

2 – LA STRUTTURA ORGANIZZATIVA DI UN’AZIENDA DI COSTRUZIONE NAVALE

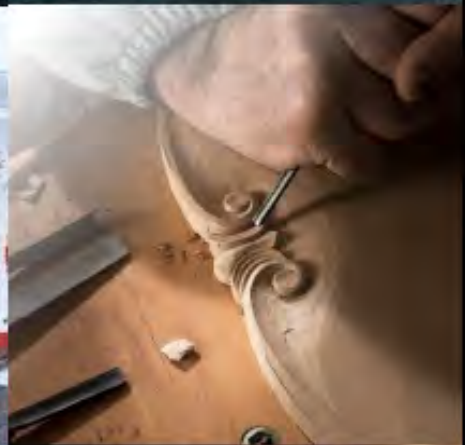
2.5 – Esempio di Piano industriale:

“Il Business Plan 2018-2022 della Fincantieri”

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Section 2 Short and medium term financial targets



The story so far...

	What we said...	...what we did...what we will achieve
Cruise	<ul style="list-style-type: none"> Backlog de-risking Synergies with Vard: integration of Tulcea shipyards 	<ul style="list-style-type: none"> Delivered 5 prototypes on time in 2016 - 2017 Tonnage delivered to Italian yards from Tulcea doubled from 2016 to 2017 	<ul style="list-style-type: none"> Only 3 prototype ships to be delivered in 2018-2022 Continuing operational integration of Romanian shipyards with Italian yards and further coordination in procurement strategy
Naval	<ul style="list-style-type: none"> Entry into new markets in Naval segment 	<ul style="list-style-type: none"> Acquired Qatari Navy contract Bid for highly strategic and visible programs 	<ul style="list-style-type: none"> Leveraging established know how and reputation through development of well proven products and new concepts Identified opportunities: Australia, US FFG(X)
Offshore	<ul style="list-style-type: none"> Diversification of VARD 	<ul style="list-style-type: none"> Over 90% of orders acquired in 2017 not related to core Offshore 	<ul style="list-style-type: none"> Consolidating acquired know-how to exploit opportunities in Offshore Expansion into luxury cruise and military segments
Equipment, Systems and Services	<ul style="list-style-type: none"> Insourcing of high value added activities Expansion of after sales services 	<ul style="list-style-type: none"> Consolidated Cabins and Integrated Systems businesses Newly acquired Naval contracts include sizable after sales services 	<ul style="list-style-type: none"> Developing Equipment, Systems and Services business to fully transform Fincantieri into a "one stop shop" for its clients From Cabins to complete Accommodation



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



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

Targets

Key pillars of the 2018-2022 Business Plan

Long term visibility

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

New horizons and markets

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

Innovation

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

Streamlined production

Continued focus on seamless execution through streamlining of processes and production

Shipbuilding - Cruise: growing market

Dynamics of cruise ships market

Historical trends (2013-2017)

- Starting from 2014, significant recovery in demand, with record orders in the last two years (49 units) and consequent increase of workload and shipyards production visibility
- Demand recovery in "traditional markets"
- Entering new markets with great potential (e.g. China and Australia)
- New players / new brands (e.g. Virgin Cruises, Costa Asia)

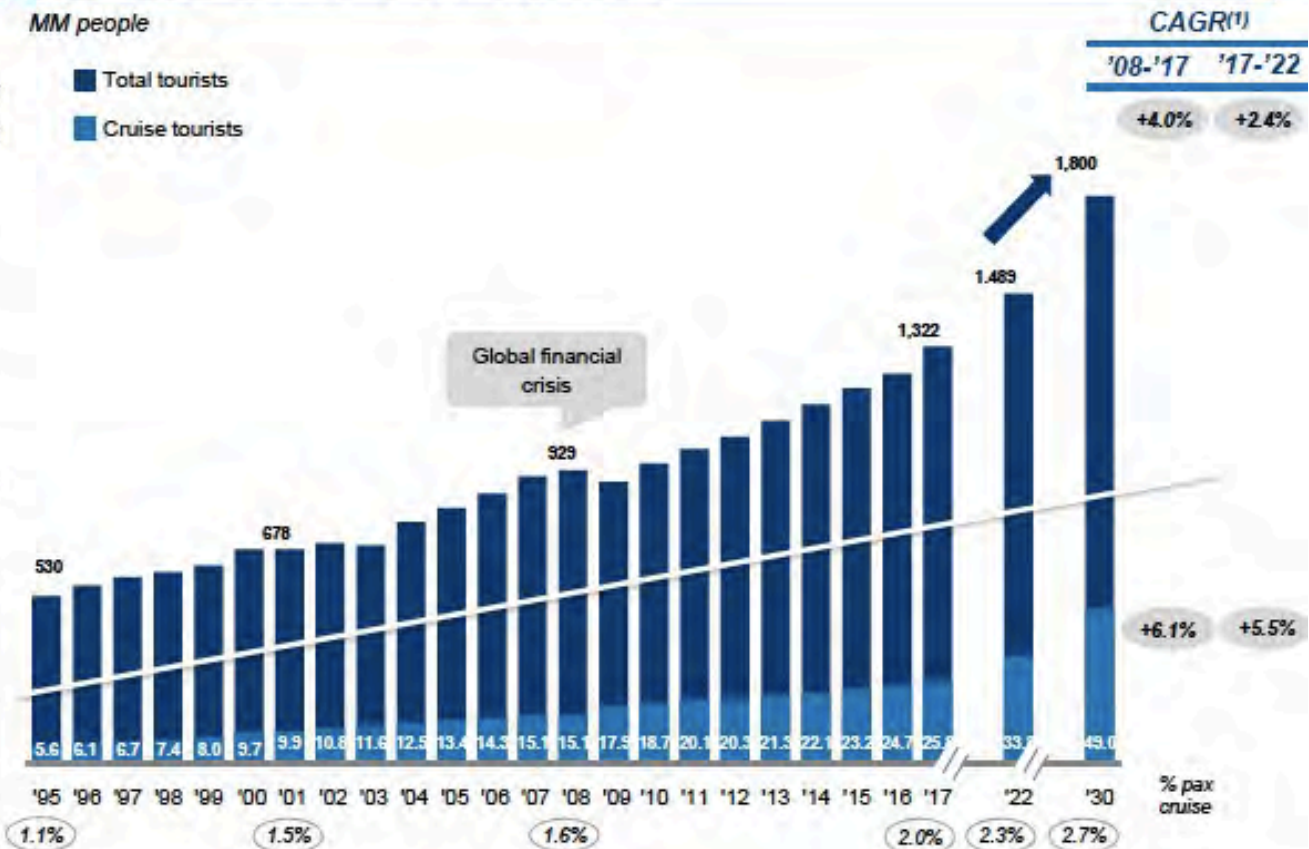
Forecast (2018-2022)

- Production capacity already filled through 2022 with ships currently in backlog or close to finalization
- Steady growth in demand for lower berths, going beyond 2022, thanks to growing number of cruise passengers

Dynamics of global tourism and cruise passengers

MM people

- Total tourists
- Cruise tourists



Source: Total Tourists: World Tourism Organization, UNWTO – Tourism Highlights, 2017 Total cruise Tourist: Fincantieri estimates

(1) Compounded annual growth rate

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Shipbuilding - Cruise: strategy and action plan

Description

Revenue growth

- **Deployment of vast backlog**
 - over 90% of cruise revenues spanning the Plan's horizon covered by existing contracts and/or MOAs
- **Acquisition of new clients and expansion into new geographical areas**

Positive market momentum

- **Confirmed positive trend in lower berth pricing**
 - Substantial uptick in the latter part of the plan period
- **Demand for ships over 140,000 GRT spurs increase of project size and contract values**
- **Expansion in niche market spaces** (luxury-exploration and ice class cruise ships)

Favorable backlog composition

- **Leverage on the commercial efforts of previous years and on a proven track record of consistent execution and timely delivery**
- **New prototypes lay the base for future order acquisitions** (on average a prototype generates 4 sister ships)

Production/ engineering

- **De-risking prototype construction** by relying on consolidated know-how in both engineering and project management
- **Further focus on production efficiencies**
- **Continuing implementation of:**
 - **Operational integration of Tulcea shipyard** with the Italian yards in order to build complex sections of cruise ships
 - **Coordinated procurement strategy** to exploit low cost production platform advantages

