



Borsa Italiana – Digital Italian Sustainability Week FINCANTIERI

June 30th - July 1st, 2020

FINCANTIERI
The sea ahead



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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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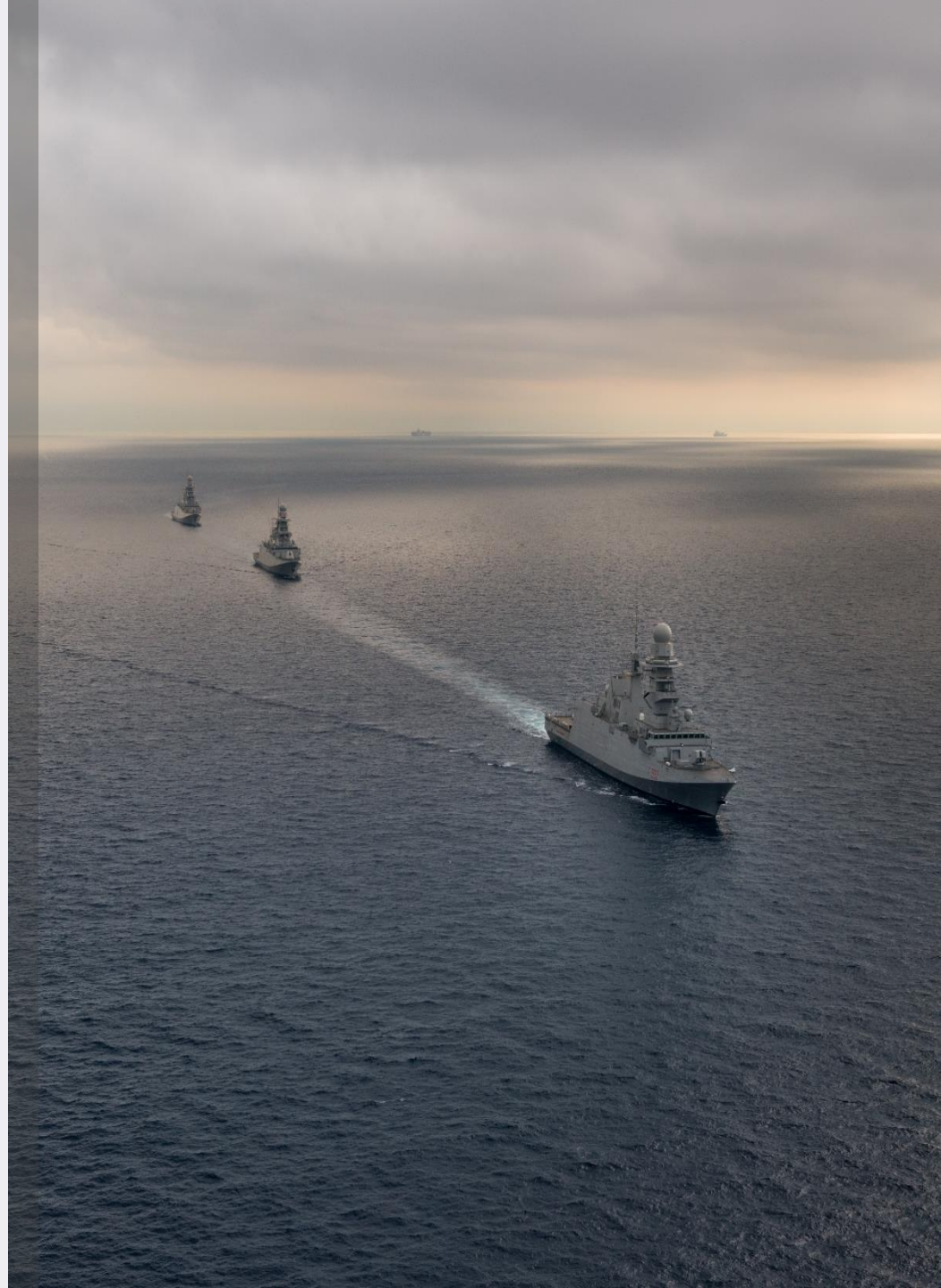
Section 5 Balance Sheet and Capital Structure

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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^(2,3)



Our global reach

20
shipyards

4
continents

~ 19,800
employees

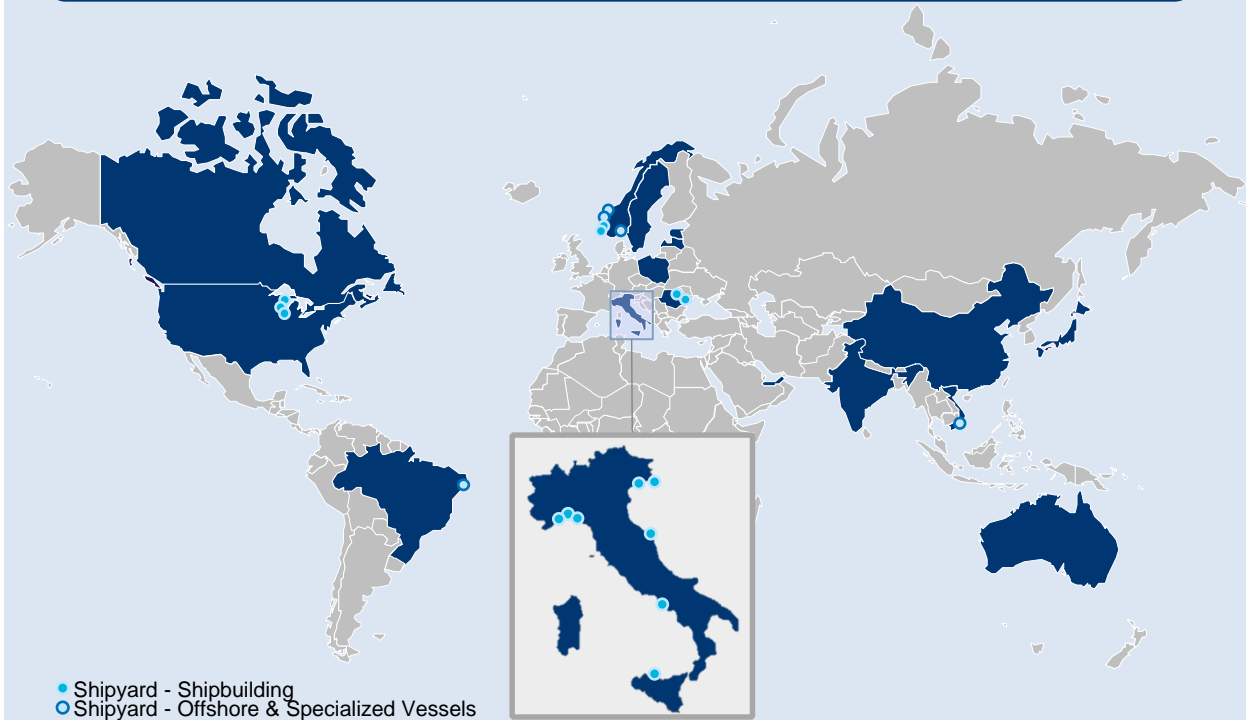
> 80,000
subcontractors

Our impact

4.5x
Economic multiplier⁽⁴⁾

5.9x
Employment multiplier⁽⁵⁾

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



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

⁽¹⁾ At December 31, 2019

⁽²⁾ At March 31, 2020;

⁽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

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

⁽⁵⁾ Fincantieri valuation according to Censis methodology based on Italian operations

⁽⁶⁾ 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 ⁽¹⁾	Backlog ⁽²⁾
Shipbuilding	Cruise	<ul style="list-style-type: none"> All cruise ships: <ul style="list-style-type: none"> Luxury/Niche⁽³⁾ Upper Premium Premium Contemporary 	<div> <div>(4)</div> <div>CARNIVAL CORPORATION & 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 55.6%</p>	
	Naval	<ul style="list-style-type: none"> All surface vessels (also stealth) Support & Special vessels Submarines 	<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 23.4%</p>	€ 25,857 mln (78 ships)
	Other	<ul style="list-style-type: none"> Similar businesses to our core ones where we operate opportunistically (e.g. Mega Yachts, Ferries...) 		<p>€11 mln 0.2%</p>	
Offshore & Specialized Vessels		<ul style="list-style-type: none"> OSV Fishery Ferries Offshore wind OPV Special vessels 	<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>FRATRO</div> </div>	<p>€440 mln 6.8%</p>	€ 813 mln (14 ships)
Equipment Systems & Services		<ul style="list-style-type: none"> Marine systems, components & turnkey solutions Ship interiors Naval services Ship repairs & conversion 	<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 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

FINCANTIERI
The sea ahead

Markets and positioning

Leadership in high-potential reference markets and solid track record

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

(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⁽¹⁾ 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

