**BIt Market Services**

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*Testo del comunicato*

Vedi allegato.

**FINCANTIERI:**

**2015 CONSOLIDATED FINANCIAL STATEMENTS AND DRAFT FINANCIAL STATEMENTS OF THE PARENT COMPANY**

**BUSINESS PLAN 2016-2020**

**CONVENING OF THE SHAREHOLDERS' MEETING**

**Consolidated 2015 results**

- **All time high order intake: euro 10,087 million** (euro 5,639 million at 31 December 2014)
- **All time high total backlog: euro 19 billion,** of which **backlog at 15,721 million** (euro 9,814 million at 31 December 2014) and **soft backlog at euro 3,000 million** (euro 5,000 million at 31 December 2014)
- **Revenues: euro 4,183 million** (euro 4,399 million at 31 December 2014)
- **Profit/loss for the period attributable to owners of the parent[1]: negative for euro 175 million** (positive euro 67 million at 31 December 2014) of which loss for euro 37 million related to VARD Group (also impacted by unrealised foreign exchange losses for euro 41 million). The result would have been euro -141 million (euro +99 million at 31 December 2014) without considering extraordinary and non-recurring items
- **EBITDA: negative for euro 26 million** (positive euro 297 million at 31 December 2014) of which euro -23 million related to the Shipbuilding segment, euro -3 million to the Offshore segment and euro 31 million to the Equipment Systems and Services segment. VARD Group contribution is positive at euro 1 million. **EBITDA margin at -0.6%** (+6.8% at 31 December 2014)
- **Net financial position[2]: euro 438 million of net debt** (euro 44 million of net cash at 31 December 2014), reflecting the typical working capital dynamics a few months before the delivery of 4 cruise ships (first half of 2016). Construction loans at euro 1,103 million, of which euro 983 million related to VARD. Short term debt at euro 263 million, of which euro 87 million related to VARD[3].

**Business Plan 2016-2020**

- Business Plan foresees an **average annual revenue growth rate of about 10%** and a **significant revenue coverage from existing programs, letters of intent, MOA[4] and commercial negotiations with high likelihood of finalisation** (of which cruise revenues covered for more than 90%)
- Started implementation of important **commercial and industrial synergies with VARD**, which is still impacted by the Oil&Gas industry crisis
- **Guidance 2016: expected revenue growth by 4-6% compared to 2015, EBITDA margin at approximately 5% and positive net result before extraordinary and non-recurring items**
- **Medium term targets: expected revenue growth up to 50% in 2015-2020 period and EBITDA growth in all operating segments**, also thanks to the increasing absorption of fixed costs: EBITDA margin in the range of 6-7% in 2018 and of 7-8% in 2020
- **Funding needs consistent with high workload foreseen over the business plan period and sustainable through recourse to credit**

[1] *Profit/loss for the period after attributing results to non-controlling interests*
[2] *Net financial position does not include construction loans, which are treated as part of working capital*
[3] *VARD short term debt at 31 December 2015, with EURO/NOK exchange rate at 9,603*
[4] *Memorandum of agreement*

- **Significant cash flow generation from operating activities to be used for capex, debt reduction and dividend distribution**
- **Dividend distribution foreseen starting with 2017 net income**

**Convening of the Shareholders' Meeting**

- Ordinary and Extraordinary Shareholders' Meeting convened for 19 May 2016, on single call

* * *

*Rome, 31 March 2016* – The Board of Directors of **FINCANTIERI S.p.A.** ("Fincantieri" or the "Company"), chaired by Vincenzo Petrone, has approved the **Consolidated financial statements at 31 December 2015,** the **draft financial statements of the parent company at 31 December 2015**, prepared in compliance with International Financial Reporting Standards (IFRS), and the **Business Plan 2016-2020**[5].