Capex and Human Resources

- **Capital investments in Italy and Romania** to further optimize construction yards and project development capabilities
- **Hiring of additional, highly specialized workforce** to better execute backlog deployment

Shipbuilding - Naval: market opportunities

Description

Fincantieri's accessible markets⁽¹⁾

- The value of high-likelihood programs⁽²⁾, with expected allocation date in the 2018-2022 period, amounts to approx. €52 billion
- In the 2018-2022 period these programs should generate a commitment to expenditures approaching € 9.2 billion
- 9 countries make for 74% of the orders: USA, Australia, Brazil, Saudi Arabia, Singapore, Poland, Thailand, Egypt, Philippines.
- The main programs expected to be assigned in 2018-2022 include:
 - Australia: SEA 5000 Future Frigates
 - USA: LCS and FFG (X) Future Frigates
 - Canada⁽⁵⁾: Frigates
 - Brazil: FSGHM CV03 (Tamandaré), OPV NPa 500-BR
 - Saudi Arabia: Multi-Mission Surface combatant frigates
 - Singapore: Corvette, LPD
 - Poland: Corvette, AOR Supply
 - Romania⁽⁶⁾: Corvette
 - Thailand: Frigates, OPV
 - Egypt: Frigates
 - Philippines: Frigates, OPV

Programs value and expenditure

Value of programs 2018 -2022

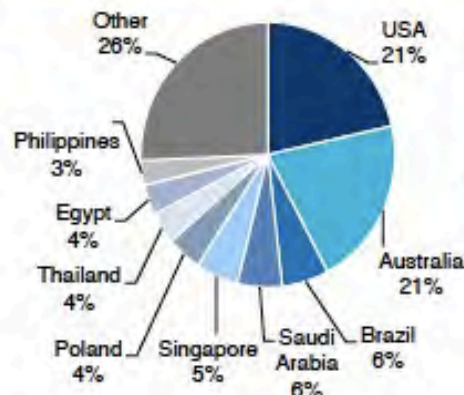


Expenditure 2018-2022

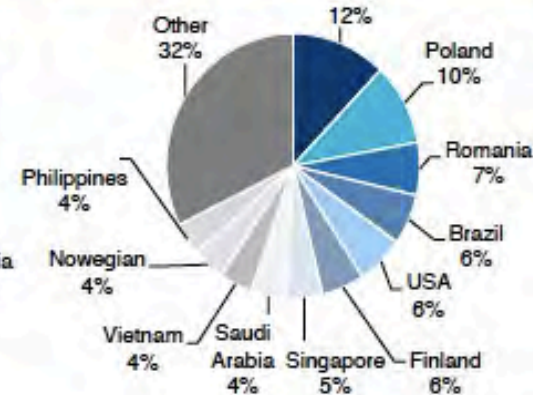


Programs value, expenditure and number of units

Value of programs %⁽⁹⁾



Expenditure 2018-2022 %



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Source: IHS Jane's - January 2018, Fincantieri analysis

(1) Excluding submarines, minehunters and programs of self-sufficient / non accessible countries

(2) High likelihood programs are considered to be those with a probability of actual deployment greater than or equal to 75%, based on the evaluation of a series of elements such as the definition of the ship configuration, Country situation, availability of defense budgets, etc.

(3) Including aircraft carriers, destroyers and frigates

(4) Including patrol vessels and corvettes

(5) The program related to the construction of Frigates for the Canadian Navy is valued only in terms of the potential revenue for Fincantieri

(6) Not included in the analysis

Shipbuilding - Naval: commercial strategy

Description

Consolidation and development of existing programs

- **Italy:** continuing execution of Italian Navy's fleet renewal program
 - 9 vessels in backlog (7 Multipurpose Offshore Patrol units, 1 Logistic Support Ship, 1 Multipurpose amphibious unit), with first delivery in 2019
 - options for 3 vessels (Multipurpose Offshore Patrol units)
 - Deliveries of remaining FREMM vessels (4 units)
- **US:** completion of current backlog of LCS program
 - 9 vessels in backlog
 - 1 option
 - Awarded budget for design phase of FFG(X)
- **Qatar:** execution of contract with the construction of 7 vessels
 - 4 corvettes, 1 amphibious vessel (LPD - Landing Platform Dock), 2 patrol vessels (OPV - Offshore Patrol Vessel), with first delivery in 2021

Other programs

- **Australia**
- **US FFG(X)**
- **Italian Navy (submarines – 3rd batch)**

Leveraging established know-how and reputation to access new markets through the development of both well proven products and new concepts

Shipbuilding: quantifying main drivers of growth and increasing profitability

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

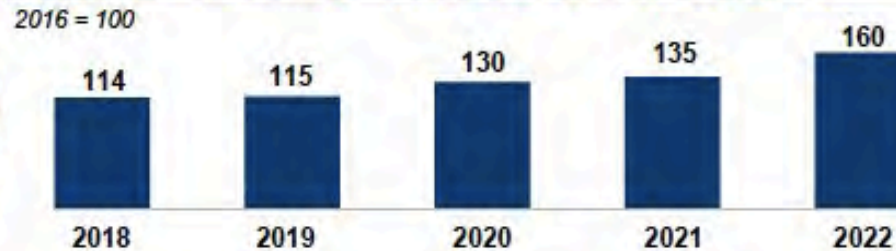
Cruise ships by delivery year: prototypes, sister ships and quasi-sister ships



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

Cruise: pricing trends

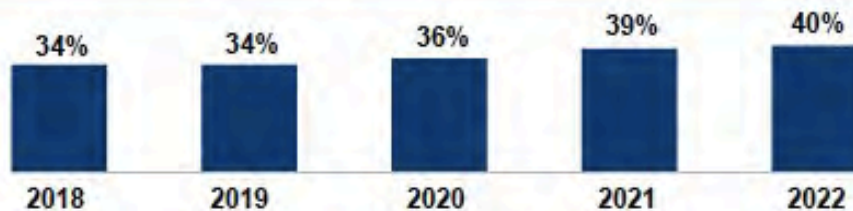
Cruise ships >90k GRT: revenues per lower berth by delivery year



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

Naval revenues/Shipbuilding revenues

Naval revenues/Shipbuilding revenues



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

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Offshore: market overview

Description

Offshore Oil&Gas: forecast

- Exploration & Production Expenditure is expected to reach a minimum in 2018, then slowly return to growth
- **Negative outlook for PSV and AHTS demand** due to oversupply following oil price fall and significant postponements of drilling projects
- **VARD uses a tender driven approach to establish itself** in other market segments of the offshore business

Focus on new business opportunities

- **Small FPSO:** Requires partnerships with producers of topside or FPSO operators
- **Gas (LNG):** increase in future demand, also thanks to new environmental rules. The market for smaller FLNG and LNG carriers will likely ramp up. VARD to leverage on existing patent (Brevik containment system) for small LNG vessels
- **Offshore wind:** expected installed capacity in 2022 at 46,4 GW (2018-2022 CAGR at 15%)
- **Norwegian coastal ferries:** sector characterized by old fleet
- **Aquaculture & fisheries:** sustained market growth with increasing complexity related to higher technological and industrial contents
- **Specialized vessels:** old fleet of cable layer and pipe layer. New market for mining vessels

E&P Expenditure

USD BN



New business opportunity



Small FPSO



Gas



Offshore wind



Norwegian coastal ferries



Aquaculture & fisheries



Specialized vessels

Sources: International Energy Agency - World Energy Outlook 2017: Global Energy Trends.
Rystad Energy - 2017 Annual Offshore Oil & Gas Market Report
Pareto Securities Equity Research, E&P Survey, Agosto 2017

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Offshore: strategy and action plan

Description

Revenue growth

- **Tender driven approach in the Offshore market**, where first signs of recovery are becoming visible
- **Furthering diversification efforts in expedition cruises, fishery/aquaculture and select opportunities in the military segment**, in countries where VARD already operates directly (Brazil, Norway)

Production footprint

- **Finalizing Tulcea's cruise ship building capabilities**
 - segments of large cruise vessels to be transported to Italian yards
 - autonomous production of smaller scale ships
- **Production specialization in Norwegian yards**
- **Rightsizing and refitting of Vard Promar in order to seize local market opportunities and potential military tenders**

Improvement of cost position and operating efficiency

- **Continued focus on**
 - **rightsizing of operations** with improvements to increase efficiency and quality
 - **Strengthening of procurement efficiency**
 - **Increasing of the scope of work in Romania to lower the average cost base**

