

Kepler Cheuvreux

Italian Equity Digital Summit

May 19, 2020

FINCANTIERI
The sea ahead



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Declaration of the Manager responsible for preparing financial reports

Pursuant to art. 154-BIS, par. 2, of the Unified Financial Act of February 24, 1998, 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.



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)

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 Q1 2020 main deliveries



Seven Seas Splendor (Regent)



Scarlet Lady (Virgin Voyages)



Le Bellot (Ponant)



LCS 19 "St. Louis" (US Navy)



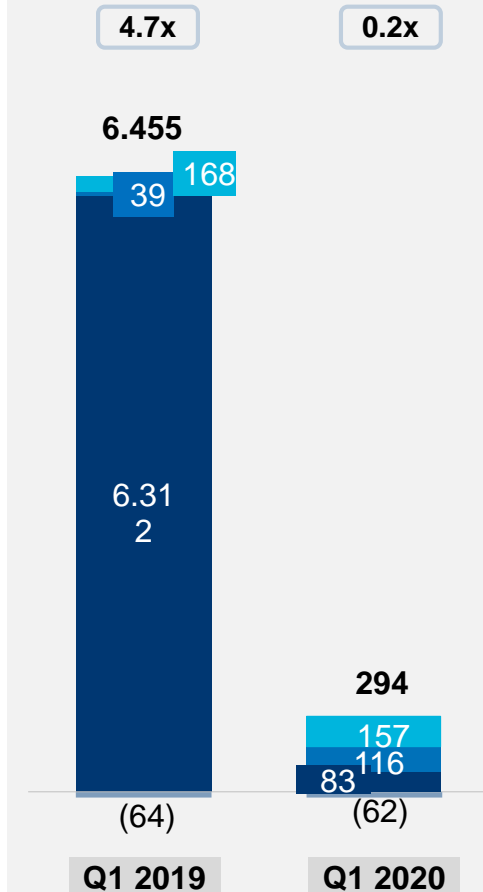
Ferry (Boreal Sjø)