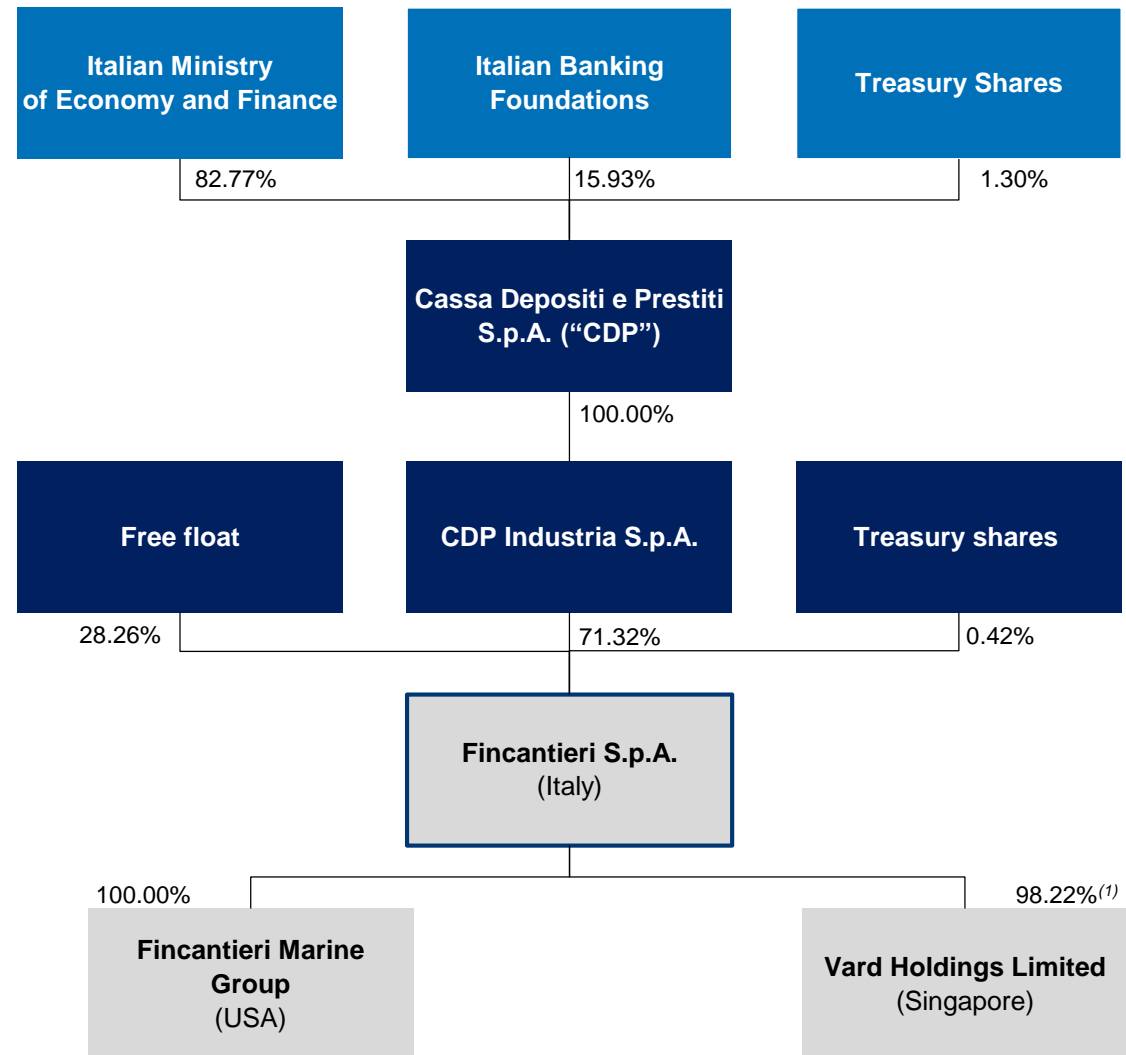
Ownership and Group structure

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

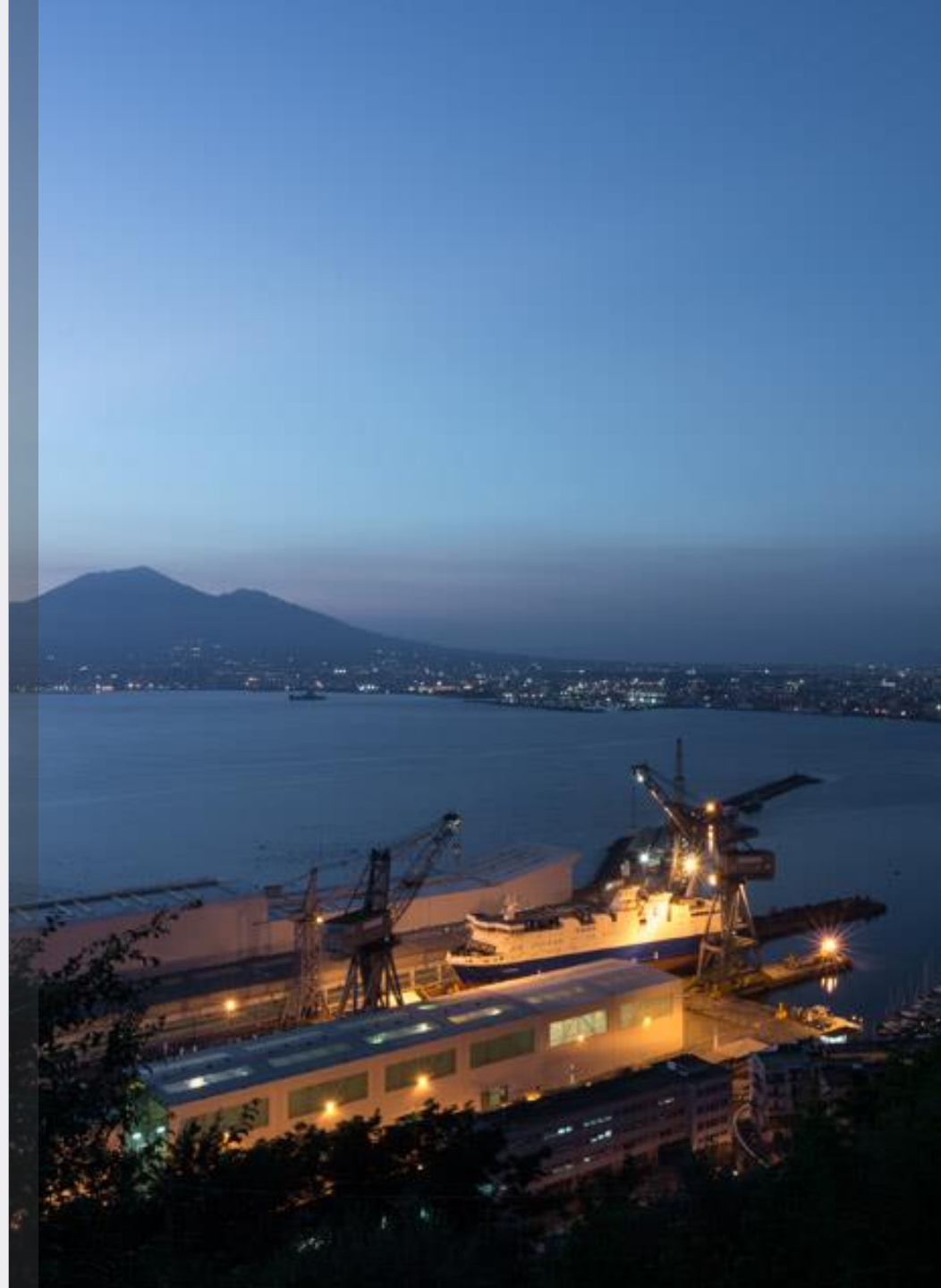
Simplified ownership and Group structure



(1) Ownership as of December 2019

Section 2

Q1 2020 Key Messages



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 16th** to prevent further spreading of the COVID-19 virus
- **Operations gradually resumed since April 20th 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⁽⁵⁾** 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⁽⁴⁾ 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⁽³⁾ 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)

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
 - by **improving** their **liquidity** positions (applying for **debt holiday** schemes by ECA agencies)
 - 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)¹
 - «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»² (F. Joussen, CEO of TUI Group)
- Cruise operators have offered **flexible cancellation policies** but vouchers are popular (76% - UBS report³)
 - «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»⁴ (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»⁵ (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 **continuous 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 customers⁶

(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

(3) Business Insider. (2020). «Cruise ship bookings for 2021 are already on the rise despite multiple COVID-19 outbreak». Retrieved from: [ww.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

(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/

(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
- Cruise operators have **withdrawn** their **guidance** as the **industry backlash** is yet **hardly quantifiable**

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**

Section 3

Sustainability



Cruising to Sustainability: a long term commitment that is driving our business

Our attention to sustainability is rooted at the very core of our business – however, in the last 4 years we formalized our commitment with a fast-paced governance evolution



2016

- Fincantieri's Board of Directors establishes the Sustainability Committee



2017

- Fincantieri's Risk Officer integrates the Company risk model with additional risks concerning Environmental, Social and Governance (ESG)



2018

- Fincantieri's Board of Directors approves:
 - The **Charter of Sustainability Commitments** with the aim of contributing to a healthy, resilient, sustainable society
 - The first **Sustainability Report**
- **Performance share plan 2019 – 2021**, that includes a new specific sustainability target
 - The first **Sustainability Plan**, highlighting and bolstering the will of the Group to be responsible towards all direct and indirect stakeholders



2019

- **All the 2019 objectives** of the 2018-2022 Sustainability Plan **have been achieved** and two 2020 objectives have been completed early
- CDP Climate Change Programme: the Fincantieri Group obtained the **B rating**, on a scale ranging from the minimum D to the maximum A, which testifies to the effectiveness of the actions it has taken in the fight against climate change
- Vigeo Eiris: the Fincantieri Group received the result of the assessment, obtaining a rating of **65/100**, ranking first in the Mechanical Components & Equipment sector

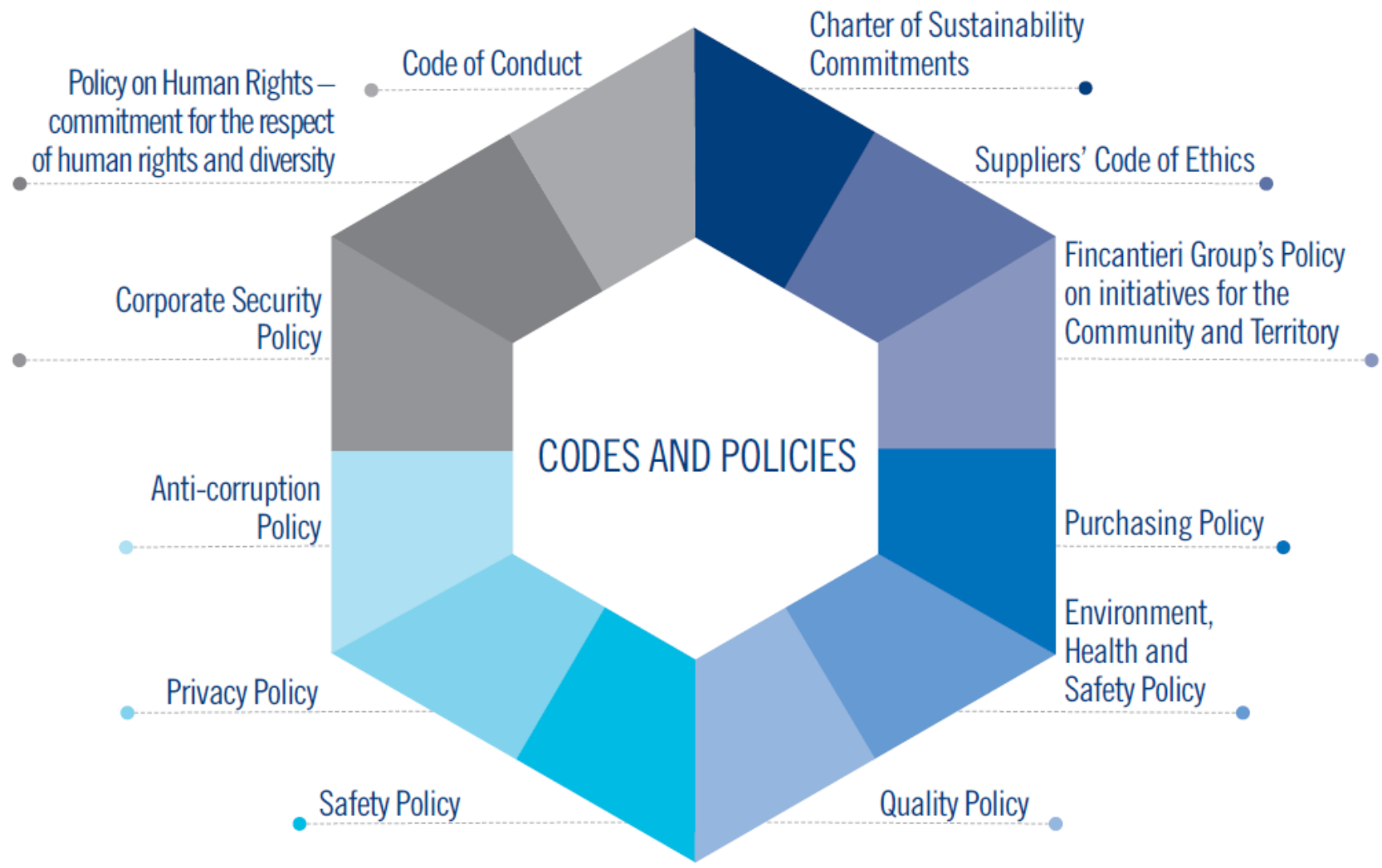
WE SUPPORT



Fincantieri has joined the **United Nations Global Compact**, the world's largest business sustainability initiative

Sustainability in Fincantieri

Our dedication is testified by our internal codes and policies



Board of Directors

Sustainability Committee



- Established by the Board of Directors in 2016
- Composed of 4 independent members
- Key responsibilities:
 - Thorough investigation of issues related to the sustainability of Company activities
 - Advisory and informative role for the Board of Directors on non-financial matters
- 6 meetings held in 2019

Sustainability unit

- Reports to CFO
- Performs coordination, monitoring and compliance activities
- Keeps the Sustainability Committee continually informed

Multifunctional Working Group


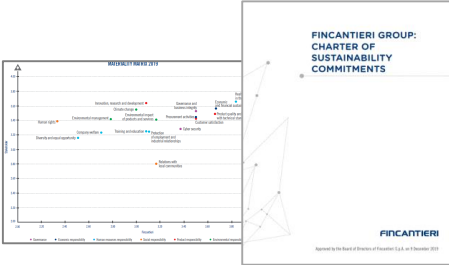

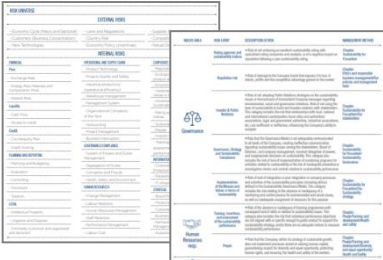
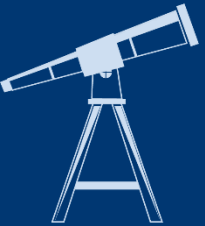
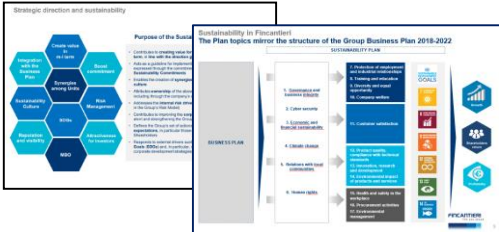