Offshore: strategy and action plan

2016-2010

Description		Timing/status
Revenue growth	<ul style="list-style-type: none"> • Diversification into new vessel segments: <ul style="list-style-type: none"> - aquaculture - offshore wind - passenger (<i>exploration cruise</i>) and Offshore Patrol Vessel (OPV) in cooperation with Fincantieri (e.g. LOI Ponant) • Expansion of offshore business in Middle East region 	<ul style="list-style-type: none"> - Started in 2015 – 100% of Vard 2015 orders came from new clients
Yards structure in Europe	<ul style="list-style-type: none"> • Focus of Norwegian yards on core market segments and highly specialised vessels • Focus of Aukra yard on aquaculture sector, leveraging its location in the maritime cluster on the west coast of Norway • Development of Romanian yards to deliver complete vessels of low complexity • Consolidation of expertise in the production of cruise vessel sections, providing base load for the Tulcea yard in the next years 	<ul style="list-style-type: none"> - 2016
Rationalisation of production structure in Brazil	<ul style="list-style-type: none"> • Phasing out of shipbuilding activities at Niterói yard after completion of current order book (Q2 2016) • Strategic decision to maintain a foothold in Brazil through Vard Promar in order to seize local market opportunities • Process initiated with the client Transpetro and other stakeholders to recover extra costs incurred in LPG carrier project 	<ul style="list-style-type: none"> - Q2 2016 - Ongoing
Improvement of cost position and operating efficiency	<ul style="list-style-type: none"> • Continued focus on rightsizing of operations with improvements to increase efficiency and quality • Strengthening of procurement efficiency • Increase of the scope of work in Romania to lower the average cost base 	<ul style="list-style-type: none"> - Started in 2015

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Equipment, Systems and Services: strategy

Description

Continuous growth of traditional businesses

- Development of large backlog already acquired
- Strong focus on expanding non-captive markets (in both System & Components, and After Sales)
- Enhancing After Sales services
 - to include full lifecycle management for military vessels,
 - as well as extending offering to the cruise clients in established high value areas (e.g. Fincantieri Services USA)
- Potential expansion into new geographical areas

Insourcing of other high value added businesses: from cabins to complete accommodation

- Leveraging internalization of Cabins business to bolster product offering in other high value-adding segments, such as:
 - Public areas
 - over the plan period, Marine Interiors will provide a total of 160,000 sq. meters of public areas, on 18 ships, representing 27% of total public areas to be installed (in 2017 it provided 15,400 sq. meters, on 3 ships, representing 13% of installed public areas)

Developing Equipment, Systems and Services business to fully transform Fincantieri into a “one stop shop” for its clients

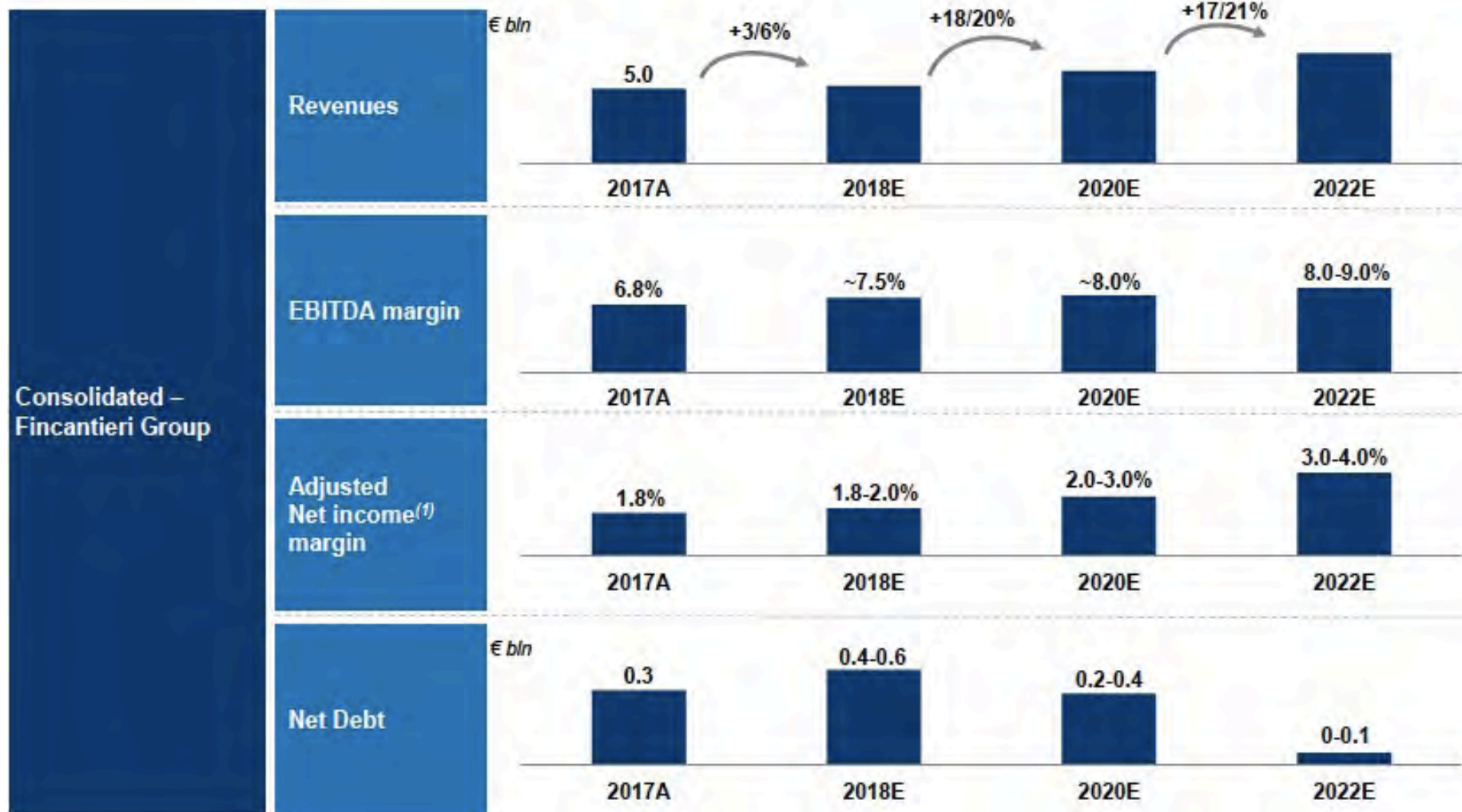
Section 2

Short and medium term financial targets



FREMM
Italian Navy

Short and medium term financial targets



(1) Net Income before extraordinary and non-recurring items

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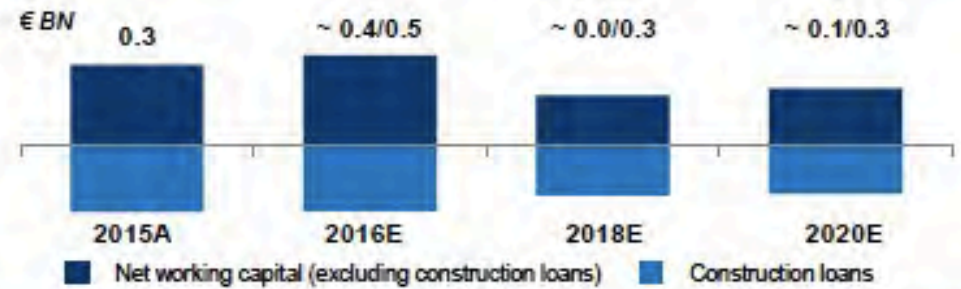
Short and medium term financial targets (1/2)

Consolidated –
Fincantieri Group

Revenues and EBITDA margin



Net working capital (including construction loans)



Net debt



Short and medium term financial targets – key take away messages

2018 Guidance

- Revenues expected to increase between 3% and 6% driven by the progress of cruise construction volumes, also supported by the increasing workload of Romanian yards
- EBITDA margin around 7.5% thanks to the increased contribution of profitable cruise projects and naval programs
- Net debt increasing vs. 2017 due to the continued growth of cruise construction volumes

2020 Objectives

- Revenues estimated to grow in a range of 18% to 20% vs. 2018 supported by the continuing increase in volumes in cruise, the effects of the diversification actions implemented by VARD, as well as the stronger contribution of naval both in Italy and abroad
- EBITDA margin around 8.0% thanks to the consolidated recovery of cruise profitability and the increasing effects of the economies of scale
- Operating cash flow starting to kick-in driven by the stabilization of volumes in cruise and the contribution from naval projects with net debt expected to decrease vs. previous years