Order intake and backlog

Breakdown by segment

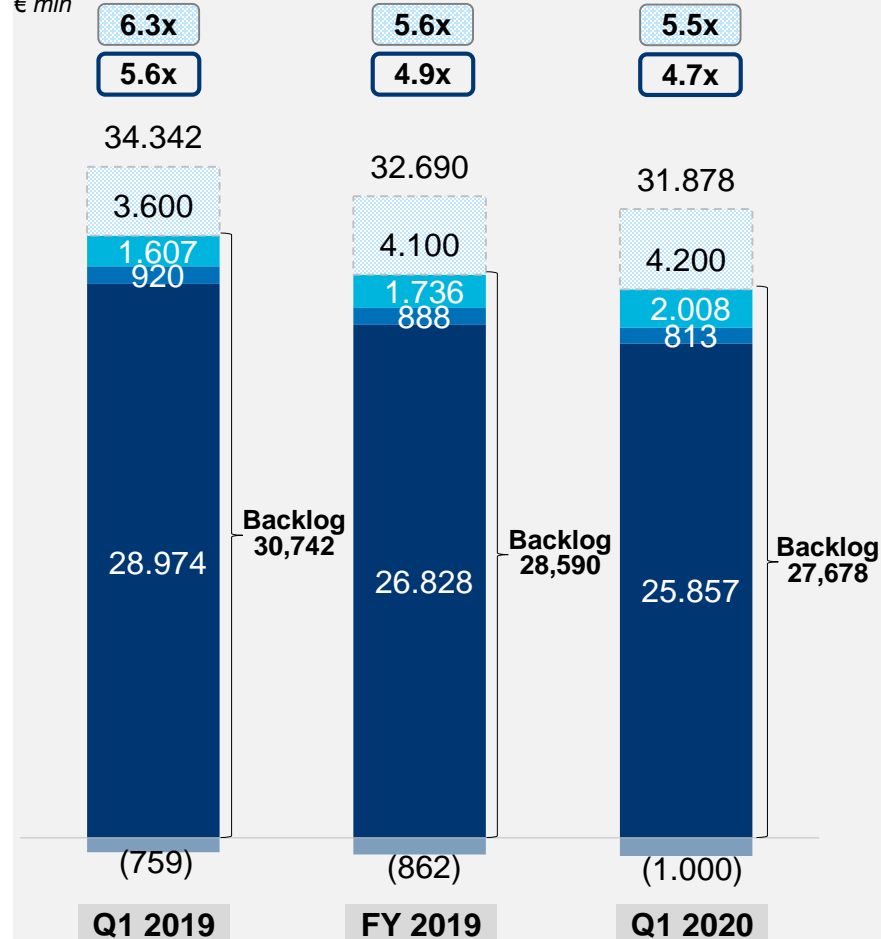
Order intake

€ 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

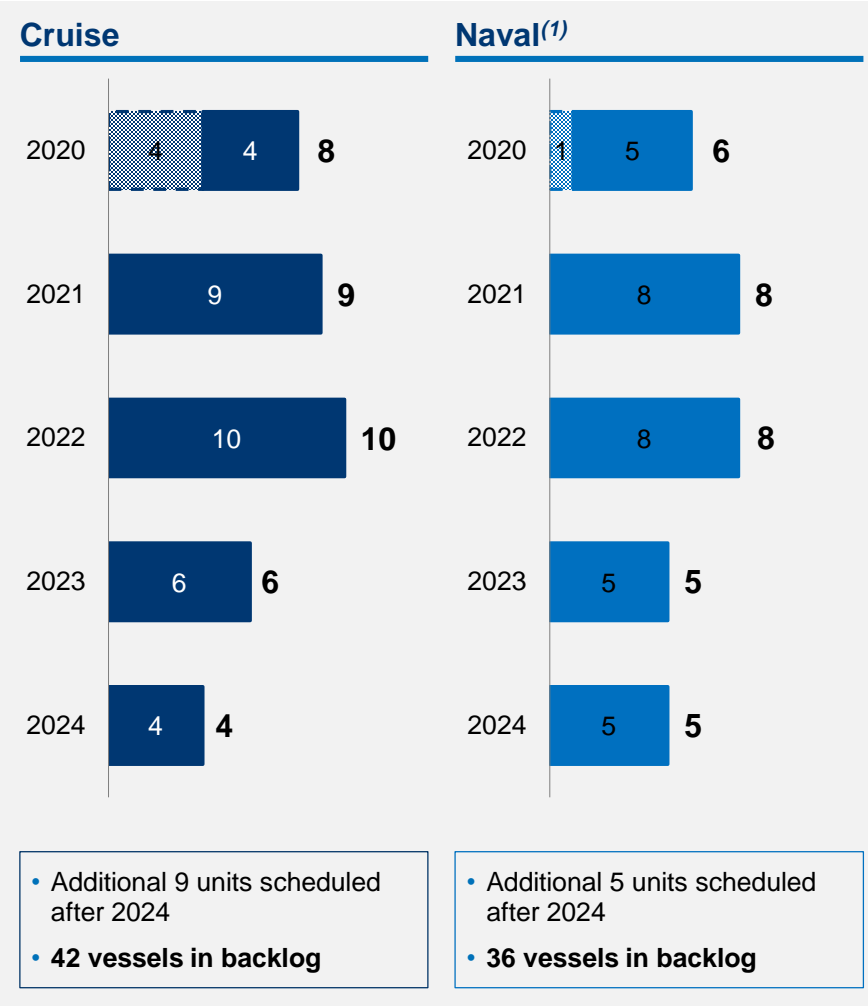
(2) Soft backlog represents the value of existing contract options and letters of intent as well as contracts in advanced negotiation, none of which yet reflected in the order backlog

