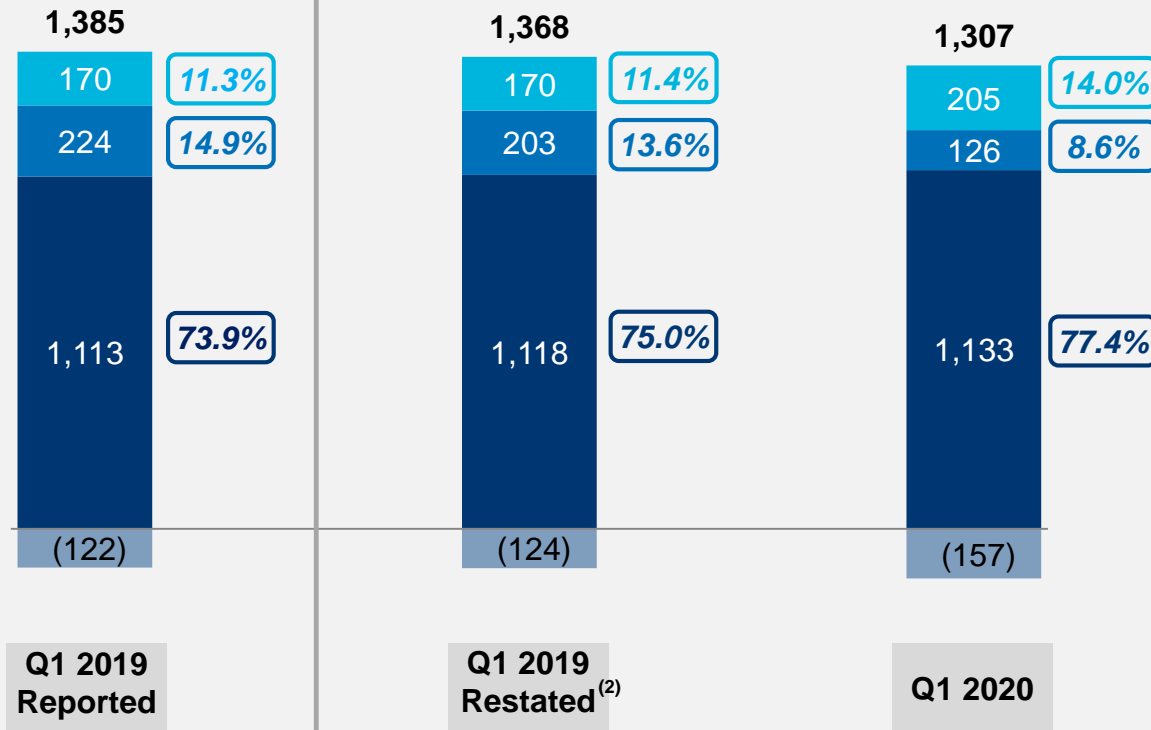
(1) Ships with length > 40 m; Articulated Tug Barge (ATB) is an articulated unit consisting of a barge and a tug, thus being counted as two vessels in one unit

(2) Offshore business generally has shorter production times and, as a consequence, shorter backlog and quicker order turnaround than Cruise and Naval

# 1Q 2020 Revenues

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

€ mln



■ Shipbuilding 
 ■ Offshore & Specialized Vessels 
 ■ Equipment, Systems & Services 
 ■ Eliminations  
■ Cruise 
 ■ Naval 
 ■ Other Shipbuilding 
 % of Total revenues

(1) Breakdown calculated on total revenues before eliminations

(2) Restated following the dismissal of small fishery and aquaculture support vessels business (VARD Aukra) and the aggregation of Vard Electro into the Shipbuilding segment (ex Offshore)

- Revenues down 4.5% YOY at € 1,307
- -20% production volumes YOY with estimated loss of ~ € 190 mln
- Shipbuilding revenues up 1.3% vs Q1 2019 despite suspension of Italian operations
- Offshore & Specialized Vessels revenues down 37.9% YOY due to scarcity of orders in the core market and negative effect of EUR/NOK conversion (~ € 8 mln)
- Equipment, Systems & Services revenues up 20.6% vs Q1 2019, thanks also to the positive contribution of the reconstruction of the bridge over the Polcevera river

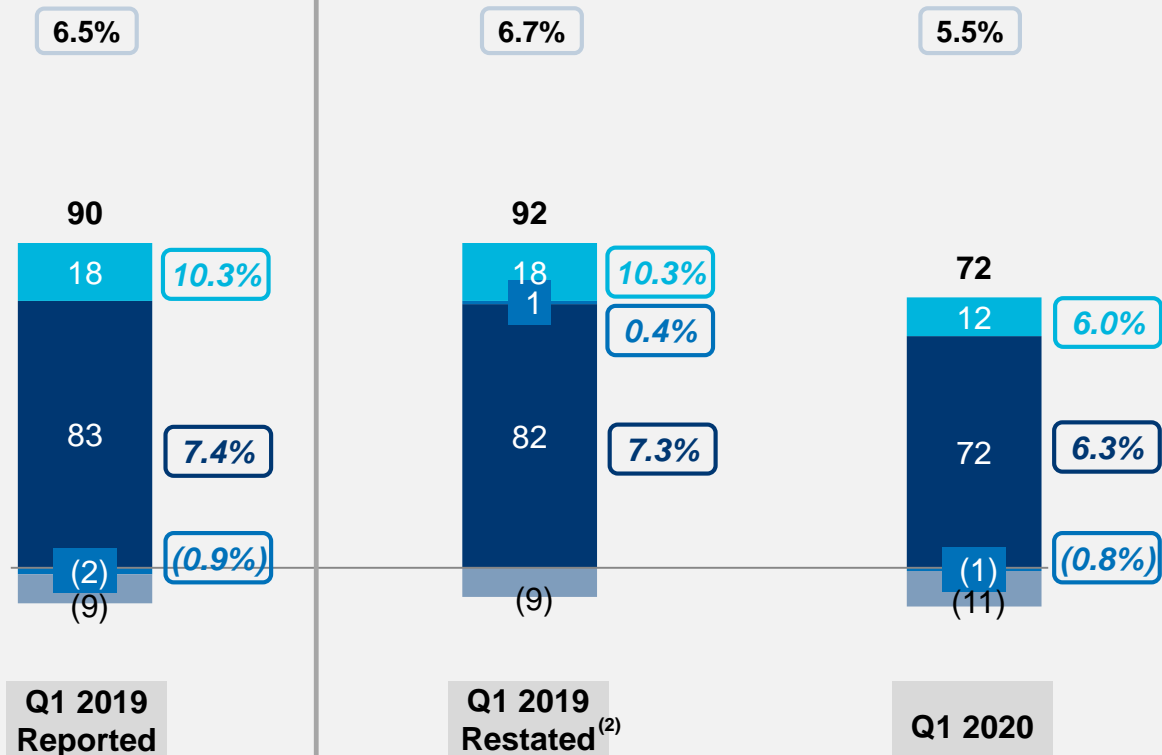
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# 1Q 2020 EBITDA