During the Board meeting **Giuseppe Bono**, **Fincantieri's Chief Executive Officer**, said: "*Today is a very important day for the Fincantieri Group. We closed 2015 results with an all-time high backlog and further relevant commercial opportunities in an advanced stage of negotiation. With 2015 Fincantieri leaves behind its sector's longest period of crisis, managed with the most appropriate strategy, which allowed us to get out of it strengthened and as the undisputed leader of high value segments of the shipbuilding industry. Indeed, it is well known that the crisis impacted shipyards globally, notably in Europe, and led to significant job losses. Fincantieri, instead, became the symbol of the Italian industry growth, having internationalized, diversified and strengthened its business, also through acquisitions abroad, becoming a global recognized reference point in its sector.*

Bono concluded: *"The 2016-2020 Business Plan approved today descends from a long process that allowed us, at a modest cost, all considered, to retain production and engineering potential, which is necessary to seize the cruise sector current boom and the solid outlook of the naval as well as of the equipment, components and services businesses. The actions foreseen by the Business Plan, enacted by a committed and cohesive management team, will allow to increase revenues by 50% and reach an EBITDA margin of 7/8% at the end of the forecast period, as well as post a positive net result in 2016 and distribute dividends on 2017 net income".*

* * *

## CONSOLIDATED 2015 RESULTS

### Group operational performance in 2015

During 2015 the Group secured new **orders** totaling euro 10.1 billion compared to euro 5.6 billion in 2014. The value of new order intake has almost doubled compared to 2014 and represents an all-time high level in

[5] *Consolidated financial statements and draft financial statements of the parent company have been transmitted to Statutory Auditors and Independent Auditors firm, jointly with the Report on operations. All the documentation will be made available to the public in the ways and within the terms laid down by the regulations in force.*

the recent history of the Group despite the contraction of the Offshore segment. The book-to-bill ratio (order intake/revenues) was equal to 2.4 at 31 December 2015 (1.3 at 31 December 2014).

Of the total new orders 92% relates to the Shipbuilding segment (78% at 31 December 2014), 4% to the Offshore segment (20% at 31 December 2014), and 6% to the Equipment, Systems and Services segment (4% at 31 December 2014). New orders secured by the Parent Company FINCANTIERI S.p.A. accounted for 91% of the total (70% at 31 December 2014).

In the **Shipbuilding segment**, concerning the naval business, during 2015 the Group recorded orders for 9 naval vessels (7 multipurpose offshore patrol vessels, 1 logistic support ship and 1 multipurpose amphibious unit) under the Italian Navy's fleet renewal program. The program also includes options for three additional multipurpose offshore patrol vessels. Furthermore, the Italian Navy exercised options for the construction of the ninth and tenth Multi Mission European Frigates (or FREMMs). The US Navy confirmed to the subsidiary Marinette Marine Corporation both the order for the ninth vessel under the contract signed in 2010, as well as the financing of the tenth and final unit under the same contract. Confirming the importance and the strategic value of the LCS program the US Navy has also awarded the US shipyard an option for an additional ship.
Regarding the cruise business, in December 2015 Fincantieri and Carnival Corporation & plc signed an important memorandum of agreement for the construction of 4 cruise ships for a total value of approximately euro 2.5 billion. The agreement, subject to several conditions among which satisfactory shipowner financing, will become operational in 2016. Two of these units will operate for Costa Asia brand, one for P&O Cruises Australia and one for Princess Cruises.
Over the year, the Company has further expanded its client portfolio with the signing of an important contract, still subject to financing conditions, with Virgin Cruises, a Virgin Group brand and new entrant in the cruise market, for the construction of three cruise ships.
Furthermore, during the last quarter of 2015, Fincantieri has also concluded a relevant contract with Viking Ocean Cruises for the construction of 2 additional cruise ships. The new units will be sister ships of the four ships that the shipowner has already ordered and will become part of Viking's fleet respectively in mid-2018 and at the end of 2020.

As for the **Offshore segment**, the persistent decline in oil price, already commencing in the second half of 2014, has significantly altered the spending outlook for oil exploration & production companies, which have reduced their investment plans and initiated cost-cutting programs. As a result, order intake in 2015 was very limited and amounted to euro 402 million (4 OSCV, 1 Stern trawler and 1 Coastal fishing vessel) compared to euro 1,131 million in 2014.

Over the year, the **Equipment, Systems and Services segment** finalised euro 639 million in new orders, compared to euro 204 million in 2014, mainly related to the Italian Navy's fleet renewal program and to the contract with the Bangladesh Coast Guard for the supply of 4 Italian Navy "Minerva" class corvettes to be modernized and converted into Offshore Patrol Vessels (OPV) and for the provision of the related integrated logistics support services.