2022 Objectives

- Revenues estimated to grow in a range between 17% and 21% vs. 2020 thanks to the expansion of volumes across all the segments, especially outside Italy
- A sound profitability in the cruise sector, the continuing contribution from naval, the recovered performance of VARD and the effects of the economies of scale across the whole Group are expected to push EBITDA margin up to 8.0%-9.0% in 2022, leading to a structural increase in performance
- Net debt substantially reduced (essentially zero excluding construction loans) thanks to a stronger operating cash flow and the gradual completion of the investment plan pursued over the plan period

- Revenues growth: up to approx. 50% by 2022
- EBITDA growth: up to approx. 100% by 2022
- Increasing reliance on self-financing from operational cash flow to reduce net debt substantially and fund an investment plan tailored to support an expanding business



2018 NINE MONTHS RESULTS

November 9, 2018

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9M 2018 Key Messages







- **9M 2018 results in line with Business Plan 2018-2022 targets:** revenues up 8.5% vs 9M 2017 and EBITDA margin at 7.3% vs 6.5% in 9M 2017 (+11%)
- **Total backlog⁽¹⁾ at € 32.5 bln, almost 6.5 times 2017 revenues:**
 - Backlog at € 26 bln (104 ships) up from € 20.3 bln in 9M 2017
 - Soft backlog⁽²⁾ at € 6.5 bln (€ 5.0 bln in 9M 2017)
- **Important commercial achievements in the quarter:** acquisition of a new important customer, Tui Cruises, with an order for two new-concept, LNG-powered cruise ships; conversion into order of an option for two cruise ships by Norwegian Cruise Line; confirmation of the order for a cruise ship by Cunard, an iconic brand belonging to Carnival Corporation & plc; signing of a MoA with Princess Cruises for two new-generation cruise ships
- Acquisition through the subsidiary Fincantieri Marinette Marine of a contract for LCS 29 for the US Navy and of an order from the US Government to advance work in support of the construction of four Multi-Mission Surface Combatant (MMSC) ships for the Kingdom of Saudi Arabia
- VARD acquired contracts for a third expedition cruise vessel from Hapag-Lloyd Cruises and for two new expedition cruise vessels from Viking
- **Key events after the quarter:**
 - Signed MoA with MSC Cruises for the construction of four ultra-luxury cruise ships
 - Signed a contract with Virgin Voyages for the construction of a fourth cruise ship
 - Established guiding principles to strengthen cooperation with Leonardo in the naval sector by revamping the Orizzonte Sistemi Navali Joint Venture
 - Announced the start of discussions aimed at defining the terms and conditions for the incorporation of a 50/50 Joint Venture with Naval Group
 - In November, completed VARD delisting, following which Fincantieri holds a 95.99% stake in Vard

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

9M 2018 main orders (1/2)

Orders acquired in Q3

	Vessel		Client	Delivery
Shipbuilding		2 Cruise ships	Viking Cruises	2022-2023
		1 Cruise ship	Silversea Cruises	2021
		2 Cruise ships	Norwegian Cruise Line	2026-2027
		2 LNG Cruise ships	TUI Cruises	2024-2026
		1 Cruise ship	Cunard Line	2022
		1 Littoral Combat Ship	US Navy	2022

9M 2018 main orders (2/2)

Orders acquired in Q3

Offshore				
	2 Expedition cruise vessels	<i>Ponant</i>	2020	
	1 Cable laying vessel	<i>Prysmian</i>	2020	
	3 Offshore Patrol Vessels	<i>Norwegian Defence Materiel Agency</i>	2022-2024	
	1 Expedition cruise vessel	<i>Hapag-Lloyd Cruises</i>	2021	
	2 Expedition cruise vessels	<i>Viking Cruises</i>	2021-2022	

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9M 2018 main deliveries

Deliveries in Q3

	Vessel	Client	Delivery
Shipbuilding		Cruise ship "Carnival Horizon" <i>Carnival Cruise Line (Carnival Corporation)</i>	Monfalcone
		Oceanographic vessel "Kronprins Haakon" <i>Institute of Marine Research</i>	Riva Trigoso - Muggiano
		Cruise ship "Seabourn Ovation" <i>Seabourn Cruise Line</i>	Sestri Ponente
		Cruise ship "MSC Seaview" <i>MSC Cruises</i>	Monfalcone
		Cruise ship "Viking Orion" <i>Viking Ocean Cruises</i>	Ancona
		FREMM "Martinengo" <i>Italian Navy</i>	Muggiano
		Littoral Combat Ships "Sioux City" (LCS 11) and "Wichita" (LCS 13) <i>US Navy</i>	Marinette
Offshore		12 Module Carrier Vessels <i>11 for Topaz Energy and Marine; 1 for Kazmortransflot Ponant</i>	Vard Braila Vard Vung Tau
		Expedition cruise vessel "Le Laperouse" <i>Ponant</i>	Vard Ålesund
		Expedition cruise vessel "Le Champlain" <i>Ponant</i>	Vard Søviknes

Order intake and backlog – by segment

Order intake

€ mln

Total backlog⁽¹⁾

€ mln



■ Shipbuilding
 ■ Offshore
 ■ Equipment, Systems & Services
 ■ Eliminations

○ Book-to-bill (Order intake / 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

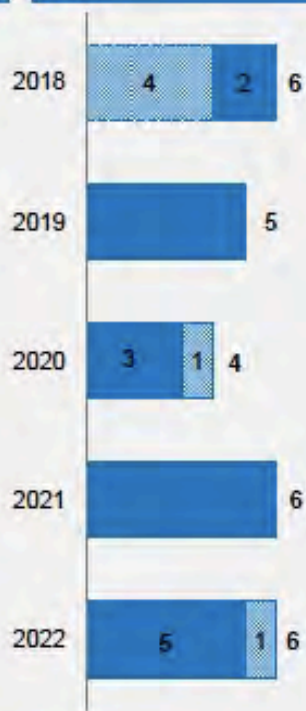
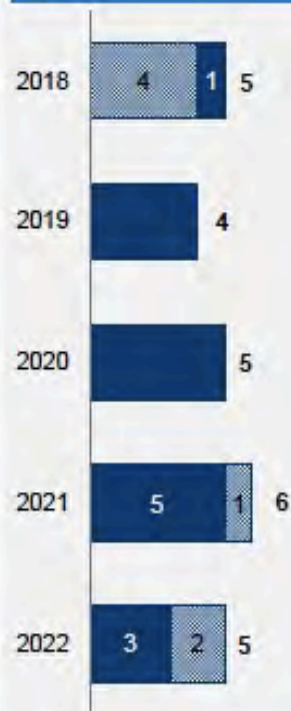
Backlog deployment – by segment and end market

Shipbuilding

ship deliveries⁽¹⁾

Cruise

Naval⁽²⁾

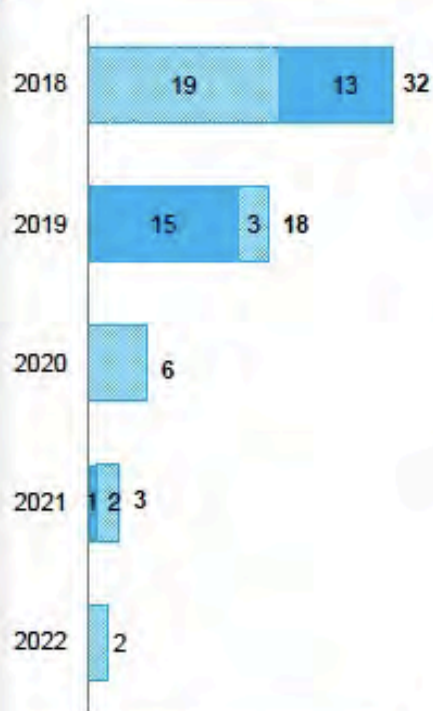


- Additional 9 units scheduled after 2022
- 30 vessels in backlog

- Additional 7 units scheduled after 2022
- 30 vessels in backlog

Offshore



ship deliveries



- Additional 2 units scheduled after 2022
- 44 vessels in backlog

Comments

- 27 units delivered in 9M 2018, 104 ships in backlog at September 30, 2018
- Cruise: 30 vessels
 - Deliveries up to 2027, thanks to the confirmation of the option for 2 ships for Norwegian Cruise Line (and other contracts acquired in the period)
- Naval: 30 vessels
 - Deliveries up to 2026, with 7 units scheduled after 2022
- Offshore⁽³⁾: 44 vessels
 - 11 expedition cruise vessels in backlog