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

€ mln



■ Shipbuilding 
 ■ Offshore & Specialized Vessels 
 ■ Equipment, Systems & Services 
 ■ Eliminations 
 ■ Other activities<sup>(2)</sup>
   % Revenues 
    Group EBITDA Margin

- **EBITDA at € 72 mln** (€ 92 mln in Q1 2019), **EBITDA margin at 5.5%** (6.7% in Q1 2019)
- Suspension of activities led to **estimated shortfall in EBITDA of ~ € 15 mln**
  - Shipbuilding profitability affected by the suspension of Italian production activities in March
  - Offshore and Specialized Vessels margin break-even, following the revision of costs at completion for several projects in 2019
- Reduced margin of the Equipment, Systems & Services segment due to low-profitability but strategically-relevant projects
- €23 mln Covid-related extraordinary costs

(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) Restated following the dismissal of small fishery and aquaculture support vessels business (VARD Aukra) and the aggregation of Vard Electro into the Shipbuilding segment (ex Offshore)

## Section 3

# Balance Sheet and Capital Structure



# Working capital dynamics

## Indicative payment terms

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

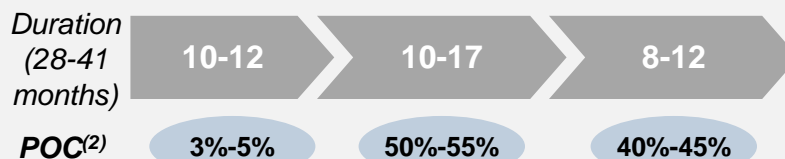


## Impact on net working capital

### Cruise



- 20% during construction
- 80% on delivery

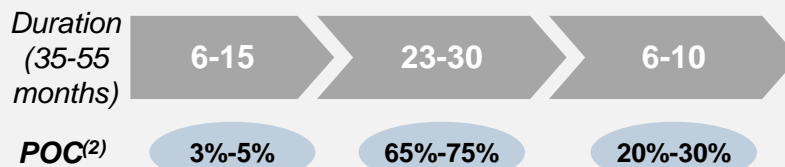


- Increases during construction
- Impact on net debt/construction loans

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



- According to % of completion

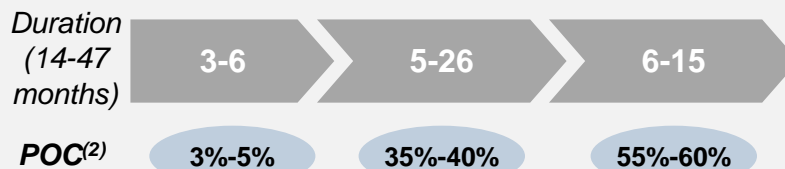


- Positive or neutral profile

### 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

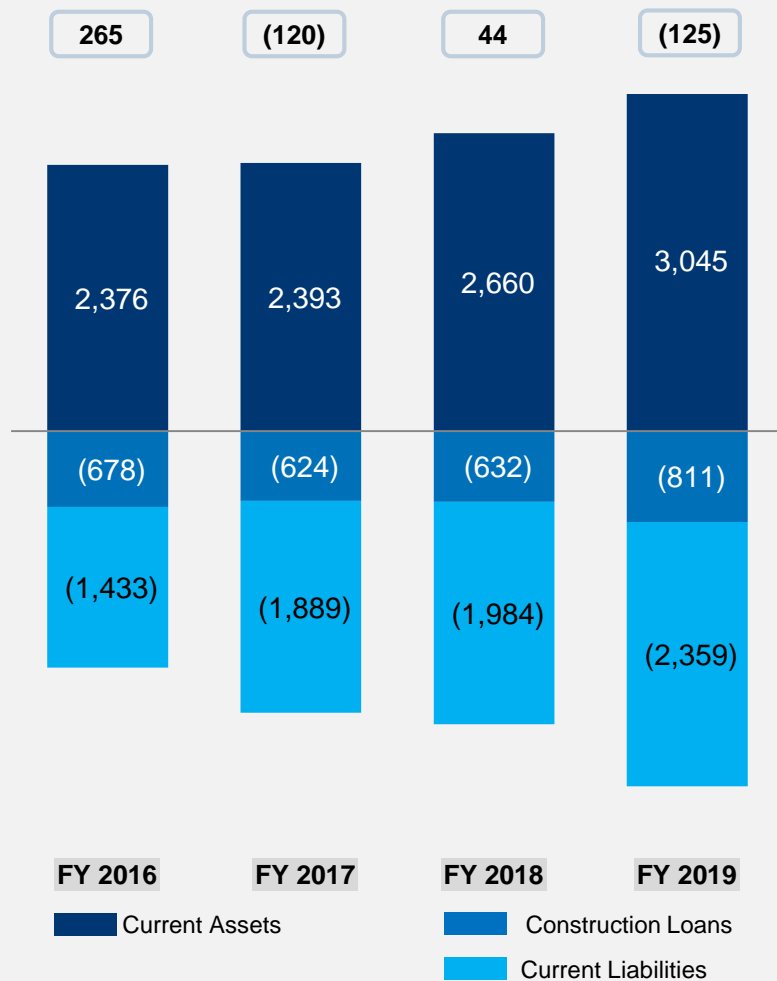
<sup>(2)</sup> Percentage of Completion

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

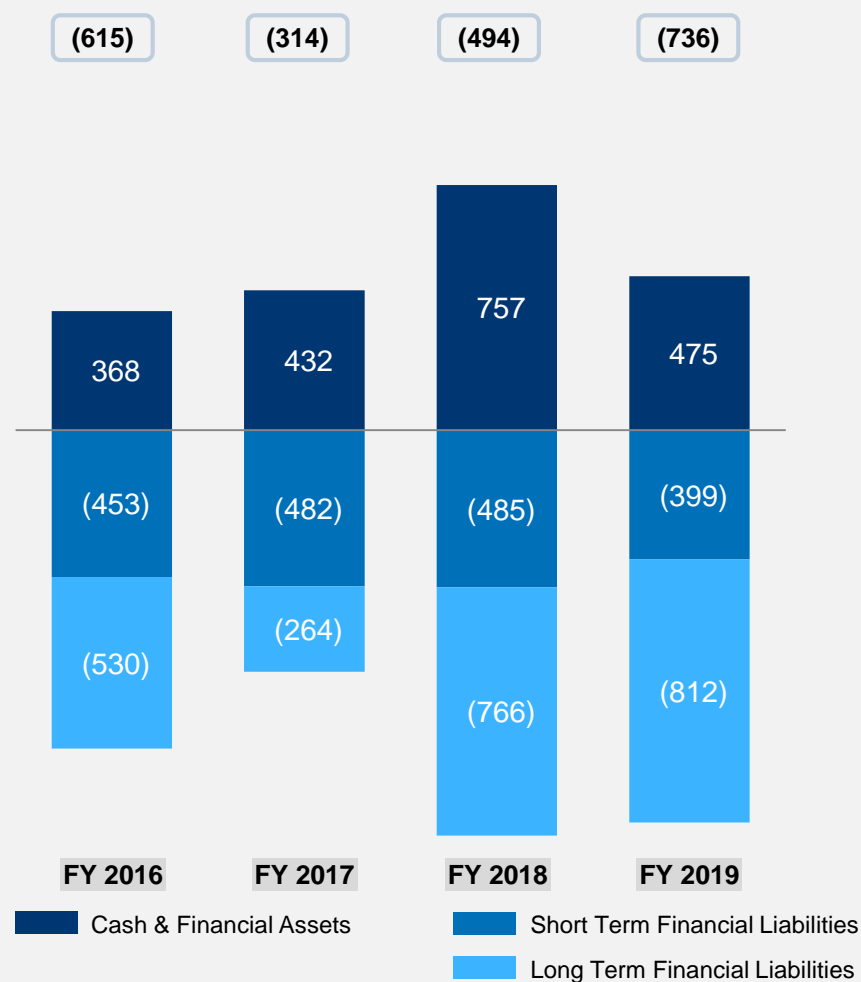
# Historical evolution of Net Working Capital and Net Financial Position

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

€ mln



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

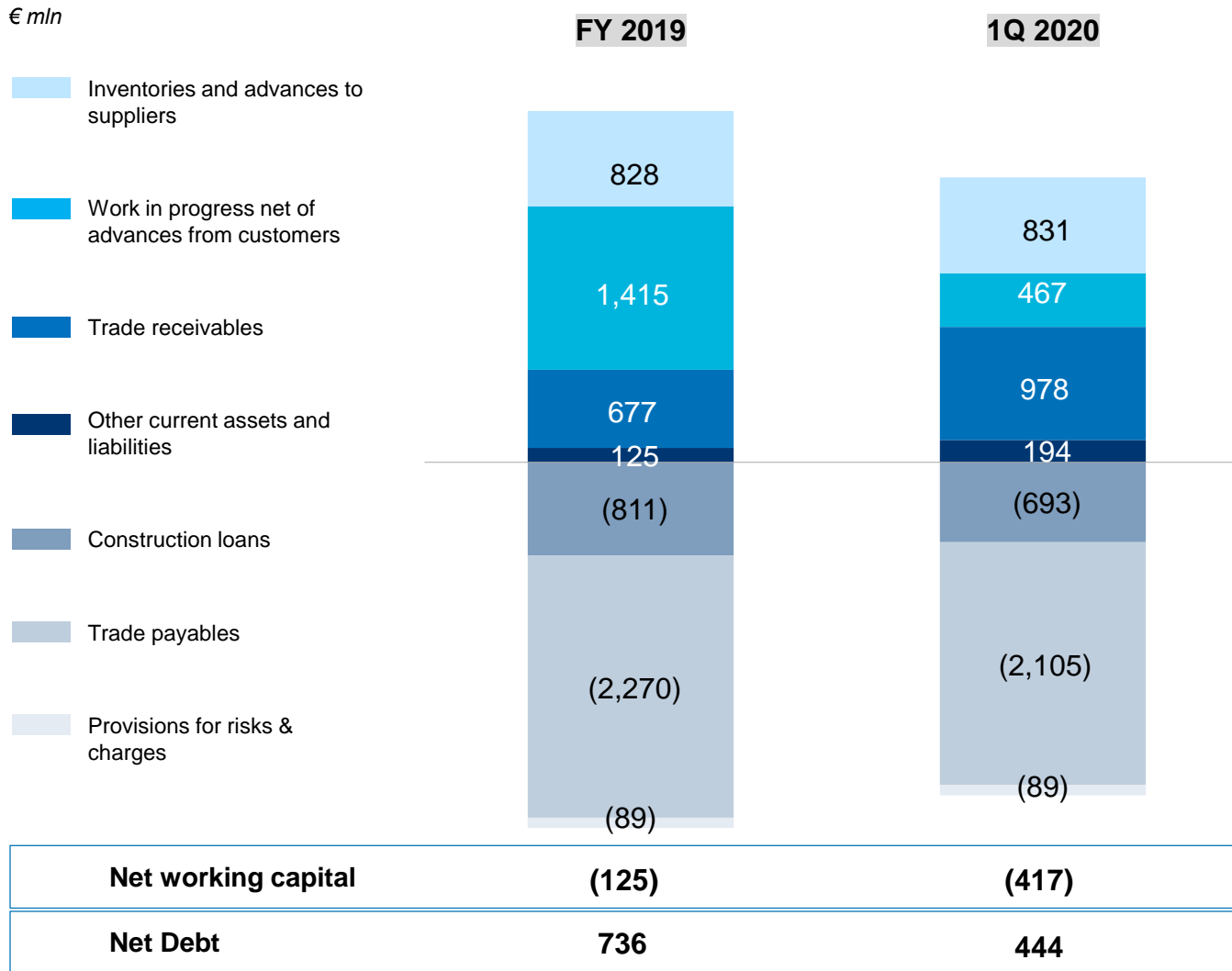


(1) Construction loans are committed working capital financing facilities, treated as part of Net working capital, not in Net financial position, as they are not general purpose loans and can be a source of financing only in connection with ship contracts