- Support to the Sustainability unit
- Composed of representatives of key departments
- Support to the preparation of the Sustainability Report and the definition of targets and timeline for sustainability commitments

Local representatives abroad

- Support to the Sustainability unit
- Represent VARD group, Fincantieri Marine Group and Fincantieri Marine Systems North America Inc.
- Sustainability Reporting

Sustainability in Fincantieri

Our key objectives and tools for sustainability management

<div data-bbox="37 139 74 177">a</div> 	<div data-bbox="360 237 700 339"> <p>Focus on material topics</p> </div> <div data-bbox="741 208 1297 362"> <p>Materiality matrix & Charter of Sustainability Commitments</p> </div> <div data-bbox="1475 157 1922 419">  </div>
<div data-bbox="37 422 74 459">b</div> 	<div data-bbox="360 542 638 591"> <p>Be prepared</p> </div> <div data-bbox="741 542 1421 591"> <p>Sustainability in risk mapping</p> </div> <div data-bbox="1529 442 1910 699">  </div>
<div data-bbox="37 705 74 742">c</div> 	<div data-bbox="360 819 613 868"> <p>Plan ahead</p> </div> <div data-bbox="741 819 1168 868"> <p>Sustainability Plan</p> </div> <div data-bbox="1500 739 1997 968">  </div>
<div data-bbox="37 988 74 1025">d</div> 	<div data-bbox="360 1099 513 1148"> <p>Report</p> </div> <div data-bbox="741 1099 1222 1148"> <p>Sustainability Report</p> </div> <div data-bbox="1541 993 1881 1253">  </div>

Sustainability in Fincantieri

We focus on material topics to develop sustainability strategy

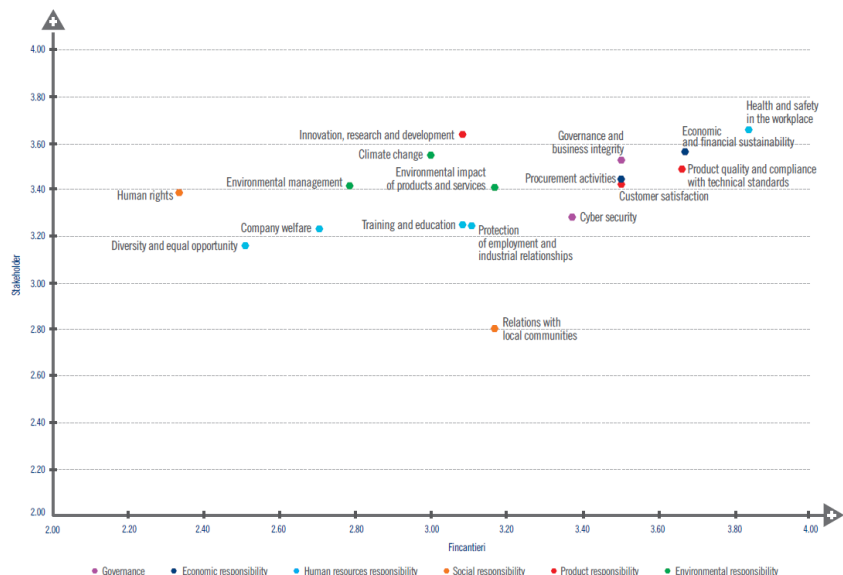
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PROCESS FOR
STAKEHOLDER
ENGAGEMENT
ON MATERIAL
TOPICS



Materiality matrix

17 material topics



Charter of Sustainability Commitments



Our idea of sustainable and responsible development goes through:

- A more widespread dissemination of the **culture of sustainability**
- The promotion of a **responsible supply chain**
- Employee **involvement**
- The constant improvement of **health and safety** in the workplace
- Support for **technological innovation**
- Maintaining customer **satisfaction and trust** levels
- The continuous dialogue and **support** of local communities
- Reducing **environmental impacts**
- The fight against **climate change**

Be prepared: we broadened our ERM framework to incorporate sustainability risks

②

The framework

The Fincantieri Risk Universe has been defined as part of the “**ERM project**” which provided the Company with an **Enterprise level process for detecting, evaluating and monitoring the main Company risks**

The integration

In 2017, the Risk Officer decided to integrate the company risk model (Fincantieri Risk Universe) with additional risks concerning the company’s social responsibility

The process

The process included different phases, from risk (and opportunity) mapping in terms of sustainability and climate change, to using specific tools to identify the main risks by business area

The shortlisting

From this process, 16 potential categories of sustainability risk were identified and then tested for inclusion into the Risk Universe

10 Sustainability risks were included in our Enterprise Risk Management framework

b

We identified 10 key sustainability risks across 5 major categories and fully integrated them into our Enterprise Risk Management



Governance

- Rating agencies and sustainability indices
- Reputation risks
- Investor & public relations
- Governance, strategy and sustainability compliance
- Implementation of the mission and values in terms of sustainability



Product responsibility

- Ecologically compatible product development



Human resources responsibility

- Training, incentives and assessment of the sustainability performance
- People



Governance, economics, human resources, social and environmental responsibility

- Sustainable supply chain



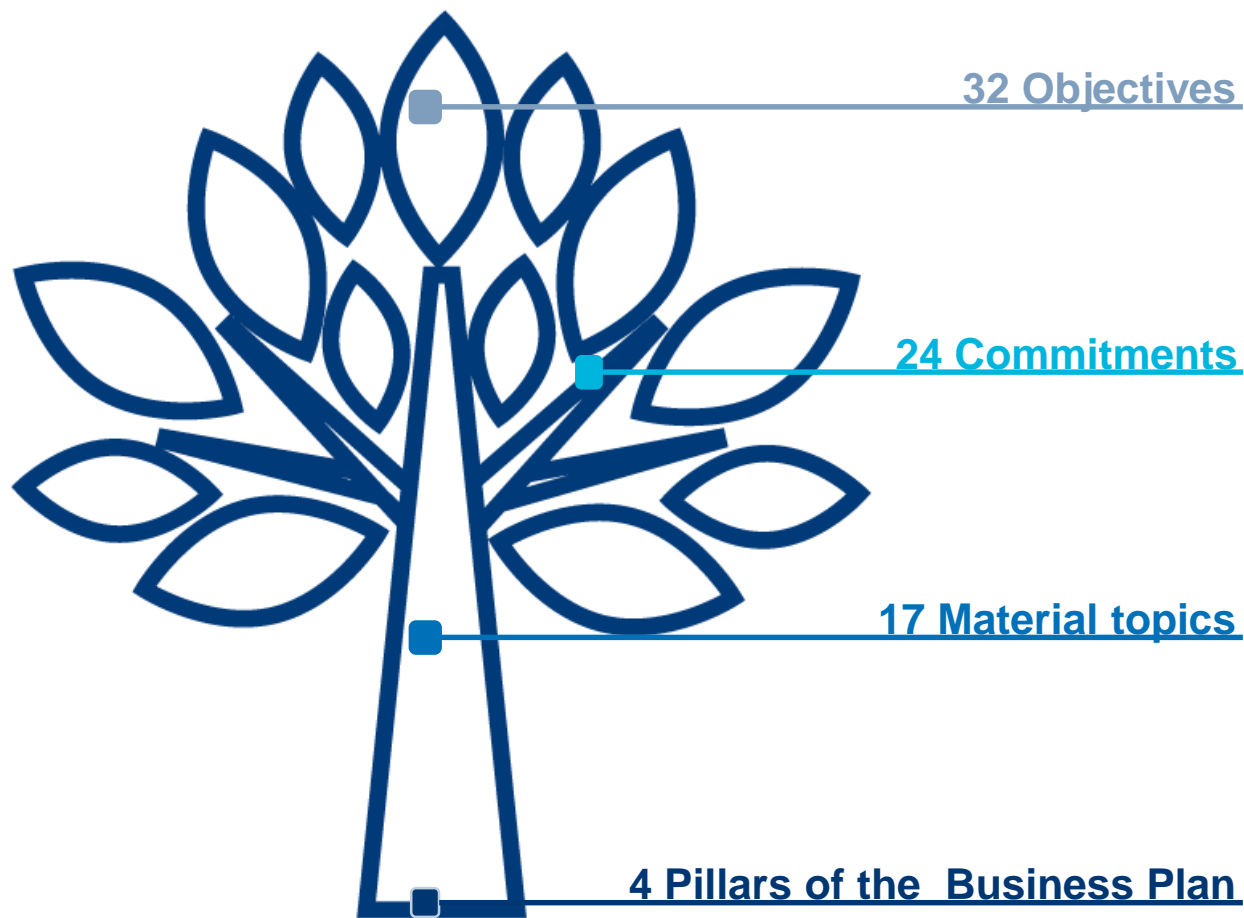
Environmental responsibility

- Environment

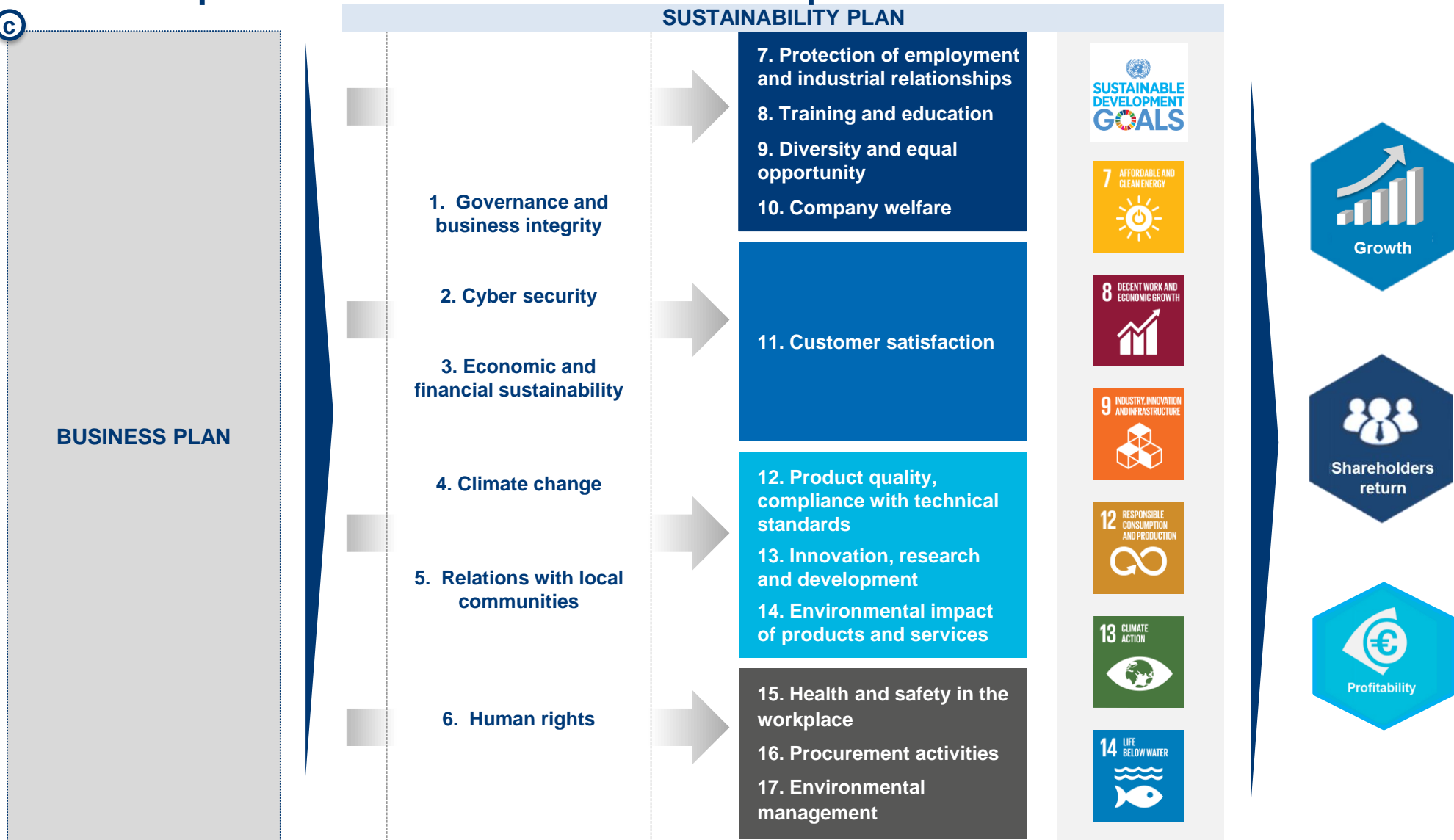
Sustainability in Fincantieri

Plan ahead: in 2018 the BoD approved the first Group Sustainability Plan

©



©



Sustainability in Fincantieri

2019 Sustainability Report: Key data

^d Social Responsibility KPIs

Diversity and equal opportunity

- 13.0 % women employed
- 50.0 % women on the BoD
- 62.0 % employees under 35 hired in Italy