Backlog deployment

Breakdown by segment and end market

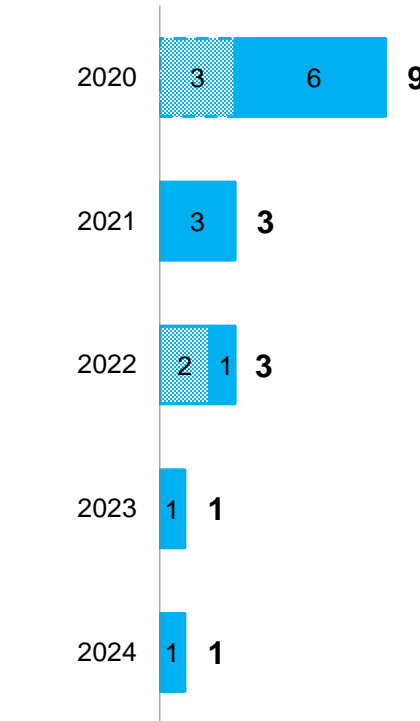
Shipbuilding

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

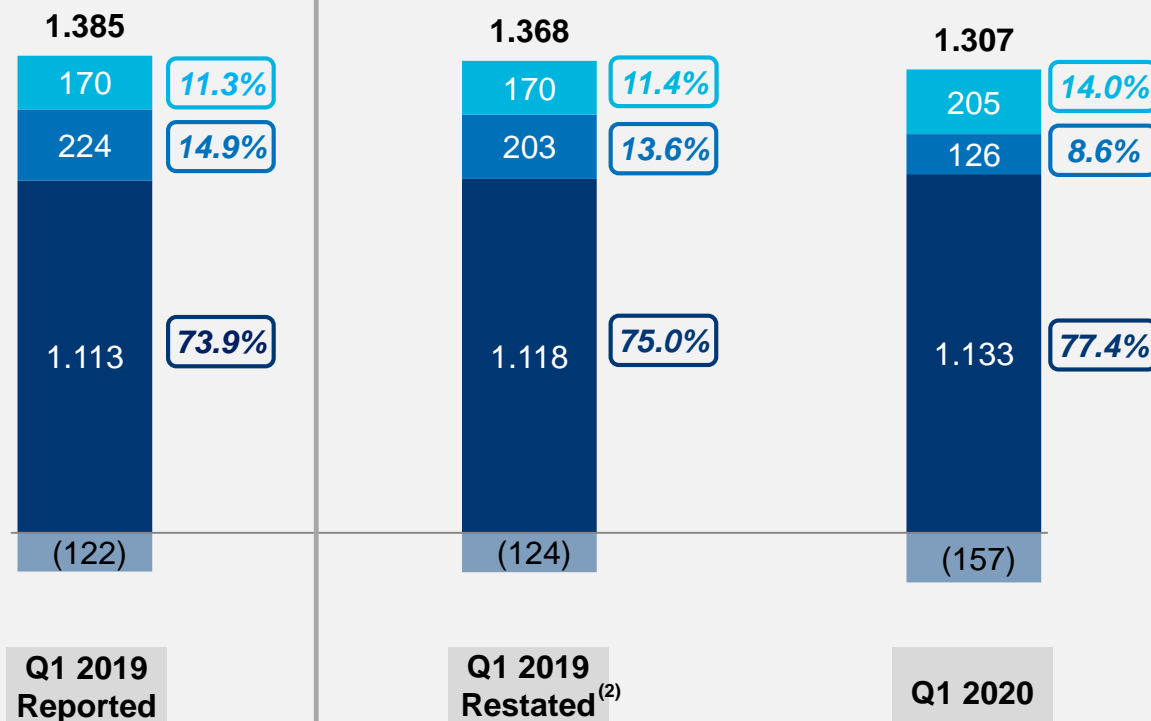
(1) Ships with length > 40 m; Articulated Tug Barge (ATB) is an articulated unit consisting of a barge and a tug, thus being counted as two vessels in one unit