(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

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

## Breakdown by main components



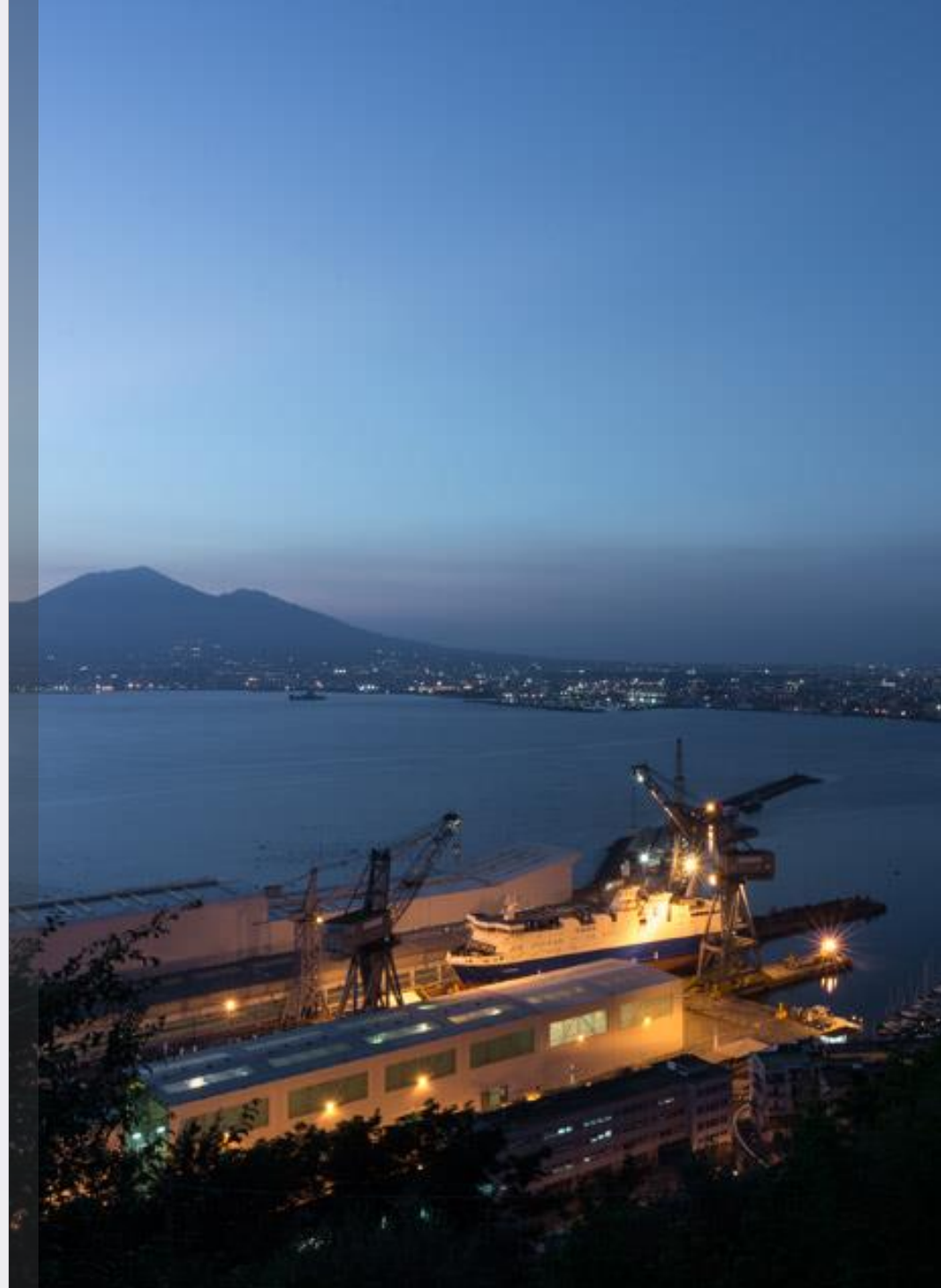
- **Net working capital** changes due to:
  - Reduction of Work in Progress (-948 mln vs FY19) related to the **cash-in of the final payment** for the cruise ships delivered in the quarter
  - Increase of trade receivables (+301 mln vs FY 19) related to the **final installment** of a cruise ship to be delivered in 2020
  - Decreased trade payables (-165 mln vs FY19)
- **Construction loans** at € 693 mln (€ 811 in FY 2019)
- **Net debt levels mirror Net Working Capital changes**

(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



# Cruise industry outlook

## Consequences of the crisis

- **2020**: a challenging year for shipowners and shipbuilders
- Cruise operators have **withdrawn** their **guidance** as the industry backlash is yet **hardly quantifiable**

## Mitigants

- Cruise operators are trying to weather the crisis and preserve going-concern
  - i. by **improving** their **liquidity** positions (applying for **debt holiday** schemes by ECA agencies)
  - ii. by securing **additional funding instruments**

## Industry recovery...

- Diverging opinions about market recovery but a «**measured comeback**» starting from Q3 appears to be the base case scenario (also conditional to the easing of Government restrictions)<sup>1</sup>

«People want to travel. Europe must now gradually open up. Summer holidays are possible responsibly and with clear rules. We will reinvent the holiday in 2020»<sup>2</sup> (F. Joussem, CEO of TUI Group)
- Cruise operators have offered **flexible cancellation policies** but **vouchers** are popular (76% - UBS report<sup>3</sup>)

«The booked position for 2021 is within historical ranges when compared to same time last year with 2021 prices up mid single digits compared to 2020»<sup>4</sup> (Royal Caribbean: Corporate press release)

## ...ensuring passenger safety

- Ensuring **passengers safety** will be key to industry recovery:

«If the cruise lines do a good job, a cruise ship could be among the safest places to be anywhere»<sup>5</sup> (F. Del Rio, CEO of Norwegian Cruise Line)
- We are working with the main cruise operators to implement **onboard cruise ships** innovative **technological solutions**, aimed at **ensuring continous sanitation of the vessels** against bacteria and viruses
- **Repeat cruisers** (~55% of total cruise passengers) are more likely to go back on a cruise ship: the real challenge for cruise operators will be **attracting new customers**<sup>6</sup>

(1) Company analysis based on cruise operators' press releases and recent updates

(2) TUI Group. Investor Relations. (2020). TUI Group ready to resume travel activities [Press release]. Retrieved from: [www.tuigroup.com/en-en/media/press-releases/2020/2020-05-13-h1-20](https://www.tuigroup.com/en-en/media/press-releases/2020/2020-05-13-h1-20)

(3) Business Insider. (2020). «Cruise ship bookings for 2021 are already on the rise despite multiple COVID-19 outbreak». Retrieved from: [www.businessinsider.com/cruise-ship-bookings-are-increasing-for-2021-despite-coronavirus-2020-4?IR=T](https://www.businessinsider.com/cruise-ship-bookings-are-increasing-for-2021-despite-coronavirus-2020-4?IR=T)

(4) Royal Caribbean, Investor Relations. (2020). Royal Caribbean provides business update [Press release]. Retrieved from: [www.rclinvestor.com/press-releases/release/?id=1470](https://www.rclinvestor.com/press-releases/release/?id=1470)

(5) Sloan, G. (2020). «Norwegian Cruise Line CEO shares his plan for a cruising comeback – and it isn't what you think». Retrieved from: [thepointsguy.com/news/norwegian-cruise-ceo-frank-del-rio-future-of-cruising/](https://thepointsguy.com/news/norwegian-cruise-ceo-frank-del-rio-future-of-cruising/)

(6) Company analysis based on cruise operators' press releases and recent updates

# 2020 Company outlook

## COVID-19

- Yet too early to assess the full brunt of the effect of the pandemic
- Full-year results likely to be impacted by:
  - **Lower production volumes** and related **operating inefficiencies** (e.g. reduced operating leverage, sub-optimal utilization rate of yards)
  - **Extra costs related to:**
    - **Ensuring** the health and **safety of our employees** (e.g. PPE, thermo-scanning devices, etc.)
    - Managing **late deliveries**

## Safeguarding backlog

- **Negotiations** in progress **with ship owners** to arrange new delivery schedules.
- New delivery plans will also take into account **suppliers' and subcontractors' effective availabilities%**