 Delivered in 9M 2018
 New orders in 9M 2018

(1) 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) Ships with length > 40 m

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

Revenues and EBITDA⁽¹⁾ – by segment

Revenues breakdown by segment⁽²⁾

€ mln



EBITDA and EBITDA margin

€ mln



(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) wages guarantee fund – Cassa integrazione Guadagni, (viii) expenses for corporate restructuring, (ix) accruals to provision and cost of legal services for asbestos claims, (x) other non recurring items

(2) Breakdown calculated on total revenues before eliminations

(3) Other costs

Shipbuilding

Revenues



EBITDA



Capex



Comments

- **Revenues:** € 2,959 mln, up 6.5% vs 9M 2017
 - Strong growth of volumes in naval (+20.2%)
 - Progress of Italian Navy's fleet renewal program and first phase of production activities for the Qatari Ministry of Defense contract
- **EBITDA:** € 270 mln, with margin at 9.1%
 - Further improvement due to the construction of sister cruise ships at higher margins and to the positive contribution of the naval business
- **Capex:** € 54 mln
- **Orders:** € 5,603 mln vs € 4,848 mln in 9M 2017
 - 2 cruise ships for Viking Cruises
 - 1 cruise ship for Silversea Cruises
 - 2 cruise ships for Norwegian Cruise Line
 - 2 LNG cruise ships for TUI Cruises
 - 1 cruise ship for Cunard
 - 1 Littoral Combat Ship (LCS 29) for US Navy
- **Backlog:** € 22,975 mln vs € 18,572 mln in 9M 2017
- **Deliveries:** 8 ships
 - "Carnival Horizon" for Carnival Cruise Line
 - Oceanographic vessel "Kronprins Haakon" for Norwegian Institute of Marine Research
 - "Seabourn Ovation" for Seabourn Cruise Line
 - "MSC Seaview" for MSC Cruises
 - "Viking Orion" for Viking Ocean Cruises
 - FREMM "Martinengo" for the Italian Navy
 - LCS 11 and LCS 13 for the US Navy

Offshore

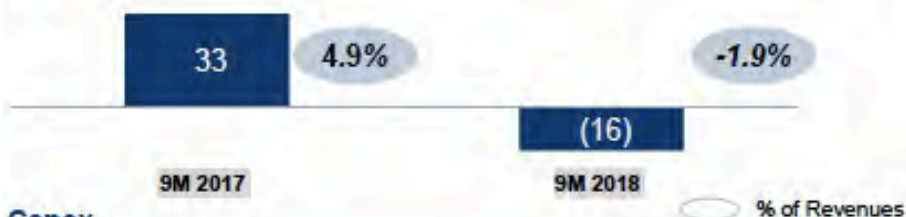
Revenues

€ mln



EBITDA

€ mln



Capex

€ mln



Comments

- **Revenues:** € 819 mln, up 22.9% vs 9M 2017
 - Despite negative effect of NOK/EUR exchange rate (€ 31 mln)
 - Ongoing implementation of diversification strategy, which generated an increase in production volumes especially in Romanian yards
- **EBITDA:** € (16) mln, with margin at -1.9%
 - Reflects the challenges of aligning Vard's production network to the deployment of a backlog of mostly cruise ships, a new product to Vard
 - Also reflects loss on sale of a vessel whose contract had been cancelled due to client's bankruptcy
- **Capex:** € 18 mln
- **Orders:** € 1,826 mln vs € 486 mln in 9M 2017
 - 5 expedition cruise vessels: 2 for Ponant, 1 for Hapag-Lloyd, 2 for Viking
 - 1 cable laying vessel for Prysmian
 - 3 OPVs for Norwegian Defence Materiel Agency
- **Backlog:** € 2,493 mln vs € 1,300 mln in 9M 2017
- **Deliveries:** 19 ships
 - 12 Module Carrier Vessels: 11 for Topaz Energy and Marine, 1 for Kazmortransflot
 - 1 PSV unit to Island Offshore Shipping AS
 - 1 OSCV unit to Dofcon Navegação
 - 2 fishing units to Nordland Havfiske AS and Cermaq
 - 1 freight-and-service vessel to FSV Group
 - 2 expedition cruise vessels to Ponant

Equipment, Systems and Services

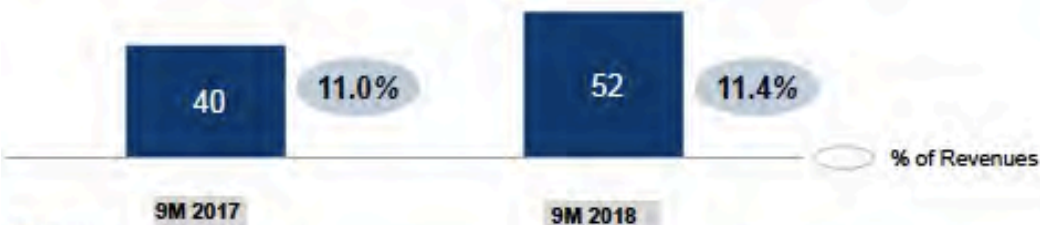
Revenues

€ mln



EBITDA

€ mln



Capex

€ mln



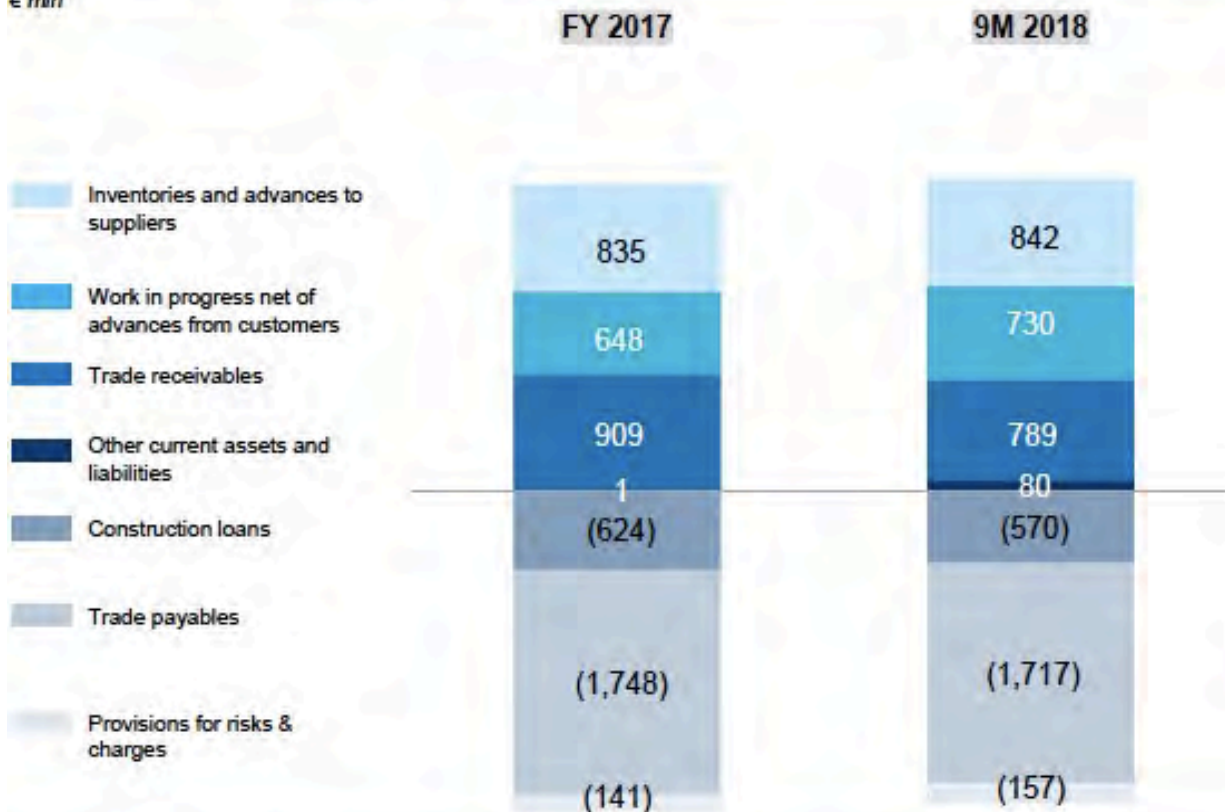
Comments

- Revenues: € 458 mln, up 24.8% vs 9M 2017
 - Thanks to the increased volumes of cabins and public areas and workload related to the Italian Navy fleet renewal program and the Qatari Ministry of Defense order
- EBITDA: € 52 mln with margin at 11.4%
 - Reflects the change in the mix of products, heavily influenced by the strong growth in cruise volumes
- Orders: € 586 mln vs € 465 mln in 9M 2017
- Backlog: € 1,367 mln vs € 1,227 mln in 9M 2017