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

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

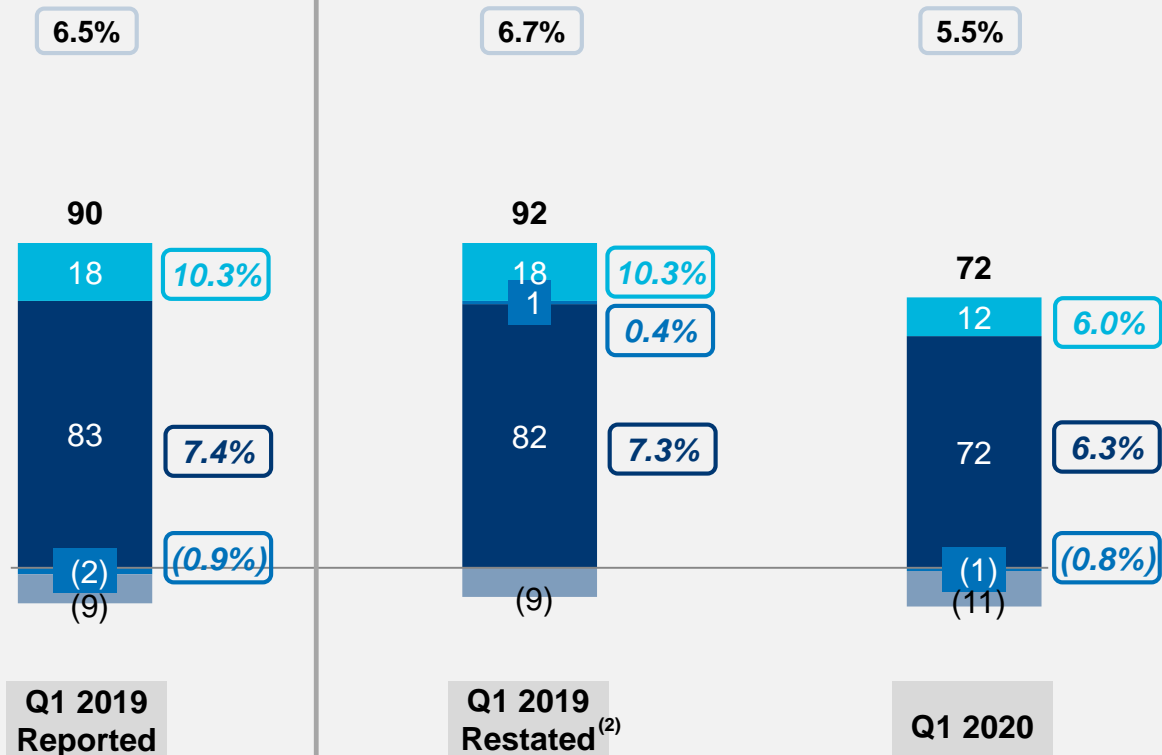
(2) Restated following the dismissal of small fishery and aquaculture support vessels business (VARD Aukra) and the aggregation of Vard Electro into the Shipbuilding segment (ex Offshore)

- 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

EBITDA

EBITDA⁽¹⁾ and EBITDA margin

€ mln



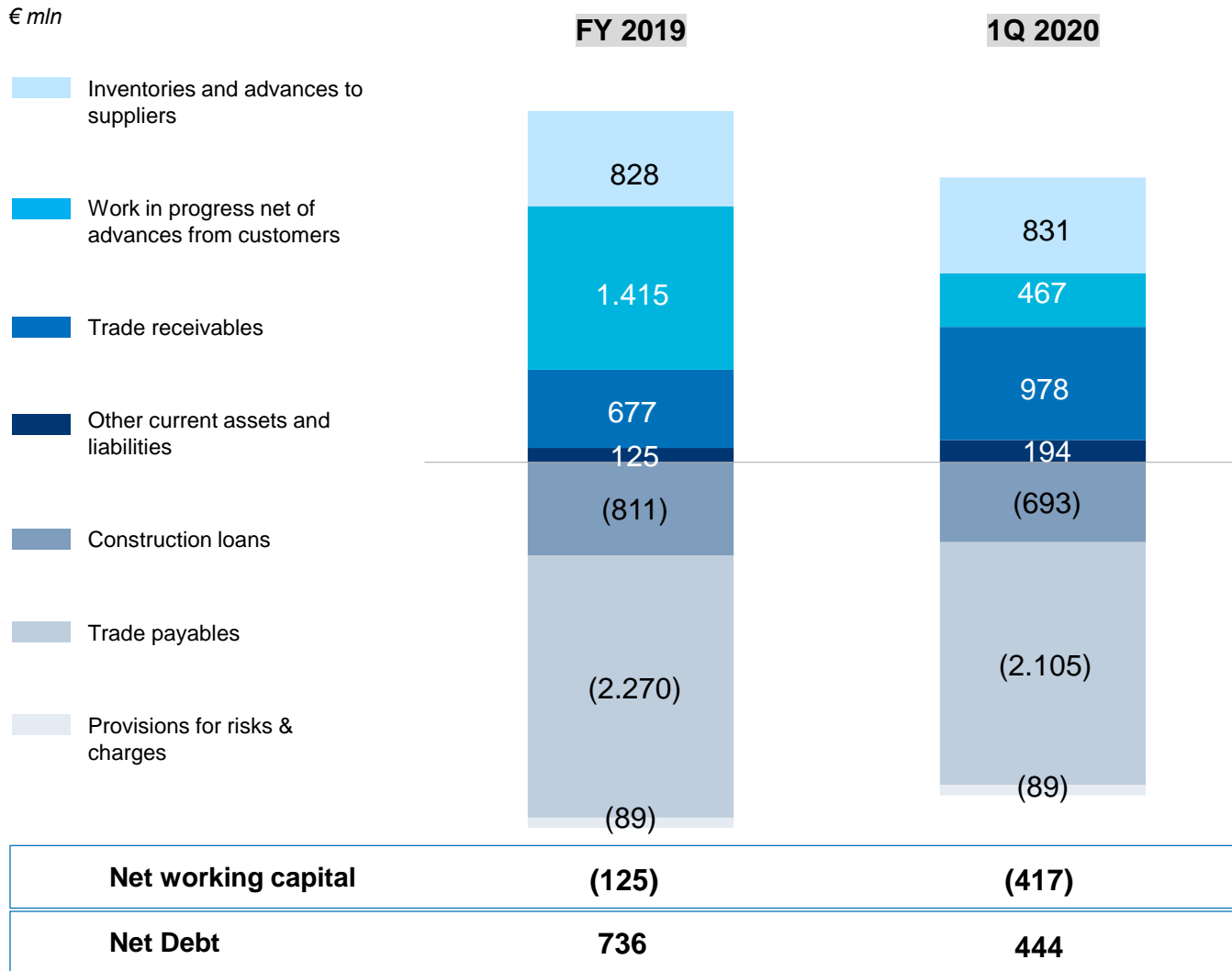
- EBITDA at € 72 mln (€ 92 mln in Q1 2019), EBITDA margin at 5.5% (6.7% in Q1 2019)
- Suspension of activities led to **estimated shortfall in EBITDA of ~ € 15 mln**
 - Shipbuilding profitability affected by the suspension of Italian production activities in March
 - Offshore and Specialized Vessels 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)