Target

Keep the % of hires under-35 above 40% of all new hires per year in Italy by 2022

Training & Education

- 87% employees trained

Health & Safety

- 0.2 severity index⁽¹⁾
- 10.9 injury rate / frequency rate⁽²⁾

Research & Innovation

- +9.8% investments in research and development (vs 2018)

Target

5 research projects on issues associated with climate risks by 2030

Environmental Responsibility KPIs

Energy

- 40% electric energy from renewables (50% in Italy)

Target

100% electricity from renewable sources purchased in Italy by 2020

- -1.5% energy consumption (vs 2018)

Obtain ISO 50001 certification in Italy by 2021

GHG emissions

- -3.2% scope 1 emissions (vs 2018)

Target

- -29.4% scope 2 emissions (vs 2018)

-20% of GHG emissions from Scope 2 by 2020

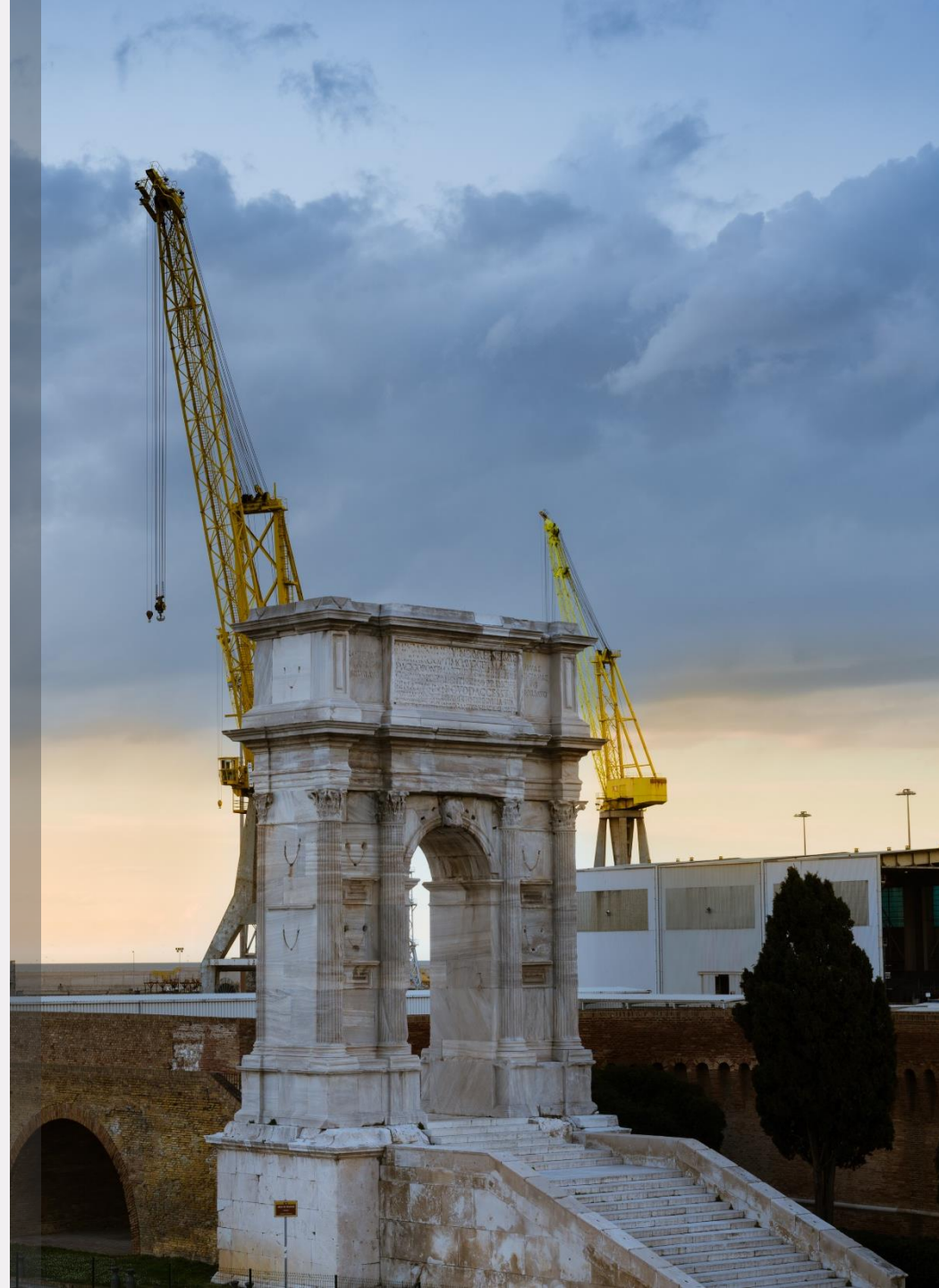
Waste

- 79% recovery

⁽¹⁾ The severity index was calculated as: (number of days lost due to injury/hours worked) x 1,000
⁽²⁾ The injury rate/frequency rate was calculated as: (number of injuries/hours worked) x 1,000,000

Section 4

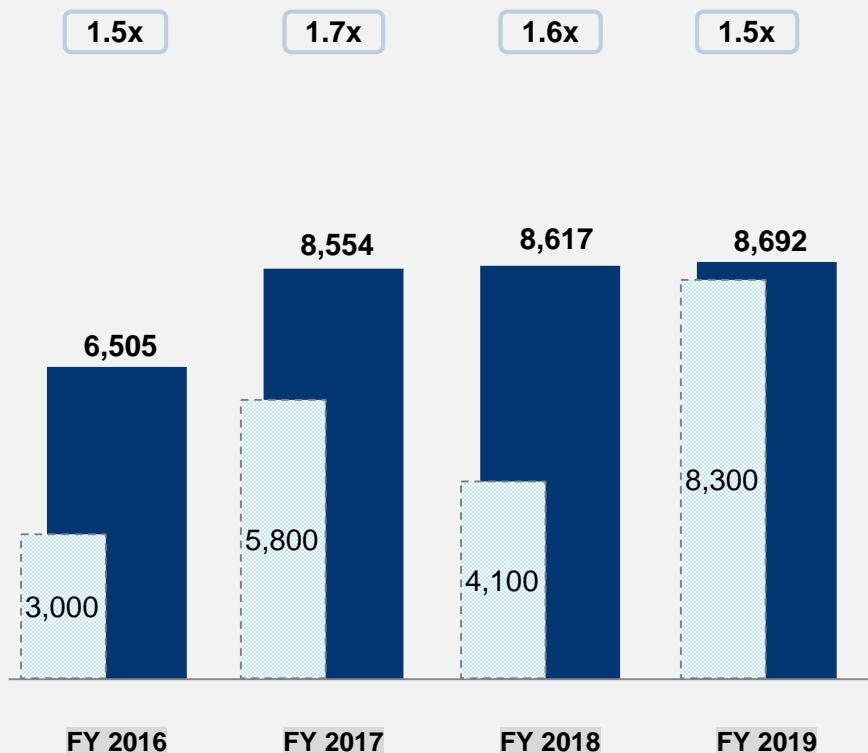
Financial overview



Backlog ramp-up and conversion of soft backlog into backlog

Order intake

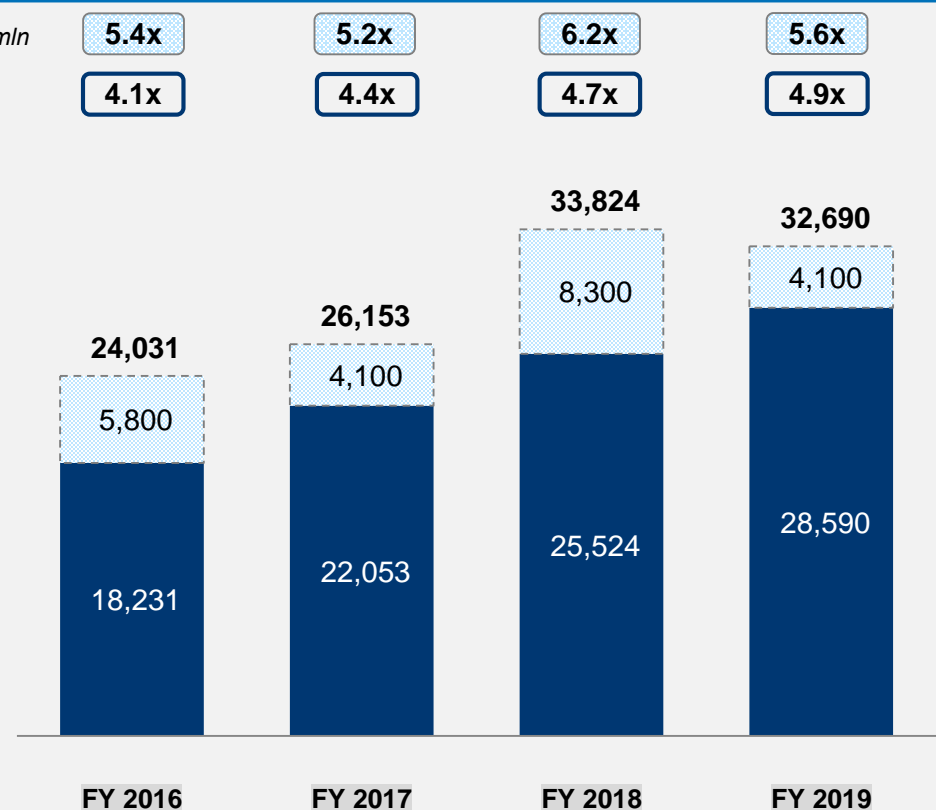
€ mln



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

Total backlog⁽¹⁾

€ mln



■ Backlog □ Soft backlog⁽²⁾ □ Backlog / Revenues □ Total backlog / Revenues

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

(1) Sum of backlog and soft backlog

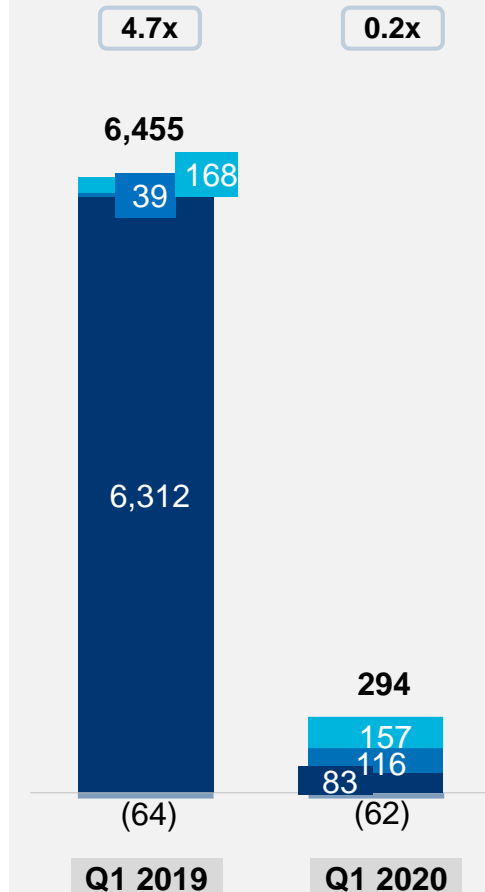
(2) Soft backlog represents the value of existing contract options and letters of intent as well as contracts in advanced negotiation, none of which yet reflected in the order backlog