## Efforts towards diversification

- Increased commitment to **ensure new opportunities** (e.g. in the electronic & software system), aimed at improving **business diversification** and **market visibility** in order to successfully **weather sector-specific cyclical lows**

## Outlook

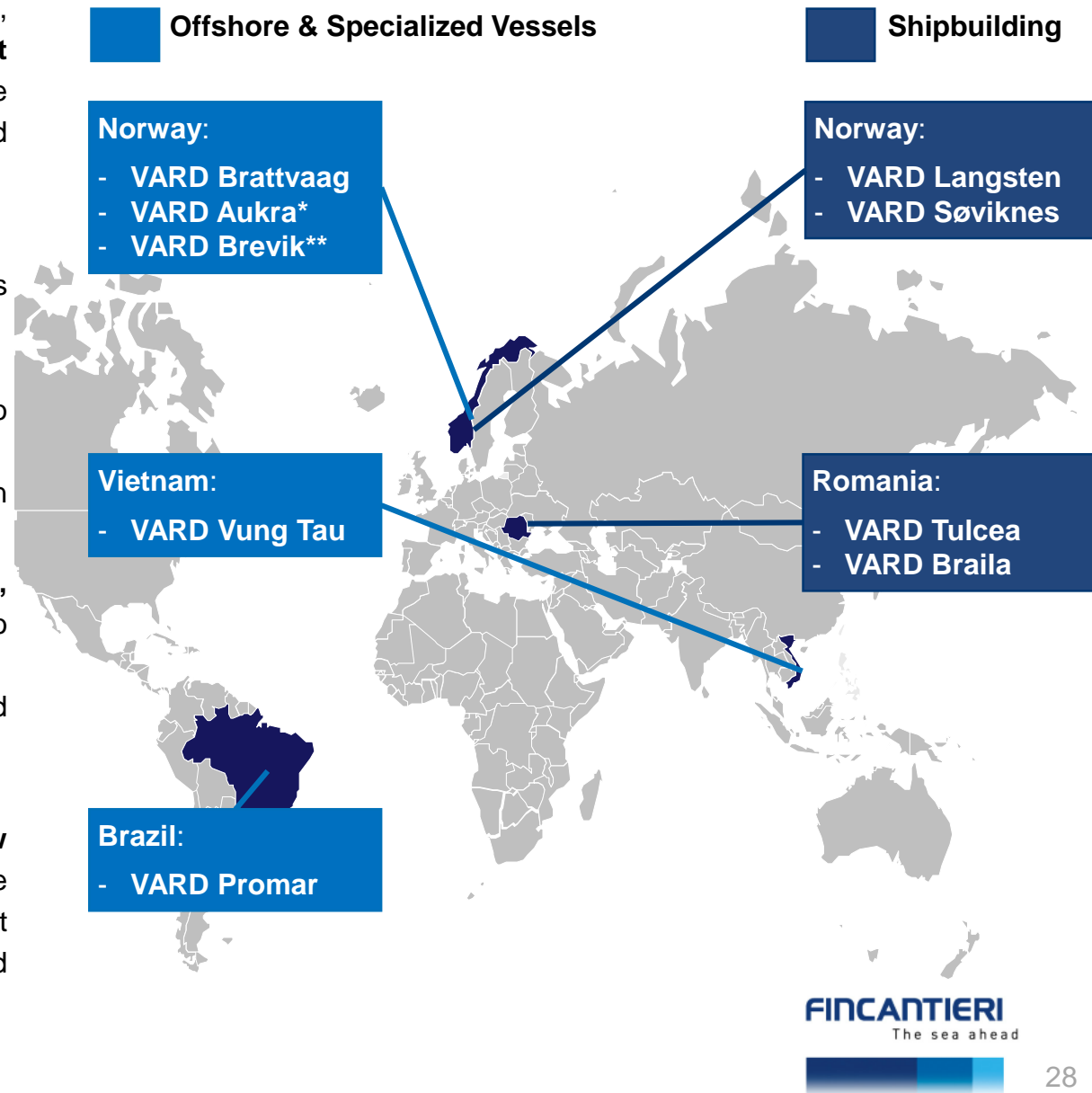
- FY2020 **Guidance suspended**

# 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)





### 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 FY 2019 results
- **Resizing of Promar shipyard in Brazil and disposal of Aukra and Brevik shipyards in Norway**

- **Margin recovery** in medium-to-long term

## Q1 2020 main orders

Segment	Vessel	Client	Number of ships	Expected Delivery
Offshore & Specialized Vessels	Fishery	<i>Framherij</i>	1	2022
	Fishery	<i>Nergard Havfiske</i>	1	2022

## Q1 2020 main deliveries

Segment	Vessel	Client	Shipyard
Shipbuilding	Cruise ship “Seven Seas Splendor”	<i>Regent Seven Seas Cruises</i>	Ancona
	Cruise ship “Scarlet Lady”	<i>Virgin Cruises</i>	Genova
	Littoral Combat Ship “St. Louis” (LCS 19)	<i>US Navy</i>	Marinette
	Expedition cruise vessel “Le Bellot”	<i>Ponant</i>	Vard Soviknes
	Fishery	<i>Finnmark Havfiske</i>	Vard Soviknes
Offshore & Specialized Vessels	Fishery	<i>Nergard Havfiske</i>	Vard Brattvaag
	OSCV	<i>Island Offshore XII Ship</i>	Vard Brevik
	Ferry unit	<i>Boreal Sjø</i>	Vard Brevik

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

€ mln	FY 2016	FY 2017	FY 2018 <sup>(2)</sup>	FY 2019
<b>Order intake</b>	<b>6,505</b>	<b>8,554</b>	<b>8,617</b>	<b>8,692</b>
<b>Total backlog</b>	<b>24,031</b>	<b>26,153</b>	<b>33,824</b>	<b>32,690</b>
<i>Of which backlog</i>	<i>18,231</i>	<i>22,053</i>	<i>25,524</i>	<i>28,590</i>
<i>Of which soft backlog</i>	<i>5,800</i>	<i>4,100</i>	<i>8,300</i>	<i>4,100</i>
<b>Revenues</b>	<b>4,429</b>	<b>5,020</b>	<b>5,416</b>	<b>5,849</b>
<b>EBITDA</b>	<b>267</b>	<b>341</b>	<b>421</b>	<b>320</b>
<i>As a % of revenues</i>	<i>6.0%</i>	<i>6.8%</i>	<i>7.8%</i>	<i>5.5%</i>
<b>EBIT</b>	<b>157</b>	<b>221</b>	<b>285</b>	<b>153</b>
<i>As a % of revenues</i>	<i>3.5%</i>	<i>4.4%</i>	<i>5.3%</i>	<i>2.6%</i>
<b>Adjusted profit/loss<sup>(3)</sup></b>	<b>60</b>	<b>91</b>	<b>114</b>	<b>(71)</b>
<i>Attributable to owners of the parent</i>	<i>66</i>	<i>95</i>	<i>117</i>	<i>(64)</i>
<b>Net result for the period</b>	<b>14</b>	<b>53</b>	<b>69</b>	<b>(148)</b>
<i>Attributable to owners of the parent</i>	<i>25</i>	<i>57</i>	<i>72</i>	<i>(141)</i>
<b>Net fixed assets</b>	<b>1,590</b>	<b>1,743</b>	<b>1,703</b>	<b>1,905</b>
<b>Net working capital<sup>(4)</sup></b>	<b>265</b>	<b>(120)</b>	<b>44</b>	<b>(125)</b>
<i>Of which construction loans</i>	<i>(678)</i>	<i>(624)</i>	<i>(632)</i>	<i>(811)</i>
<b>Equity</b>	<b>1,241</b>	<b>1,309</b>	<b>1,253</b>	<b>1,050</b>
<b>Net financial position</b> <i>Net cash/ (Net debt)</i>	<b>(615)</b>	<b>(314)</b>	<b>(494)</b>	<b>(736)</b>
<b>Employees</b>	<b>19,181</b>	<b>19,545</b>	<b>19,274</b>	<b>19,823</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> Restated following the disposal of small fishery and aquaculture business (Vard Aukra yard) in 2019