Net working capital and net debt⁽¹⁾

Breakdown by main components

€ mln



Comments

- Net working capital and net debt dynamics related to the production volumes in cruise and the receipt of the final installments for the cruise ships delivered during the period
- Construction loans at € 570 mln of which € 510 mln related to VARD and € 60 mln related to Fincantieri
- Most of the Group's debt is related to the financing of current assets associated with cruise ships construction and therefore consistent with 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

Outlook

2018 Guidance

- 2018 results expected to be in line with 2018-2022 Business Plan targets

Shipbuilding

- Expected delivery of 3 units, of which 1 cruise ship and 2 naval vessels
- Italian Navy's fleet renewal program fully operational
- First phase of production activities related to the Qatari order

Offshore

- Continuation of Vard's construction activities related to the backlog acquired as a result of the diversification strategy
- Focus on organizational and production adjustments required for margin recovery in the medium term

Equipment, Systems & Services

- Confirmation of the growth trend, thanks to:
 - Backlog deployment related to the Italian Navy's fleet renewal program and to the Qatari order
 - Higher volumes for the production of cabins and public areas driven by growth in the cruise sector

Business Plan Guidance

- **Guidance 2018 confirmed**
 - Revenue increase 3-6% vs. 2017
 - EBITDA margin approx. 7.5%
 - Net debt at approx. € 0.4-0.6 bln



9M 2021 RESULTS

November 12, 2021

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Agenda

▶ SUMMARY & BUSINESS UPDATE

▶ FINANCIAL RESULTS

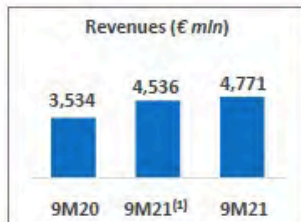
▶ OUTLOOK

▶ APPENDIX

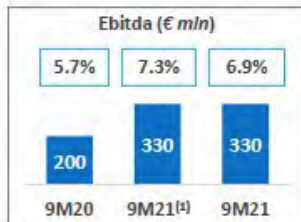
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Executive summary

Revenues up by 28% and EBITDA +65%, Backlog at €36 bn, 2021 guidance fully confirmed



REVENUES EXCLUDING PASS-THROUGH ACTIVITIES +28.3% YoY



EBITDA AT €330 MLN AND EBITDA MARGIN AT 7.3% EXCLUDING PASS-THROUGH ACTIVITIES



NET DEBT CONSISTENT WITH EXPECTED DELIVERY SCHEDULE AND IN LINE WITH FY 2021 GUIDANCE

NET DEBT AT €1,059 BN IN LINE WITH FY 2020

(1) Excluding the effect of pass-through activities

- FY 2021 guidance fully confirmed with revenues expected to reach +25-30% YoY and EBITDA margin over 7%
- Total backlog with 110 units at €36.0 bn, 6.9x 2020 revenues: backlog with 92 units at €26.6 bn and soft backlog at €9.4 bn
- Order intake at €2.3 bn
- Record-high production volumes with 12.3 mln production hours at Italian sites, +34% YoY
- 13 ships successfully delivered from 10 different shipyards, of which 3 cruise ships delivered in July
- Operating cash flow more than compensates Capex needs, also after €350 mln repayment of construction loans
- COVID-19 managed effectively

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Business update

Positive business operating performance across all segments

CRUISE

- **Sound operating performance with 4 units delivered in 3Q:**
 - Valiant Lady, the second of four ships ordered by Virgin Voyages
 - MSC Seashore, the largest cruise ship ever built in Italy
 - Rotterdam, third unit of the class for Holland America Line
 - Le Commandant Charcot, electric hybrid exploration vessel propelled with LNG, for the French shipowner Ponant

DEFENCE

- **Program for the Qatari Ministry of Defence:**
 - launch of the third corvette «Al Khor»
 - delivery in October of the first corvette of the «Al Zubarah» class
- **Program for the Italian Navy**
- **Program for the US Navy:** LCS 23 «Cooperstown» delivered, 10th unit of the class
- **MoU with Navantia to boost collaboration in the naval and maritime fields within the European Defence framework**

OFFSHORE AND SPECIALIZED VESSELS

- **Confirmed VARD positioning in the offshore wind sector, with 8 SOVs in the portfolio, of which 4 ordered this quarter, out of 18 overall units ordered worldwide, becoming market leader**

EQUIPMENT, SYSTEMS AND SERVICES

- **Infrastructure:** launch of construction activities for the new **MSC Cruise terminal at PortMiami**
- **Fincantieri NexTech:** finalized the acquisition of **IDS group**, which operates in the realization of high-tech products in both civil and defence fields



Sustainable strategy

Tireless effort to become a model of excellence



[1] Rating related to the engagement of the supply chain on sustainability and climate change topics

New orders

New orders across all segments amount to € 2.3 bn

Segment	Vessel	Client	Expected Delivery
■ Shipbuilding	FFG-62 frigate	US Navy	Beyond 2025
	Somnio	Somnio Superyachts	2024
■ Offshore & Specialized Vessels	3 Service Operation Vessels	North Star Renewables	2023
	2 Service Operation Vessels ⁽¹⁾	Rem Offshore	2023-2024
	2 Service Operation Vessels ⁽¹⁾	Norwind Offshore	2022-2024

Main deliveries

13 ships successfully delivered from 10 different shipyards in 3 different continents

Segment	Vessel	Client	Shipyard
■ Shipbuilding	LSS "Vulcano"	Italian Navy	Muggiano (ITA)
	Viking Venus	Viking Cruises	Ancona (ITA)
	Hanseatic Spirit	Hapag-Lloyd Cruises	Langsten (NOR)
	LCS21 USS Minneapolis St. Paul	US Navy	Wisconsin (USA)
	FREMM		Riva Trigoso (ITA)
	Valiant Lady ⁽²⁾	Virgin Voyages	Sestri Ponente (ITA)
	MSC Seashore ⁽²⁾	MSC Cruises	Monfalcone (ITA)
	Rotterdam ⁽²⁾	Holland America Line	Marghera (ITA)
	Le Commandant Charcot ⁽²⁾	Ponant	Søviknes (NOR)
	LCS23 USS Cooperstown ⁽²⁾	US Navy	Wisconsin (USA)
■ Offshore & Specialized Vessels	Cruise ship "Coral Geographer" ⁽³⁾	Coral Expeditions	Vung Tau (VNM)
	Fishing Vessel	Luntos	Vung Tau (VNM)
	Leonardo da Vinci ⁽²⁾	Prysmian	Brattvag (NOR)

⁽¹⁾ Ordered in Q3

⁽²⁾ Delivered in Q3

⁽³⁾ For reasons connected to the organizational responsibility of VARO yards split between Cruise and Offshore, "Coral Geographer" for Coral Expeditions delivered in Q1 2021 is included in the Offshore & Specialized Vessels deliveries

Backlog deployment

Well-balanced visibility both in Cruise and Naval, 4 new orders in Offshore and Specialized Vessels in 3Q

Shipbuilding

ship deliveries

CRUISE

31 VESSELS



□ Delivered in 9M 2021 ■ New orders in 9M 2021

- 1 new unit ordered in 9M
- Visibility up to 2027

NAVAL

36 VESSELS ⁽¹⁾



□ Delivered in 9M 2021 ■ New orders in 9M 2021

- 2 new units ordered in 9M
- 6 units to be delivered from 2026 to 2029

Offshore & Specialized Vessels

ship deliveries

OSV

25 VESSELS ⁽²⁾



□ Delivered in 9M 2021 ■ New orders in 9M 2021

- 7 new units ordered in 9M
- Visibility up to 2024

13 units delivered, 10 new units, 92 ships in backlog and 110 ships including soft backlog