Order intake and backlog

Breakdown by segment

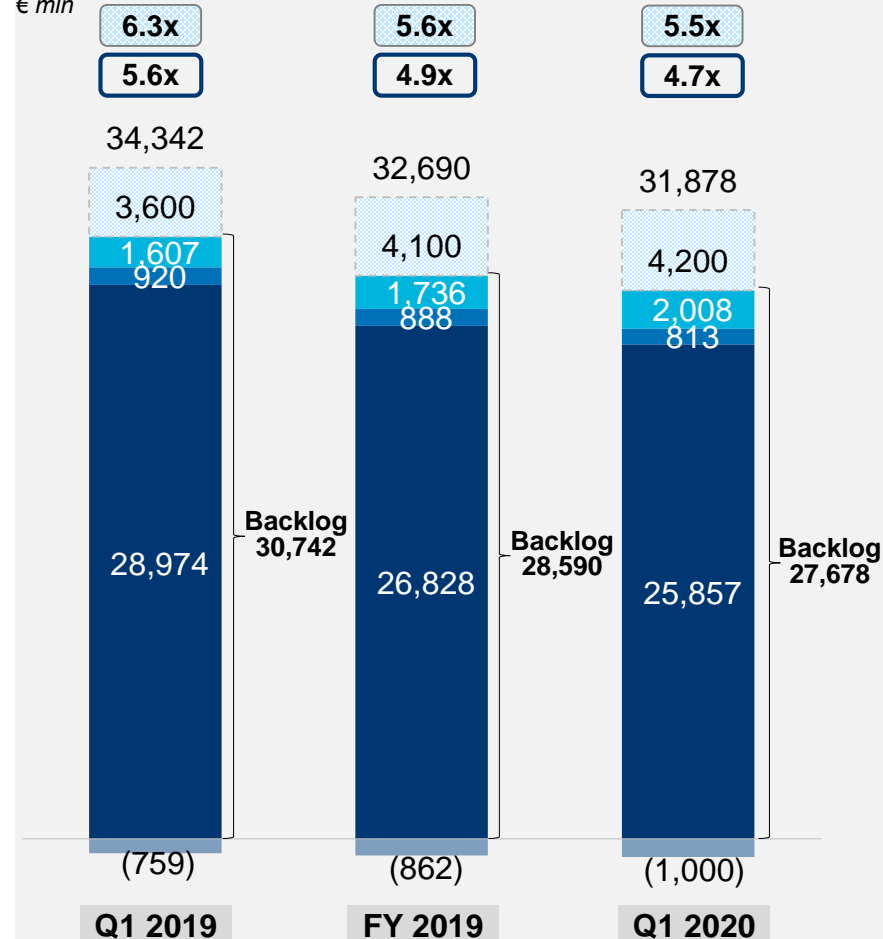
Order intake

€ mln



Total backlog⁽¹⁾

€ 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⁽²⁾

(1) Sum of backlog and soft backlog

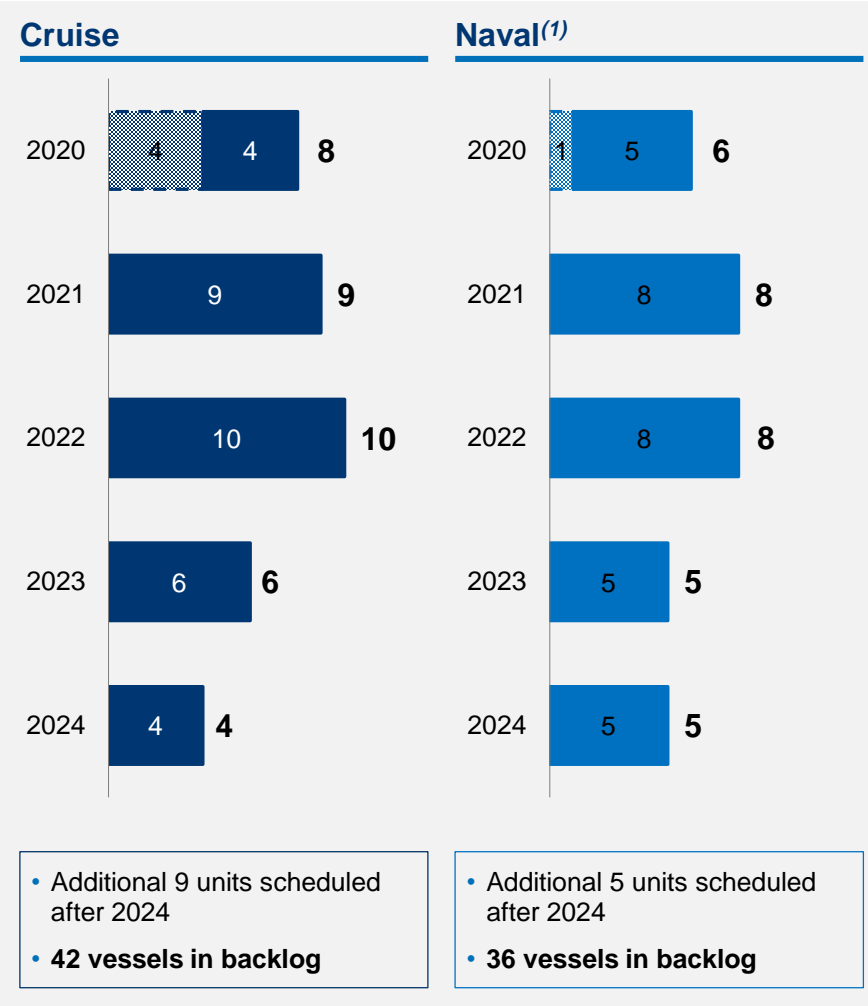
(2) Soft backlog represents the value of existing contract options and letters of intent as well as contracts in advanced negotiation, none of which yet reflected in the order backlog

Backlog deployment

Breakdown by segment and end market

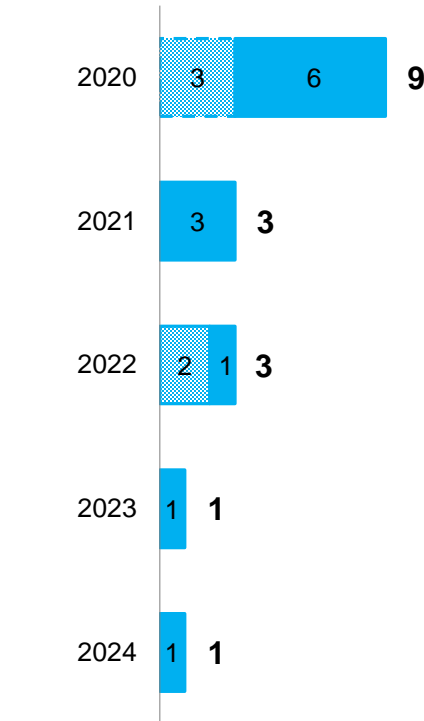
Shipbuilding

ship deliveries



Offshore & Specialized Vessels

ship deliveries



• **14 vessels in backlog**

- **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⁽²⁾: 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

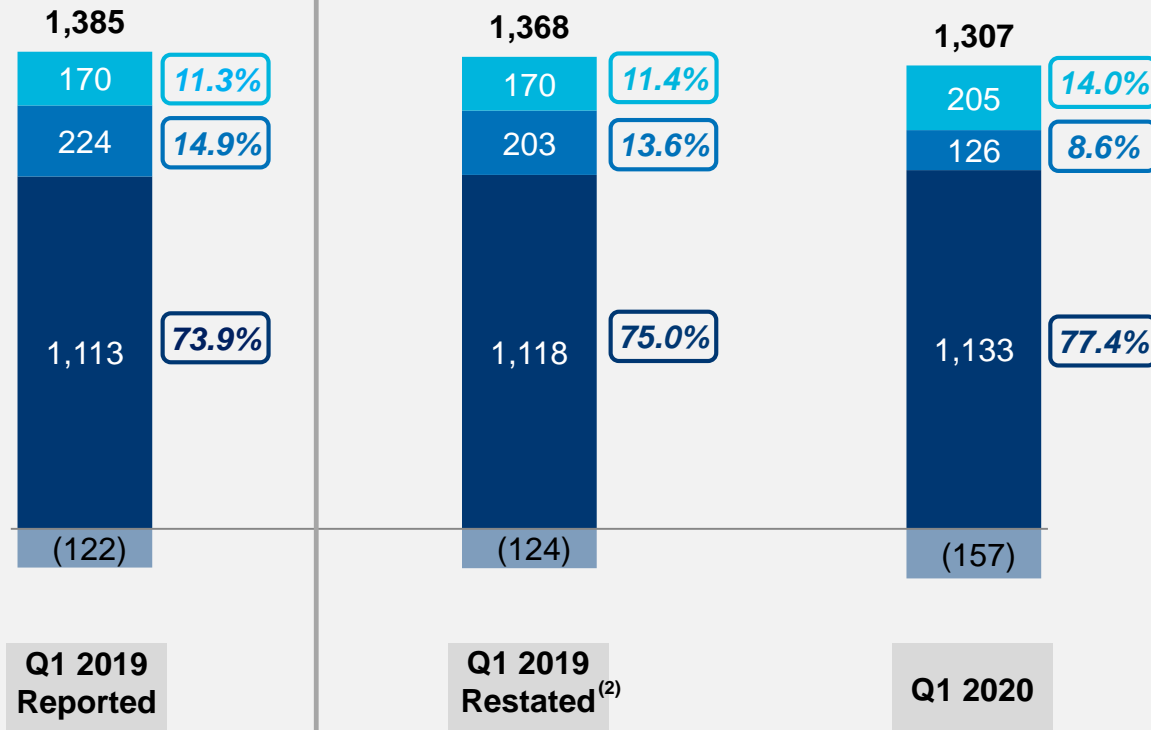
Delivered in Q1 2020
 New orders in Q1 2020