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

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)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. Jousseaume, 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: 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**

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**

Investor Relations contacts

Giuseppe Dado - Chief Financial Officer

Investor Relations Team

Caterina Venier Romano

+39 040 319 2229

caterina.venierromano@fincantieri.it

Valentina Fantigrossi

+39 040 319 2243

valentina.fantigrossi@fincantieri.it

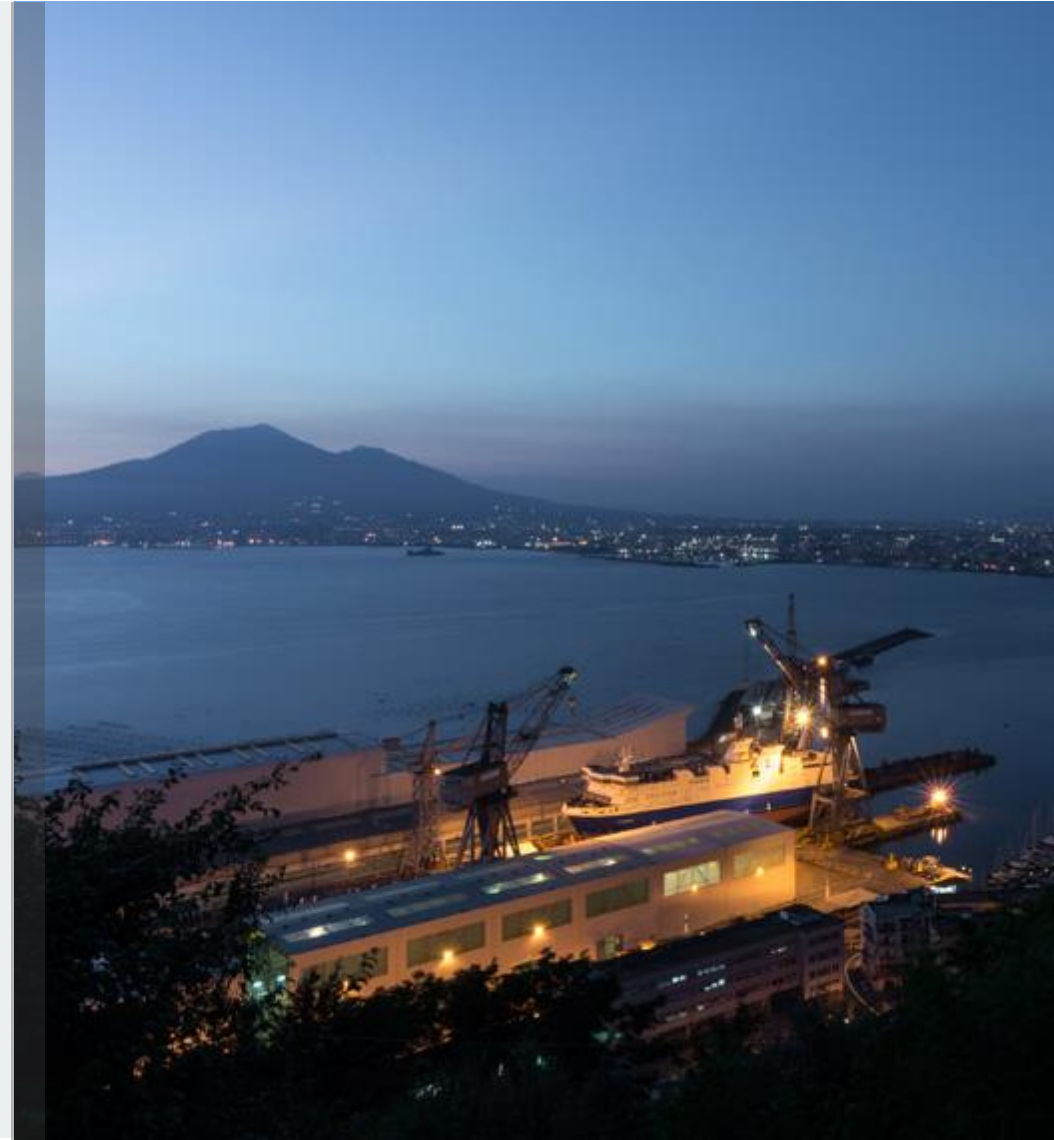
Institutional Investors

investor.relations@fincantieri.it

Individual Shareholders

azionisti.individuali@fincantieri.it

www.fincantieri.com