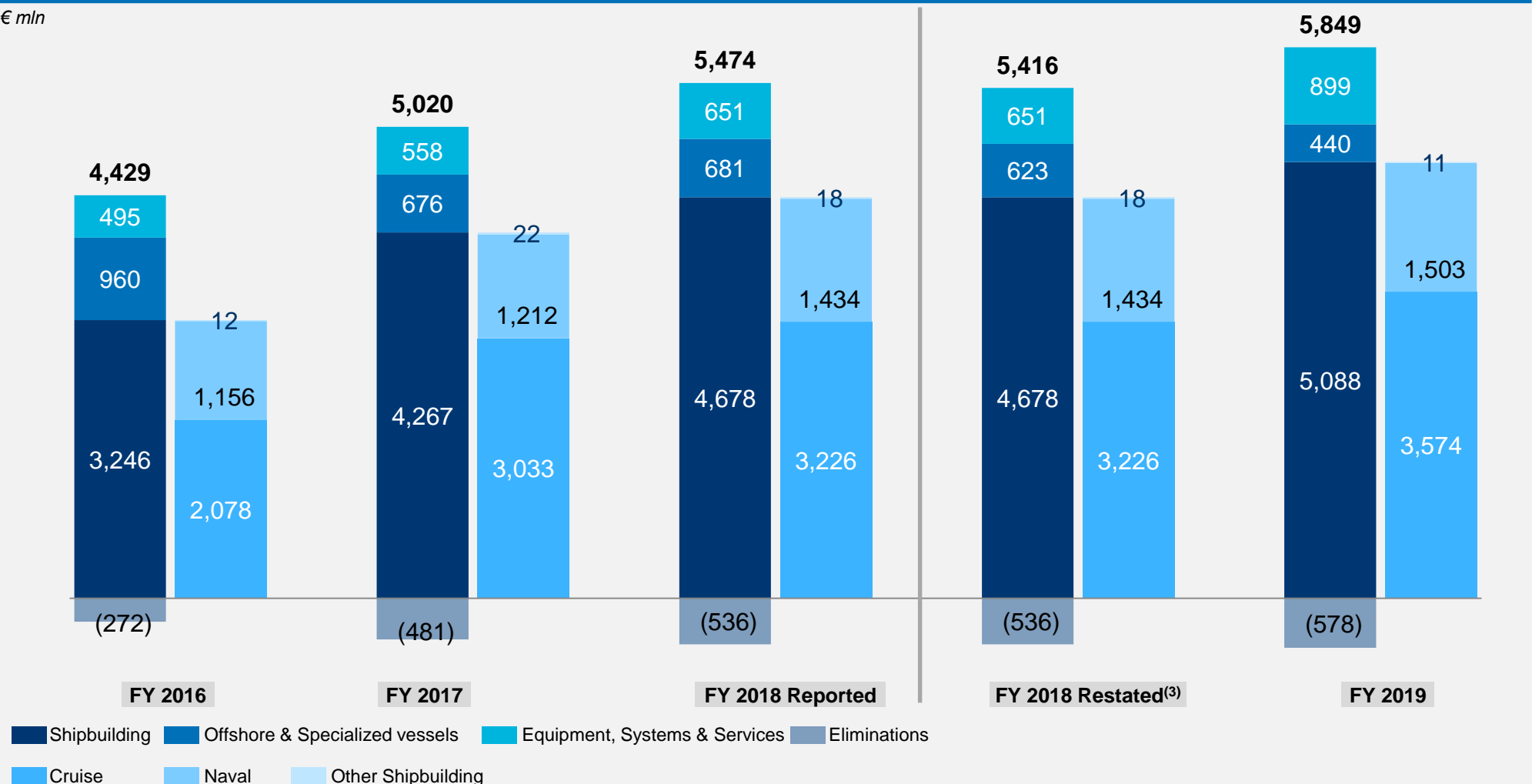
<sup>(3)</sup> Excluding extraordinary and Non Recurring Items net of tax effect