(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⁽¹⁾

€ mln



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

(1) Breakdown calculated on total revenues before eliminations

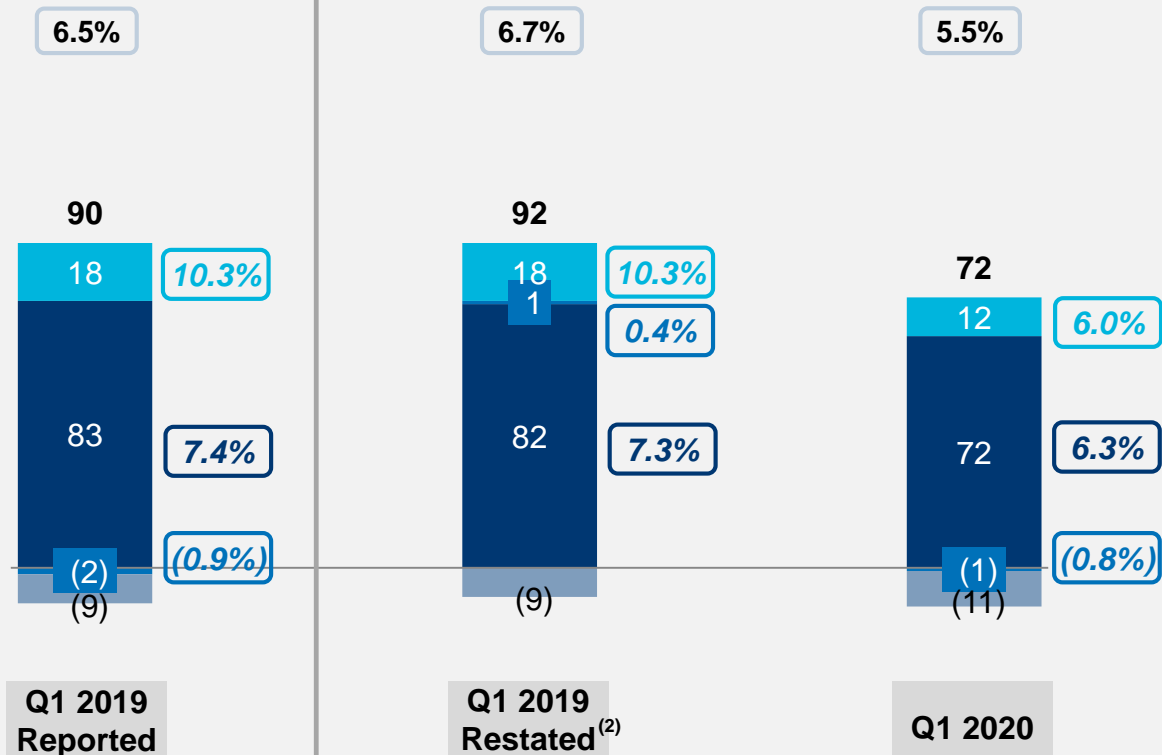
(2) Restated following the dismissal of small fishery and aquaculture support vessels business (VARD Aukra) and the aggregation of Vard Electro into the Shipbuilding segment (ex Offshore)

- 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

1Q 2020 EBITDA

EBITDA⁽¹⁾ and EBITDA margin

€ mln



■ Shipbuilding
 ■ Offshore & Specialized Vessels
 ■ Equipment, Systems & Services
 ■ Eliminations
 ■ Other activities⁽²⁾
% % 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 5

Balance Sheet and Capital Structure



Working capital dynamics

Indicative payment terms

Illustrative phases of the shipbuilding process⁽¹⁾

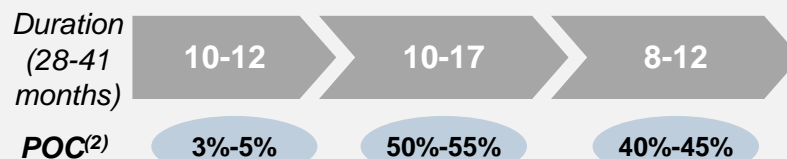


Impact on net working capital

Cruise



- 20% during construction
- 80% on delivery

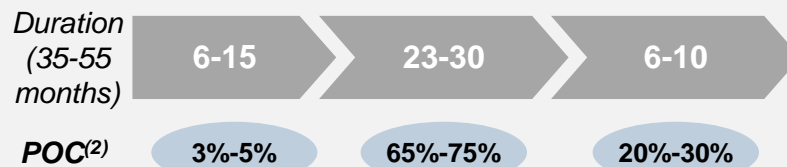


- Increases during construction
- Impact on net debt/construction loans

Naval⁽³⁾



- According to % of completion

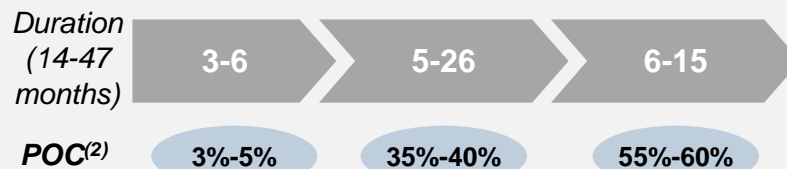


- Positive or neutral profile

Offshore⁽³⁾



- 20% during construction
- 80% on delivery



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

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

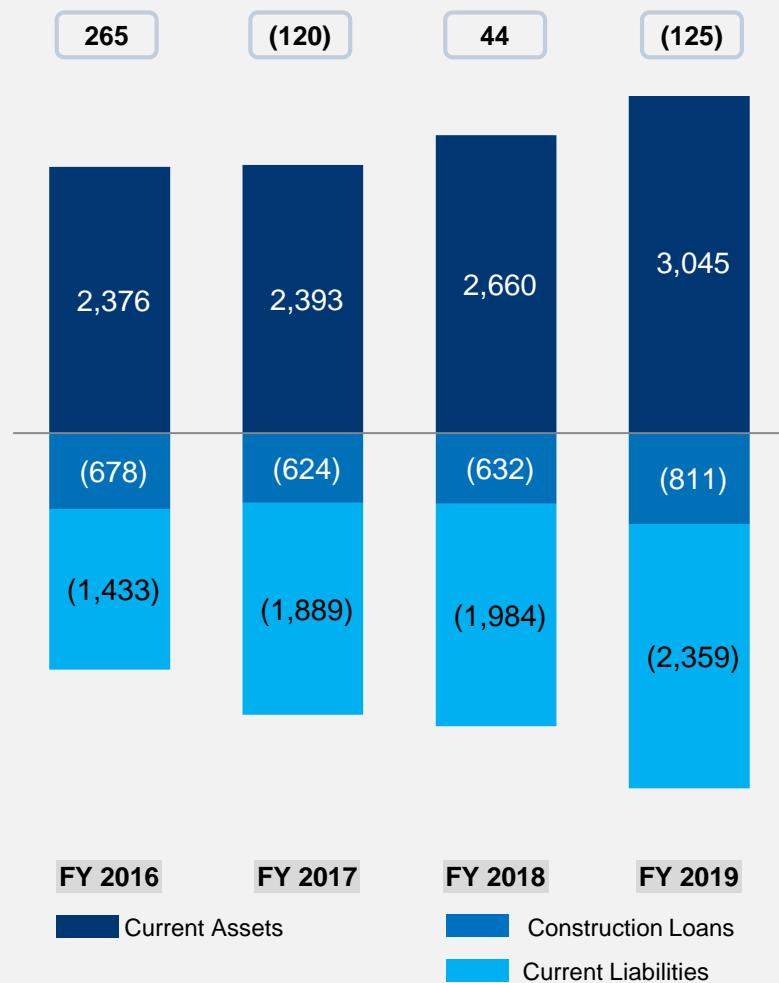
⁽²⁾ Percentage of Completion

⁽³⁾ Illustrative for frigates and support vessels

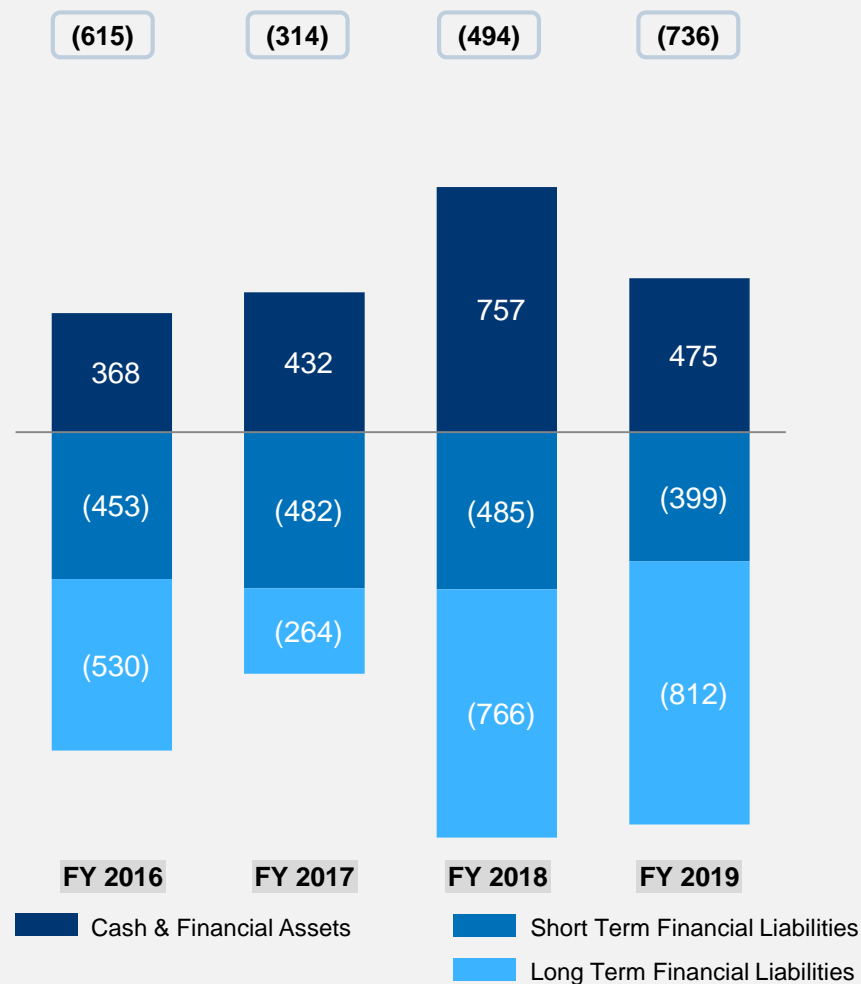
Historical evolution of Net Working Capital and Net Financial Position

Net Working Capital⁽¹⁾

€ mln



Net Financial Position⁽²⁾

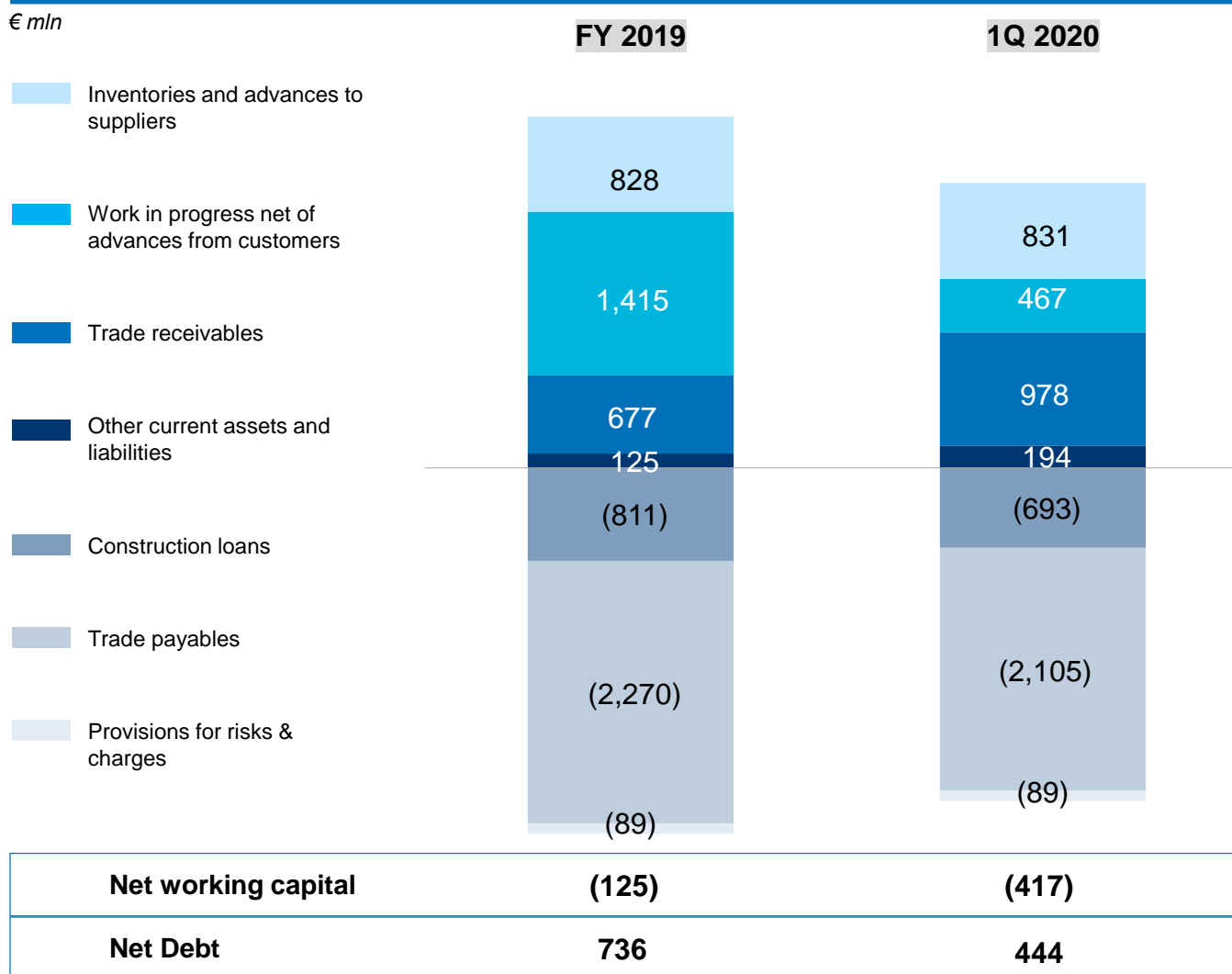


(1) Construction loans are committed working capital financing facilities, treated as part of Net working capital, not in Net financial position, as they are not general purpose loans and can be a source of financing only in connection with ship contracts