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Q&A



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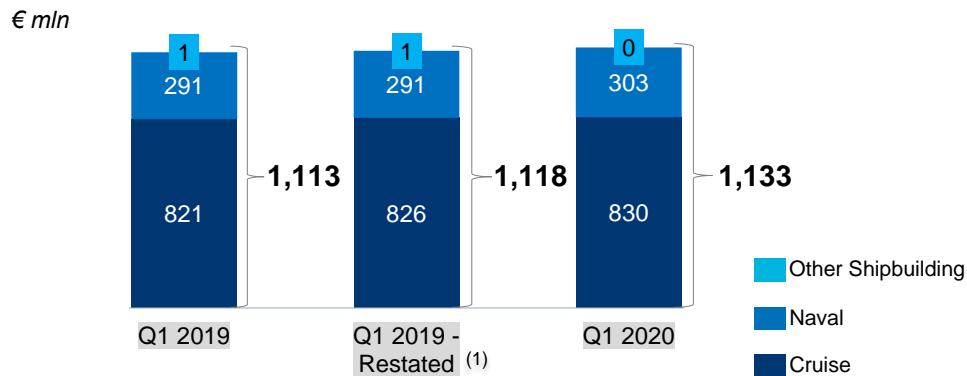


Appendix

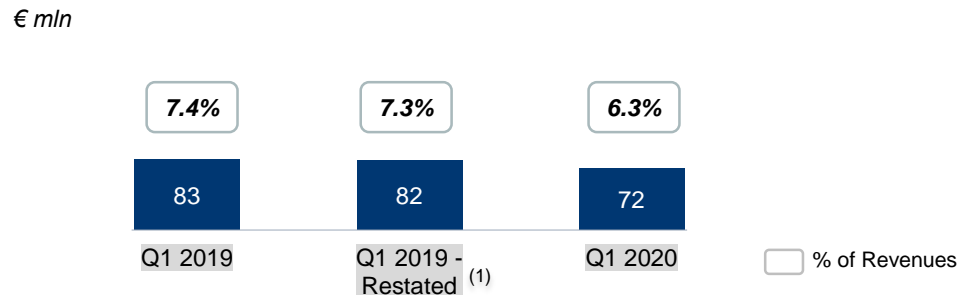


Financial overview - Shipbuilding

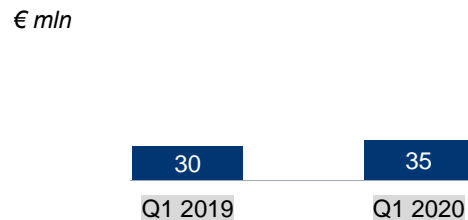
Revenues



EBITDA



Capex



- **Revenues:** € 1,133 mln (+1.3% vs Q1 2018)
 - In line with Q1 2019 results despite production suspension
- **EBITDA:** € 72 mln, with margin at 6.3%
 - Lower profitability due to diminished percentage of completion
- **Capex:** € 35 mln
- **Orders:** € 83 mln (€ 6,312 mln in Q1 2019)
- **Backlog:** € 25,857 mln (€ 28,974 mln in Q1 2019)
- **Deliveries:**
 - 2 Cruise ships⁽²⁾
 - 1 Expedition cruise vessel⁽³⁾
 - 1 Naval vessel⁽⁴⁾
 - 1 Fishery⁽⁵⁾