<sup>(4)</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



<sup>(1)</sup> Breakdown calculated gross of consolidation effects

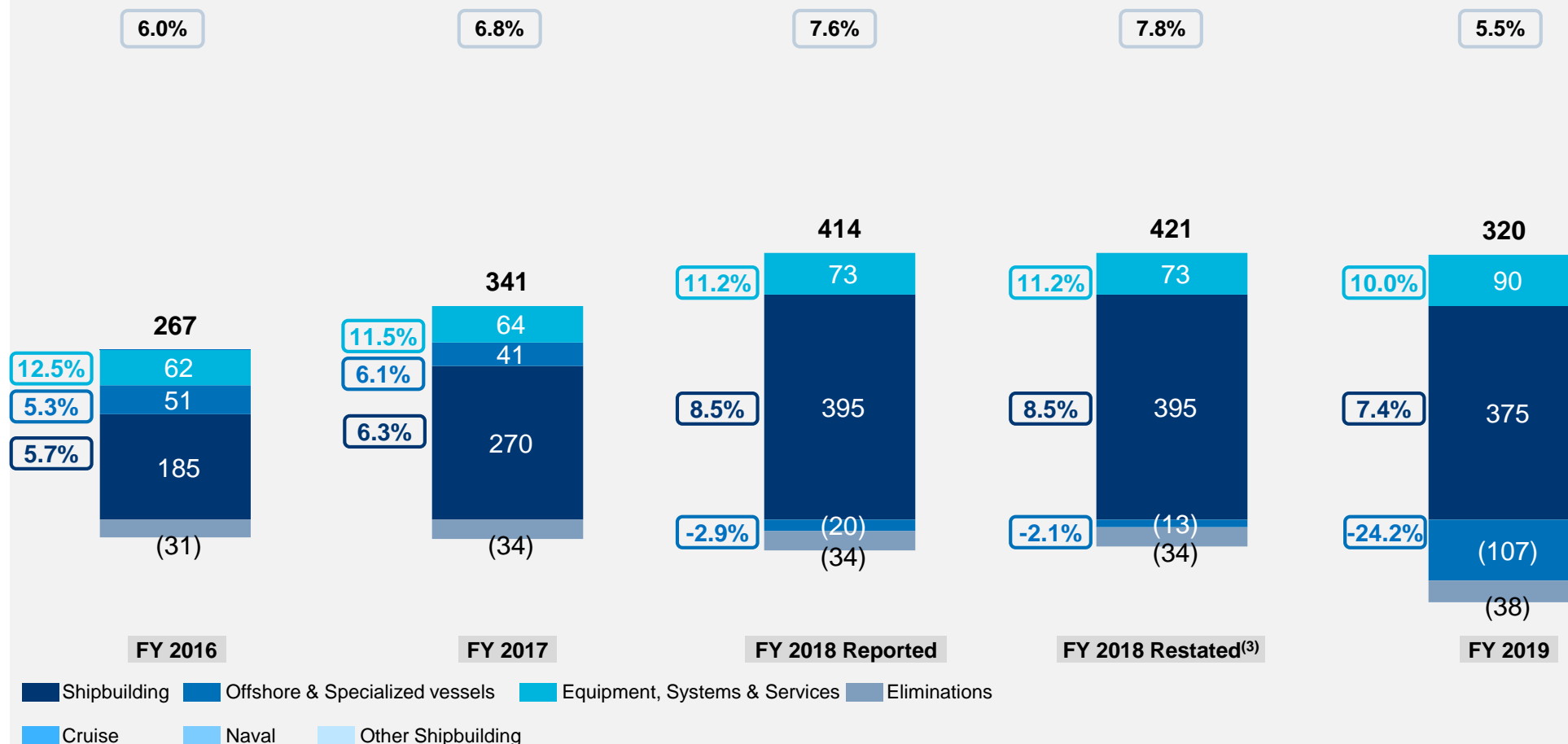
<sup>(2)</sup> EBITDA is a Non-GAAP Financial Measure. The Company defines EBITDA as profit/(loss) for the period before (i) income taxes, (ii) share of profit/(loss) from equity investments, (iii) income/expense from investments, (iv) finance costs, (v) finance income, (vi) depreciation and amortization, (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

<sup>(3)</sup> Comparative numbers of 2018 are shown restated following the exit from the small fishery and aquaculture business (disposal of Vard Aukra in 2019)

# Financial performance: EBITDA

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

€ mln



<sup>(1)</sup> Breakdown calculated gross of consolidation effects

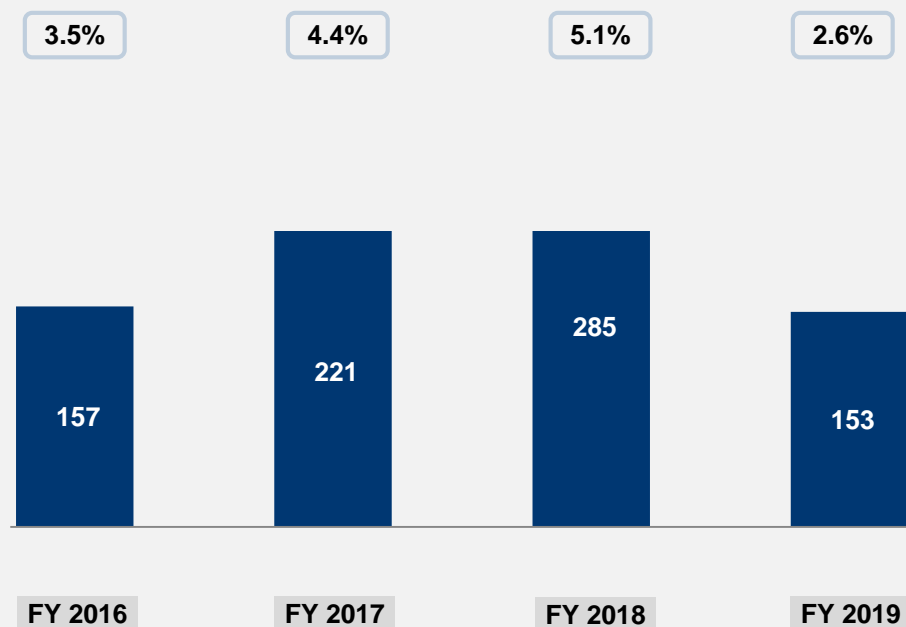
<sup>(2)</sup> EBITDA is a Non-GAAP Financial Measure. The Company defines EBITDA as profit/(loss) for the period before (i) income taxes, (ii) share of profit/(loss) from equity investments, (iii) income/expense from investments, (iv) finance costs, (v) finance income, (vi) depreciation and amortization, (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

<sup>(3)</sup> Comparative numbers of 2018 are shown restated following the exit from the small fishery and aquaculture business (disposal of Vard Aukra in 2019)

# Financial performance: EBIT and Net result

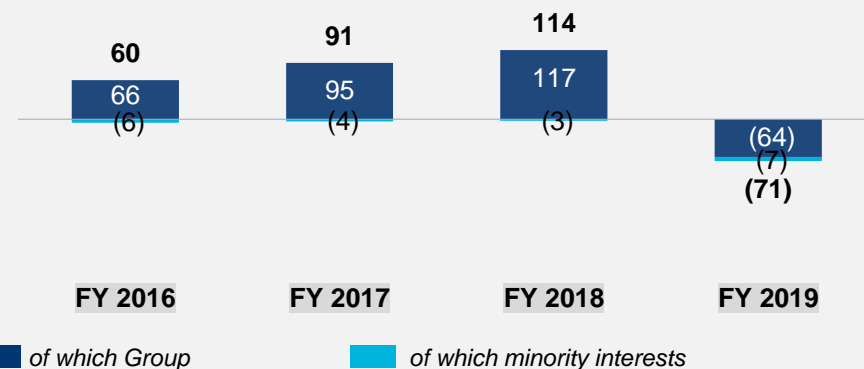
## EBIT / margin

€ mln



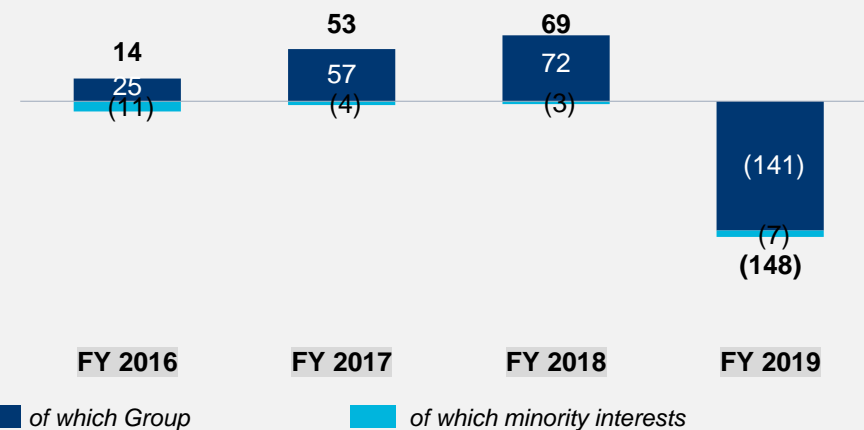
## Net result before extraordinary and non recurring items<sup>(1)</sup>