(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⁽¹⁾

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**

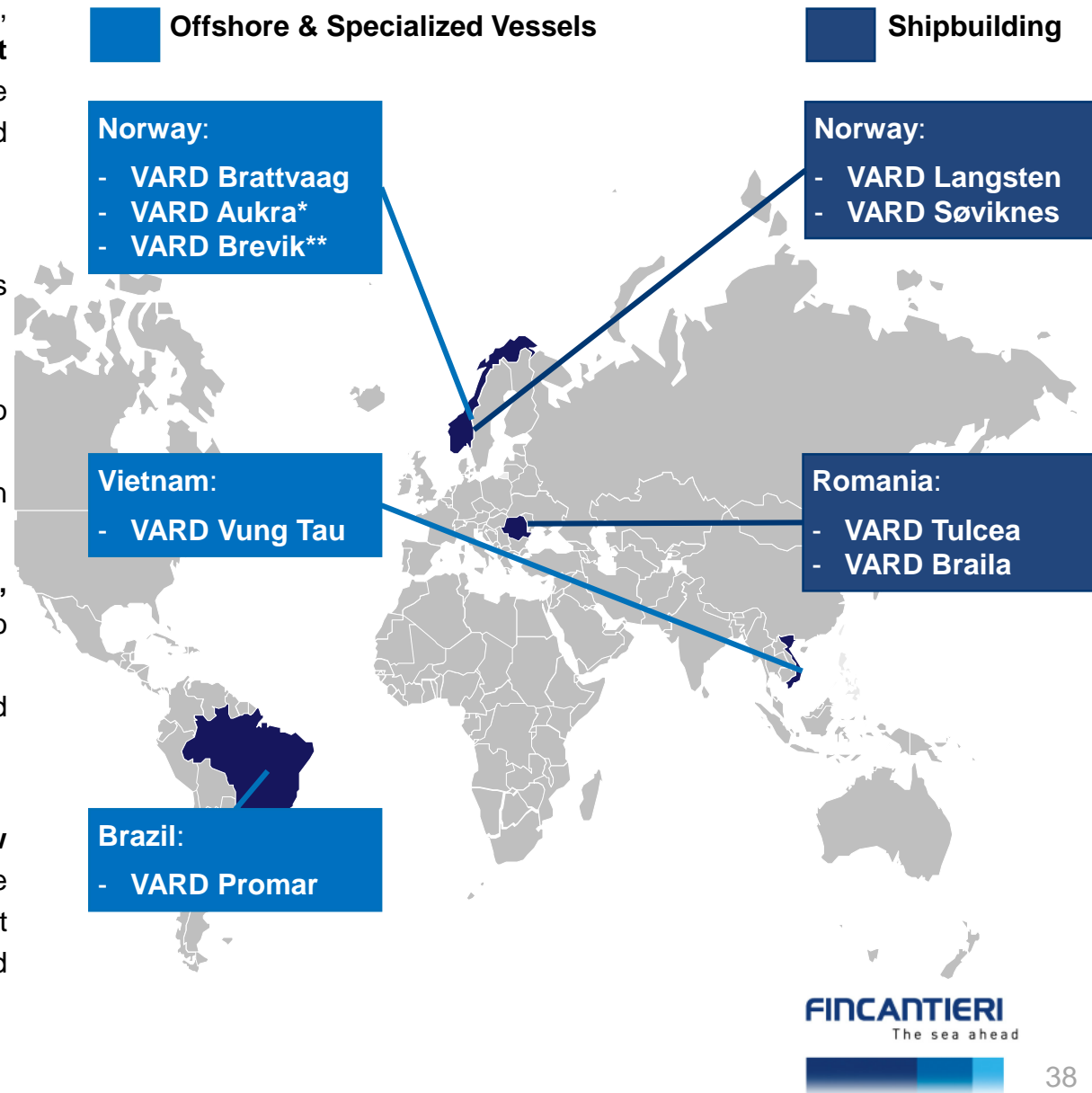
⁽¹⁾ Construction loans are committed working capital financing facilities, treated as part of Net working capital, not in Net financial position, as they are not general purpose loans and can be a source of financing only in connection with ship contracts

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⁽¹⁾

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

(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) Restated following the disposal of small fishery and aquaculture business (Vard Aukra yard) in 2019

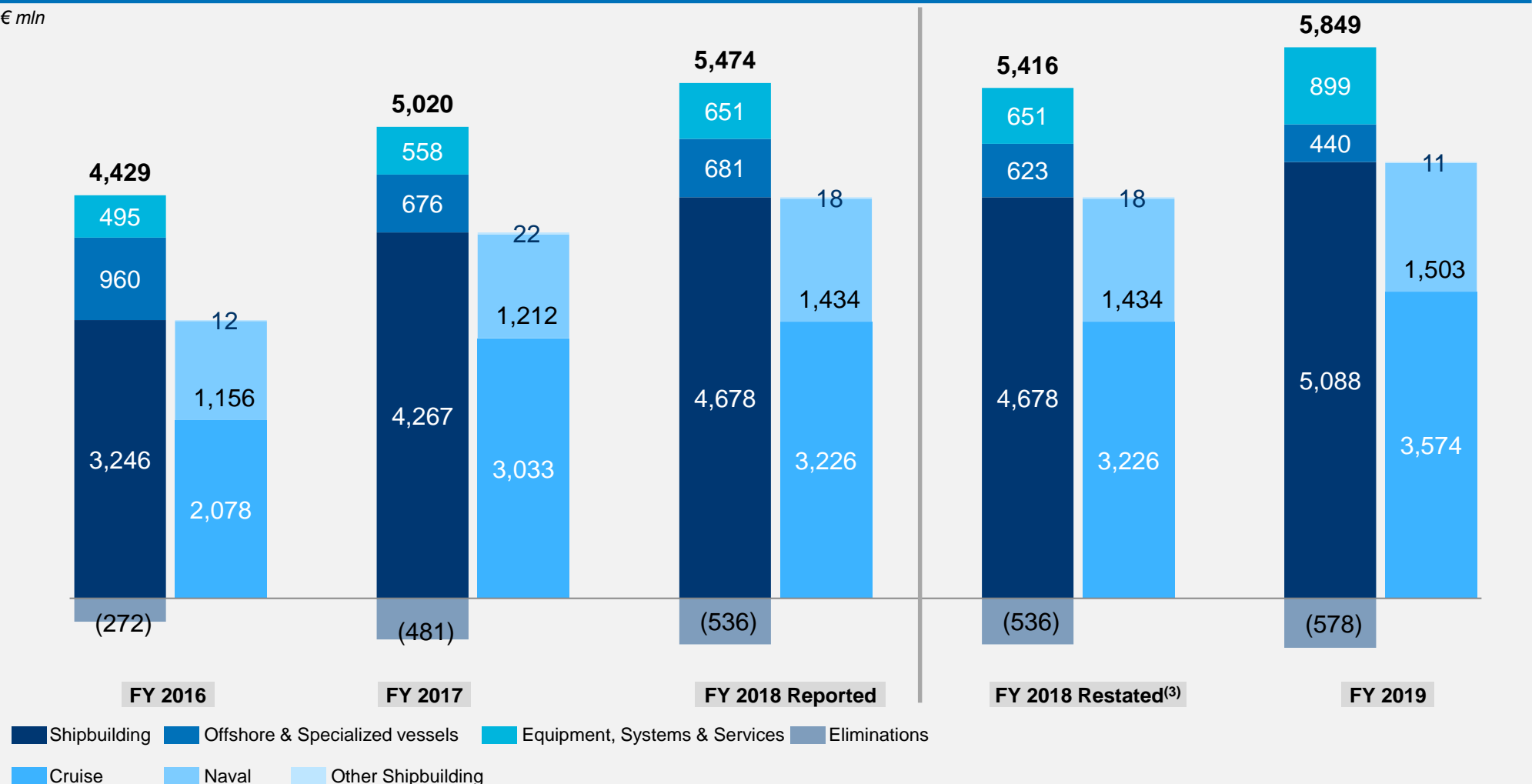
(3) Excluding extraordinary and Non Recurring Items net of tax effect

(4) 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⁽¹⁾

€ mln



⁽¹⁾ Breakdown calculated gross of consolidation effects

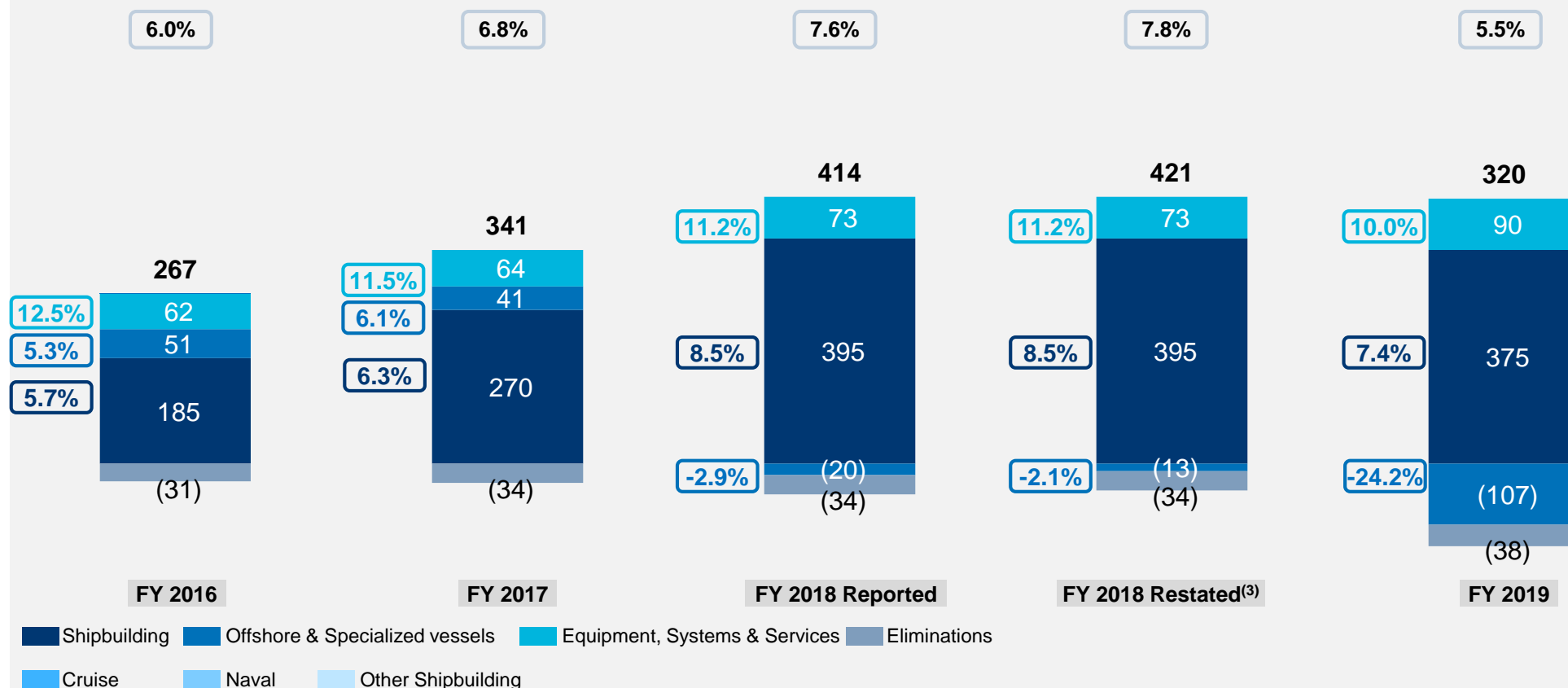
⁽²⁾ EBITDA is a Non-GAAP Financial Measure. The Company defines EBITDA as profit/(loss) for the period before (i) income taxes, (ii) share of profit/(loss) from equity investments, (iii) income/expense from investments, (iv) finance costs, (v) finance income, (vi) depreciation and amortization, (vii)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