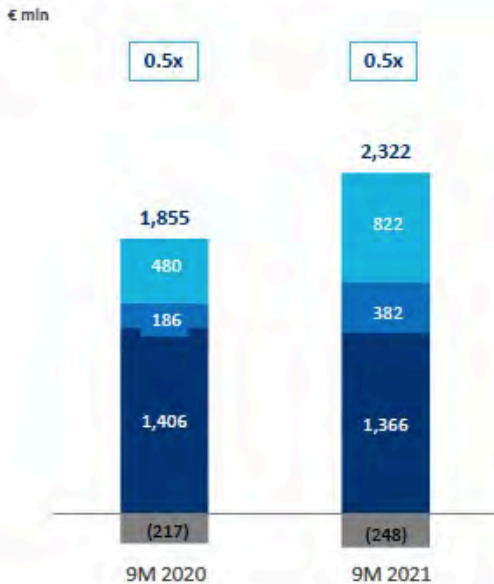
(1) Articulated Tug Barge (ATB) is an articulated unit consisting of a barge and a tug, thus being counted as two vessels in one unit

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

Order intake and backlog

Solid order intake and hefty soft backlog

Order intake breakdown by segment



Total backlog breakdown by segment⁽¹⁾



■ Book-to-bill⁽²⁾ □ Total backlog / Revenues ex pass-through
■ Shipbuilding ■ Offshore & Specialized Vessels ■ Equipment, Systems & Services ■ Eliminations □ Soft backlog⁽³⁾

(1) Total backlog is the sum of backlog and soft backlog
 (2) Order intake/revenues
 (3) Soft backlog represents the value of existing contract options and letters of intent as well as contracts in advanced negotiation, none of which yet reflected in the order backlog

- No orders cancellation
- Sizeable order intake at € 2.3 bn, thanks to the positive impact of Offshore & Special Vessels and ESS
- Soft backlog includes the agreement of Fincantieri as prime contractor for the supply of 6 frigates to the Indonesian Navy
- Total backlog represents 6.9x 2020 revenues



Revenues

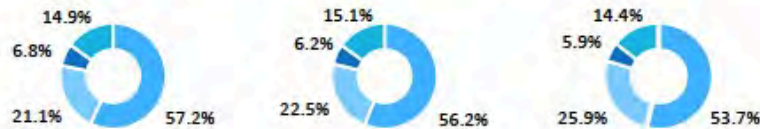
Revenue growth in line with 2021 guidance, with positive contribution across all segments

Revenues breakdown by segment⁽¹⁾

€ mln



% of Total revenues



■ Cruise ■ Naval ■ Offshore & Specialized Vessels ■ Equipment, Systems & Services ■ Other activities and Eliminations

(1) Breakdown calculated before eliminations

Revenues excluding pass-through activities are up 28.3% YoY thanks to record-high production volumes in the 9M 2021 (12.3 mln production hours)

- Shipbuilding up 28.5% YoY thanks to the programmed production ramp-up
- Offshore & Specialized Vessels up 15.3% YoY
- Equipment, Systems & Services up 29.1% YoY mainly related to the complete accommodation business area

88% of revenues from international clients

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EBITDA

Remarkable increase in volumes and margins

EBITDA breakdown by segment⁽¹⁾



EBITDA margin at 7.3% excluding pass-through activities mainly thanks to the positive contribution from Shipbuilding despite the impact from increased steel prices

- Shipbuilding EBITDA is up €112 mln YoY with margin at 7.6%
- Offshore EBITDA is up €6 mln YoY thanks to the effective repositioning strategy in more promising sectors
- ESS EBITDA is up €15 mln YoY despite the lower Ship Repair and Conversion margins

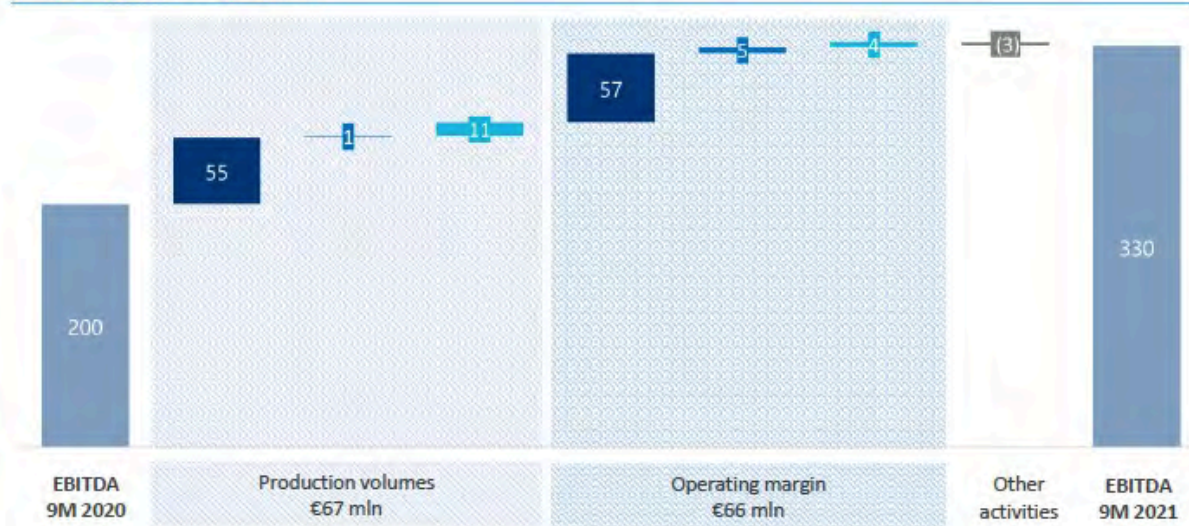
□ EBITDA Margin as % of total revenues
 ■ Shipbuilding ■ Offshore & Specialized Vessels ■ Equipment, Systems & Services ■ Other activities and Eliminations

(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

EBITDA growth

Better operating margin thanks to higher production volumes and improved margins

EBITDA breakdown by segment



- **Shipbuilding:** EBITDA improvement driven by higher production volumes and improved operating margin
- **Offshore and Specialized Vessels:** increased EBITDA thanks to higher operating margins
- **ESS:** positive effect brought about by higher production volumes and better margins

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

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Capex

Significant investments creating further efficiencies in engineering and production scenarios

Capex by segment

€ mln

□ % of Revenues

■ Other activities

■ Equipment, Systems & Services

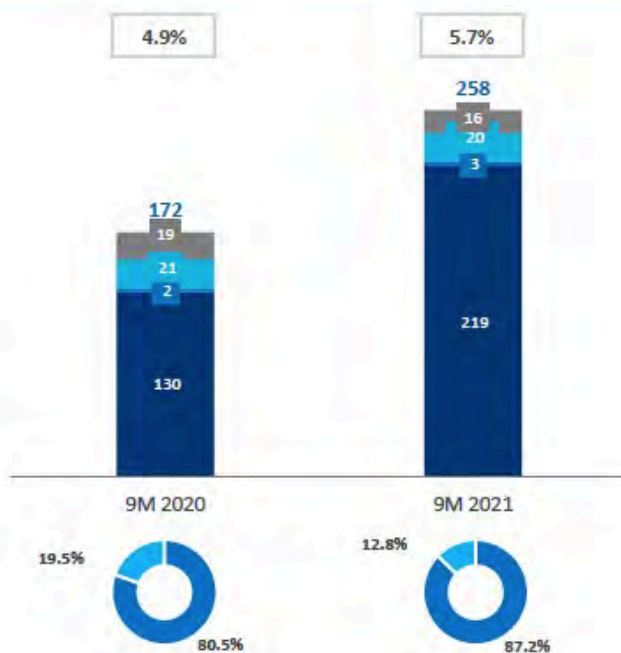
■ Offshore & Specialized Vessels

■ Shipbuilding

% of Total Capex

■ Tangible

■ Intangible



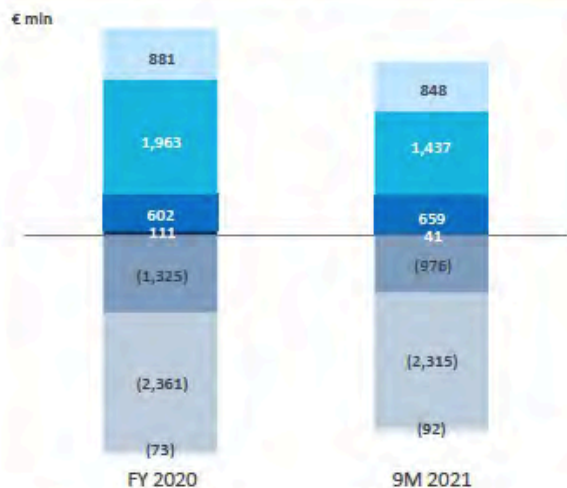
- Capex up 50% vs 9M 2020 to support shipyards upgrade and further efficiencies to address new productive scenarios
- Investments breakdown as follows:
 - Intangible activities for €33 mln, in line with 9M 2020
 - Tangible activities for €225 mln
- Solid coverage of industrial fixed costs structure, allowing greater cash generation and progressive deleveraging