€ mln



## Net result

€ mln

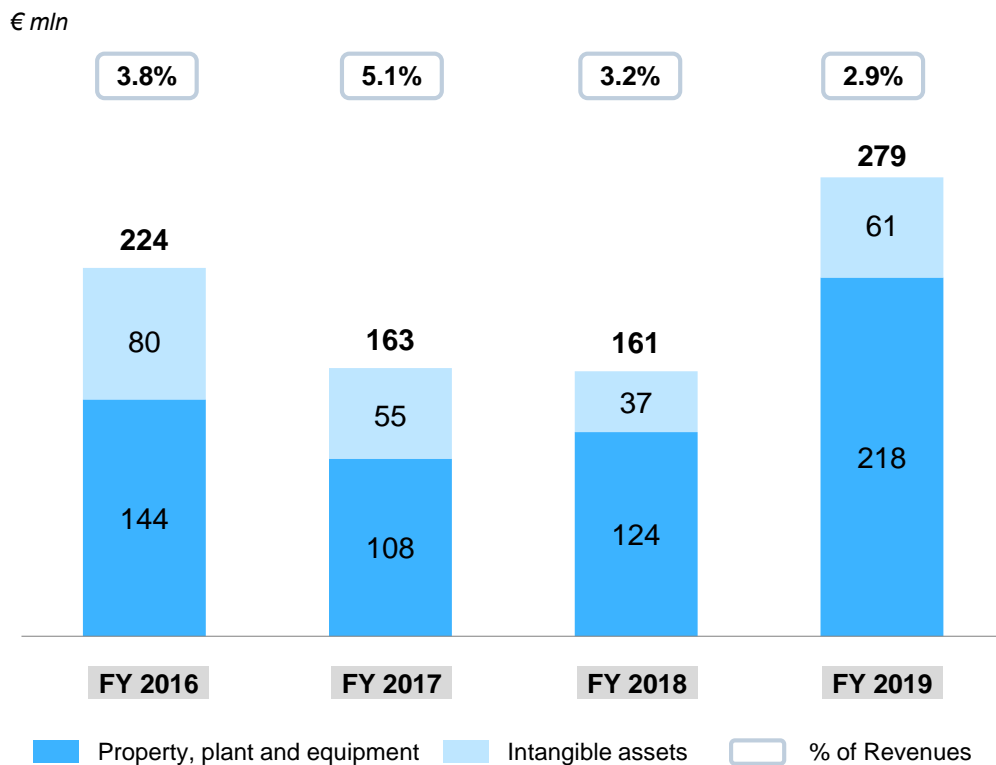


<sup>(1)</sup> Extraordinary and non recurring costs net of tax effect amounted to € 37 mln in 2015, € 46 mln in FY 2016, € 38 mln in 2017, € 39 mln in 2018, and € 53 in 2019

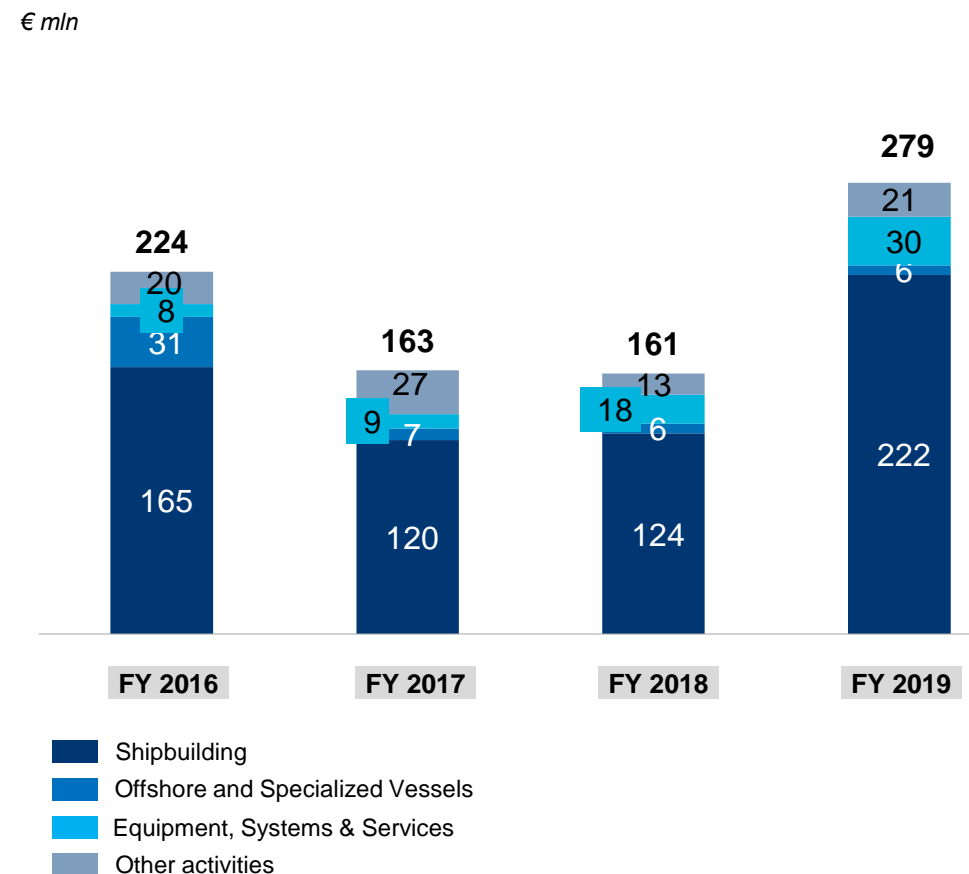


# Capex: historical trend

## Capex evolution



## Capex by segment



- 2019 Capex mainly related to:**

- Upgrading Italian yards in order to adjust the production capacity to the construction of large vessels and substantially higher volumes
- Improving safety and environmental conditions in all production sites
- Conversion of Vard Tulcea and Vard Braila to cruise activities

(Comparative numbers of 2018 are shown restated following the exit from the small fishery and aquaculture business (disposal of Vard Aukra yard in 2019))