€ mln



⁽¹⁾ Breakdown calculated gross of consolidation effects

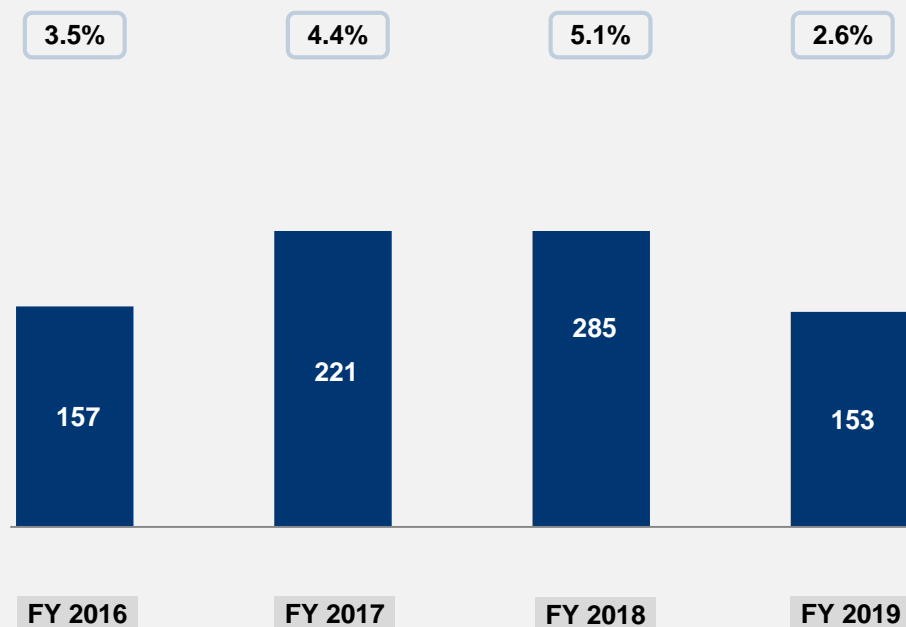
⁽²⁾ EBITDA is a Non-GAAP Financial Measure. The Company defines EBITDA as profit/(loss) for the period before (i) income taxes, (ii) share of profit/(loss) from equity investments, (iii) income/expense from investments, (iv) finance costs, (v) finance income, (vi) depreciation and amortization, (vii)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

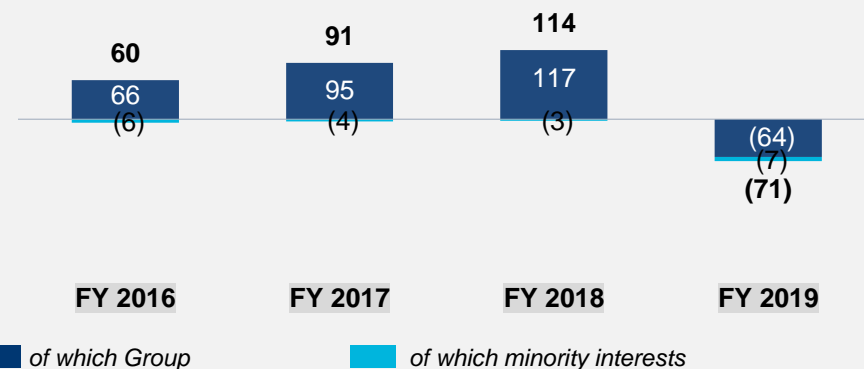
EBIT / margin

€ mln



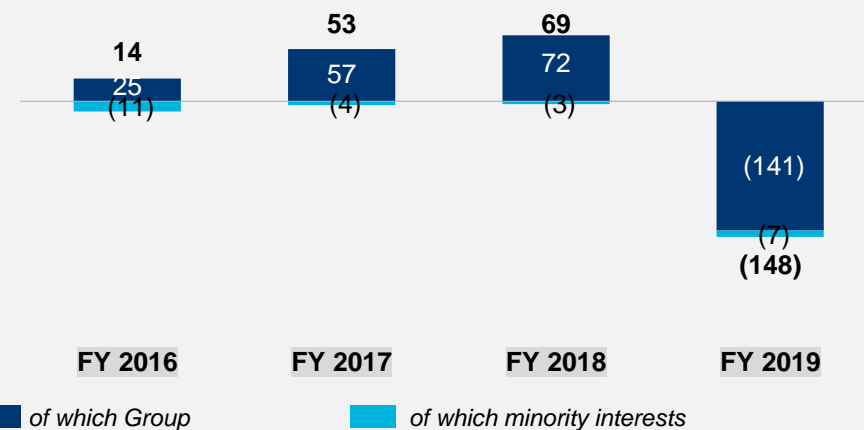
Net result before extraordinary and non recurring items⁽¹⁾

€ mln



Net result

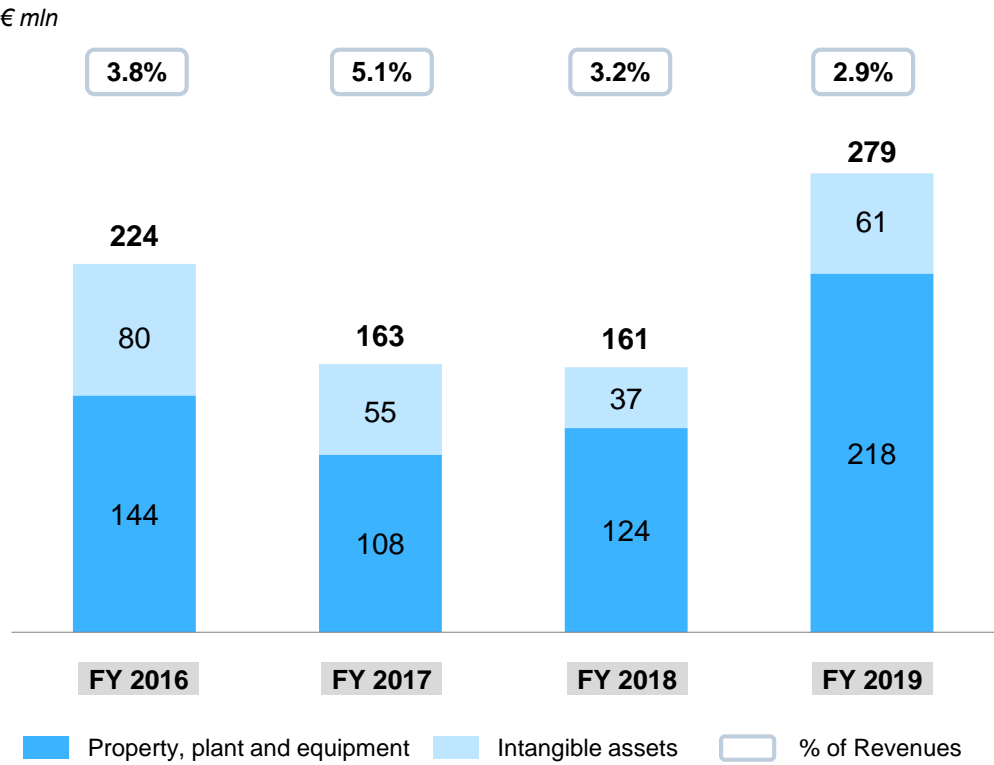
€ mln



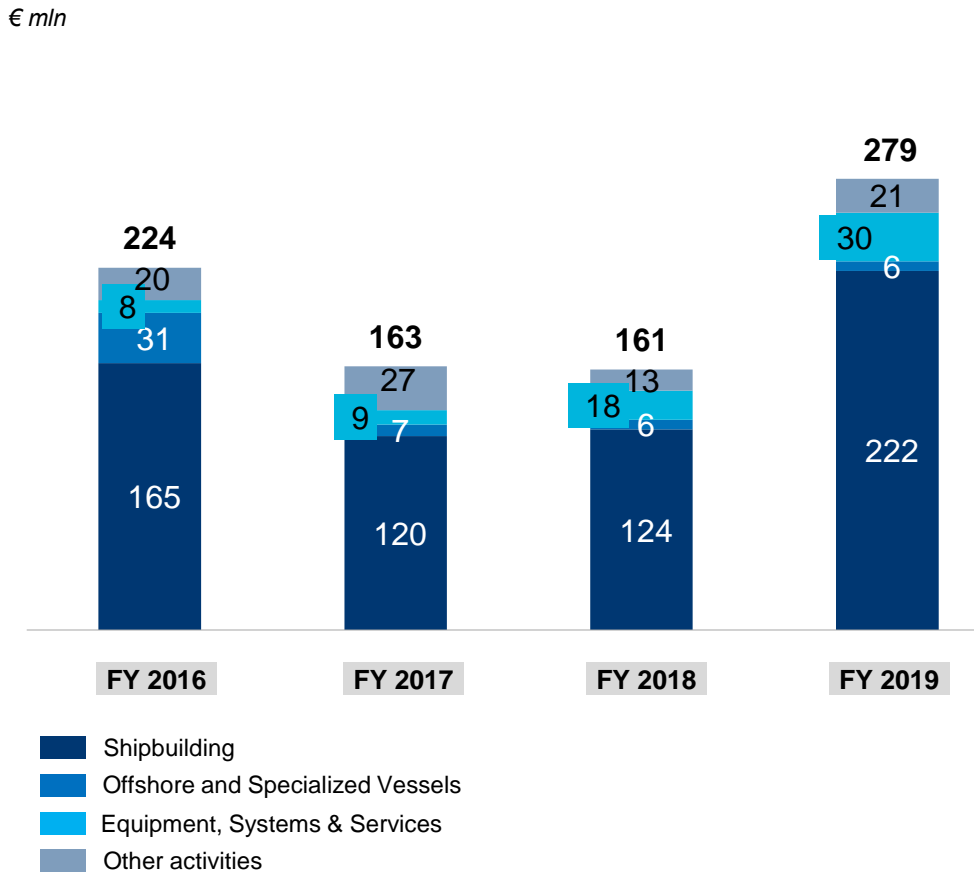
⁽¹⁾ Extraordinary and non recurring costs net of tax effect amounted to € 37 mln in 2015, € 46 mln in FY 2016, € 38 mln in 2017, € 39 mln in 2018, and € 53 in 2019

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))