(1) Restated following the aggregation of Vard Electro into the Shipbuilding segment (ex Offshore)

(2) "Scarlet Lady" for Virgin, "Seven Seas Splendor" for Regent

(3) "Le Bellot" for Ponant

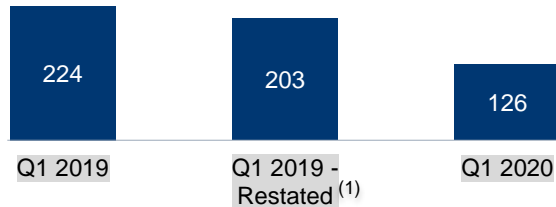
(4) LCS 19 for the US Navy

(5) For Finnmark havfiske AS

Financial overview – Offshore & Specialized Vessels

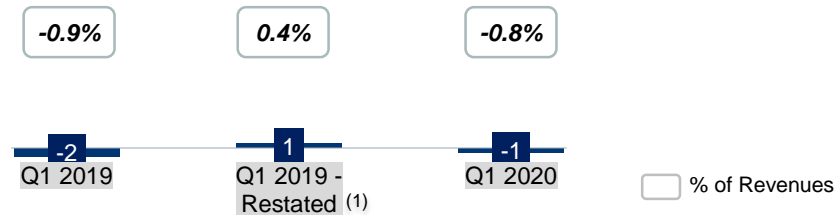
Revenues

€ mln



EBITDA

€ mln



Capex

€ mln



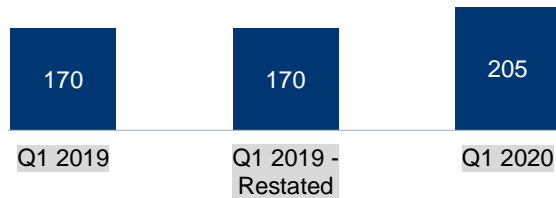
- Revenues: € 126 mln (-37.9% vs Q1 2019)
 - Reduced production volumes due to lack of orders in the core market and negative effect of EUR/NOK conversion
- EBITDA: € (1) mln, with margin at -0.8%
 - Margin break even thanks to successfully completed revision of costs at completion for several projects in 2019
- Capex: € 0 mln
- Orders: € 116 mln (€ 39 mln in Q1 2019)
- Backlog: € 813 mln (€ 920 mln in Q1 2019)
- Deliveries: 3 ships
 - 1 OSCV for Island Offshore XII Ship AS
 - 1 fishery for Nergard Havfiske AS
 - 1 ferry for Boreal Sjø AS

(1) 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)

Financial overview - Equipment, Systems and Services

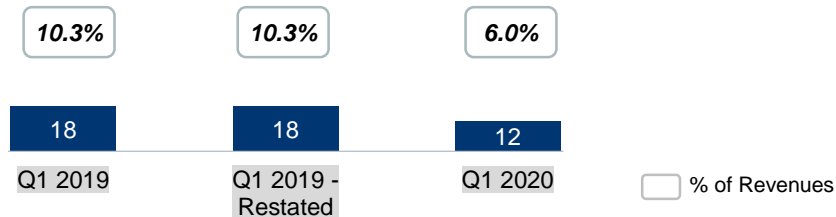
Revenues

€ mln



EBITDA

€ mln



Capex

€ mln



- Revenues: € 205 mln, up 20.6% vs Q1 2019
 - Thanks to the positive contribution of Fincantieri Infrastructure with the reconstruction of the bridge over the Polcevera river in Genoa
- EBITDA: € 12 mln with margin at 6.0%
- Capex: € 7 mln
- Orders: € 157 mln vs € 168 mln in Q1 2019
- Backlog: € 2,008 mln vs € 1,607 mln in Q1 2019