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Net working capital and net financial position

NFP in line with expectations with 2 cruise units to be delivered in 4Q

Net Working Capital breakdown by component



Net Financial Position breakdown by component⁽¹⁾



- NWC negative at €398 mln, - € 196 mln vs FY 2020, mainly due to the deliveries in the period
- Net debt at €1,059 mln in line with FY 2020 and FY 2021 expectations
- NFP still affected by the strategy of deferrals granted to clients (€ 298 mln), with cash-in to occur in 4Q and in 2022
- Operating cash flow more than compensates the Capex needs, allowing also €350 mln repayment of construction loans

NWC	(202)	(398)
-----	-------	-------

NFP ¹	(1,062)	(1,059)
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- Inventories and advances to suppliers
- Trade receivables
- Construction loans
- Provisions for risks & charges
- Work in progress net of advances from customers
- Other current assets and liabilities
- Trade payables

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



Update on cruise

Around 57% of the global fleet in service with 65 brands already operating by the end of October

CRUISE RESTART

- The Conditional Sailing Order will expire in January 2022; After January 15, CDC will transition to a voluntary program in coordination with cruise ship operators
- Pent up demand reflected in strong bookings for 2022, even though uncertainty related to the Delta variant persists
- Occupancy levels vary across and within the main operators' brands, constantly improving quarter by quarter
- Carnival: occupancy in the third quarter of 2021 was 54%, growing consistently from 39% in June to 59% in August

FINANCIAL MARKETS RESPONSE

- Carnival: Successful closing of private offering of secured notes⁽¹⁾ of \$2.3 bn at 4% due 2028, replacing existing debt of \$2.0 bn at 11.5% due 2023 (savings up to \$135 mln interest/year)
- TUI Group has announced further strengthening of its balance sheet via fully underwritten €1.1 bn capital increase. The Company intends to use the net proceeds of the offering to reduce interest costs and net debt by reducing current drawings, in line with the Group's goal to rapidly repay government loans

FORECASTS

- The big 3 cruise groups should have roughly 65-80% of their capacity back in operation by the end of 2021
- Carnival: about 65%⁽²⁾ of total operating capacity back in service by year-end, with full fleet sailing at the end of the first half 2022⁽³⁾
- Booking trends for 2022 are in line with 2019 levels; for some operators even higher, with no reduction on ticket prices

(1) First-Priority Senior Secured Notes

(2) Carnival Corporation on Pace to Restart Over 90% of Fleet Capacity by October (<https://www.carnivalcorp.com/news-releases/news-release-details/carnival-corporation-pace-restart-over-90-fleet-capacity-october>)

(3) Carnival 3Q 2021 Business Update ([3Q 2021 Business Update - Final PDF \(1\).pdf \(carnivalcorp.com\)](#))

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Business outlook

Confirmed FY 2021 guidance

EXPECTED FINANCIAL PERFORMANCE IN 2021

- Revenues +25%-30% YoY and EBITDA margin over 7.0% despite the surge in commodity and energy prices
- FY 2021 net debt to be in line with FY 2020 levels

MEDIUM TO LONG TERM EXPECTATIONS

- Backlog preservation with production activities at full speed, thanks to the solid coverage of industrial fixed costs structure, allowing greater cash generation and progressive deleveraging
- Increased commodity prices mitigated by the positive effect of planning and design processes' revision, by the important Capex plan in both production and technology and by human capital investments

FOCUS ON ESG

- Development of technological solutions able to satisfy clients' needs, while reducing emissions and raising energy efficiencies
- Promotion of growth, enhancement and training of human capital, with a particular focus on highly motivated people, in particular youth, able to spread an inclusive and innovative company culture
- Reduction of CO₂ and other pollutant emissions in order to fight against climate change also by purchasing energy from renewable sources

Financial overview – Shipbuilding

Orders, backlog and deliveries

- **Orders:** €1,366 mln (€1,406 mln in 9M 2020)
 - Residential yacht Somnio
 - Second Constellation-class frigate to the US Navy
- **Backlog:** €23,072 mln (€25,335 mln in 9M 2020)
- **Deliveries⁽¹⁾:**
 - 1 Logistic Support Ship (LSS)
 - 4 cruise ship
 - 2 Littoral Combat Ship (LCS)
 - 1 FREMM frigate
 - 2 luxury-niche unit

Revenues



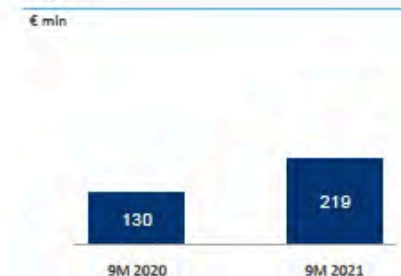
- **Revenues:** €235 mln pass-through activities are included in 9M 2021 Naval revenues

EBITDA



- **EBITDA:** €303 mln (vs € 191 mln in 9M 2020)
- EBITDA margin 7.6% excluding pass-through activities and 7.2% including pass-through activities (vs 6.2% in 9M 2020)

Capex



- **Capex:** €219 mln

(1) LSS "Vulcano" to the Italian Navy, "Viking Venus" to Viking, LCS 21 "USS Minneapolis St. Paul" to the US Navy, 1 FREMM frigate to the Egyptian Navy, "Hanseatic Spirit" to Hapag-Lloyd, "Valiant Lady" to Virgin Voyages, "MSC Seashore" to MSC Cruises, "Rotterdam" for Holland America Line, "Le Commandant Charcot" for Ponant, LCS 23 "US Cooperstown"

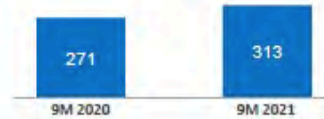
Financial overview – Offshore & Specialized Vessels

Orders, backlog and deliveries

- **Orders:** €382 mln (€186 mln in 9M 2020)
- **Backlog:** €995 mln (€712 mln in 9M 2020)
- **Deliveries⁽¹⁾:**
 - 1 expedition cruise vessel
 - 1 fishery unit
 - 1 cable layer

Revenues

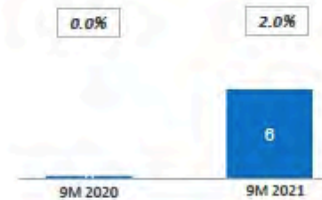
€ mln



- **Revenues:** €313 mln, i.e. +15.3% YoY
- Offshore & Specialized Vessels revenues represent 6.2% of total revenues excluding pass-through activities

EBITDA

€ mln



- **EBITDA:** €6 mln with margin at 2.0%

Capex

€ mln



- **Capex:** €3 mln

(1) Expedition cruise to Coral Expedition; fishery unit to Luntos, cable layer Leonardo da Vinci to Prysmian

Financial overview – Equipment, Systems & Services

Orders, backlog and deliveries

- **Orders:** €822 mln including new MSC cruise terminal at PortMiami (vs €480 mln in 9M 2020)
- **Backlog:** €3,515 mln vs € 1,795 mln in 9M 2020

Revenues



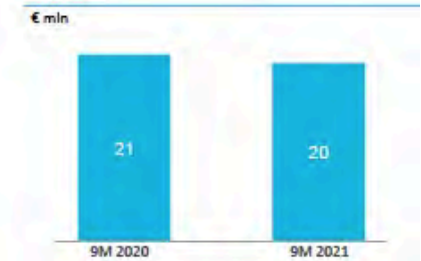
- **Revenues:** €764 mln vs €591 mln in 9M 2020
- ESS revenues represent 14.4% of total revenues

EBITDA



- **EBITDA:** €52 mln (vs €37 mln in 9M 2020) with margin at 6.9%

Capex



- **Capex:** €20 mln

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