The order **backlog** amounted to euro 15.7 billion at 31 December 2015 (euro 9.8 billion at the end of 2014), with the order delivery profile extending through 2026.
The increase in backlog confirms the Group’s ability to finalize contracts under negotiation, contract options and commercial opportunities and to transform them into backlog. The backlog represents about 3.8 years of work in relation to revenue generated in 2015, with major contribution coming from the Shipbuilding segment.
It is also reported that, in the first quarter of 2015, VARD Group terminated the contracts with Nordmoon Schiffahrts GmbH & Co and KG e Nordlight Schiffahrts GmbH & Co for the construction of two vessels, after the two clients filed for bankruptcy. It should be noted that VARD Group had received a 10% advance payment in respect of one of these two vessels. Furthermore during the last quarter of the year, Transpetro, one of the main Vard Promar clients, cancelled orders for two LPG carriers. Following this event Vard Promar has initiated legal proceedings against Transpetro in order to secure its contractual rights and recover extra costs incurred in LPG carrier project. The value of these four units has been excluded from the backlog at 31 December 2015.
The breakdown of order backlog by operating segment shows that 89% is related to Shipbuilding (76% at 31 December 2014), 7% to Offshore (22% at 31 December 2014), and 5% to Equipment, Systems and Services (3% at 31 December 2014).
The soft backlog, which represents the value of existing contract options and letters of intent as well as of contracts under advanced stage of negotiations, not yet reflected in the order backlog, amounted to approximately euro 3.0 billion at 31 December 2015, compared to euro 5.0 billion at 31 December 2014.

**Capital expenditure** amounted to euro 161 million in 2015, of which euro 39 million related to intangible assets (euro 24 million for development projects) and euro 122 million to Property, plant and equipment. The Parent Company accounted for 70% of the total capex.
Capital expenditure represented 3.8% of the Group's revenues in 2015, compared to 3.7% in 2014.
Capital expenditure of the period mainly related to the implementation of actions aimed at supporting the development of production volumes and improving safety conditions and compliance with environmental regulations within the production sites (HSE regulations – Health Safety and Environment). More in detail, the Company took measures, on one hand, to improve production efficiency and enhance process automation through technological upgrades of hull-building infrastructure, and on the other to improve logistic support facilities through the reorganization of operating areas within the production sites as well as to maintain high standards of reliability for shipyard equipment.
There was also continued investment in developing new technologies, particularly with regard to cruise ships.
The breakdown by operating segment shows that 70% of the total capital expenditure related to Shipbuilding (61% at 31 December 2014), 19% to Offshore (29% at 31 December 2014), 3% to Equipment, Systems and Services (3% at 31 December 2014) and 8% to Other activities (7% at 31 December 2014).

**Period-end headcount** decreased from 21,689 at 31 December 2014 (of which 7,706 in Italy) to 20,019 at 31 December 2015 (of which 7,771 in Italy). This change is due to a reduction in the number of employees at the VARD yards, primarily in Romania, following the cost reduction actions in response to the contraction in workload triggered by the difficulties in the Oil&Gas market where the subsidiary operates.

**Consolidated financial results for 2015**

**Revenues and income** amounted to euro 4,183 million in 2015, decreasing by 4.9% compared to euro 4,399 billion in 2014. The variation is due to the increase in Shipbuilding mainly in the cruise business which accounted for 39% of the Group's total revenues for the period (32% in the same period of 2014) and, on the other hand, to the reduction in Offshore revenues, which accounted for 28% of the Group's total revenues (35% in 2014).
The segment breakdown shows that 66.6% of revenues relates to the Shipbuilding segment (60.4% at 31 December 2014), 28.1% to the Offshore segment (35.3% at 31 December 2014) and 5.3% to the Equipment, Systems and Services segment (4.3% at 31 December 2014). During 2015, the revenues generated by foreign clients represented 85% of the total, up from 82% at 31 December 2014.

**EBITDA** was negative for euro 26 million (positive 297 million at 31 December 2014). The **EBITDA margin** was negative at -0.6% (positive 6.8% in 2014). The margin decrease compared to 2014 is attributable for euro 218 million to the Shipbuilding segment, mainly relating to the cruise business, and for 111 million to the Offshore segment, mainly due to the weak operating performance of VARD's Brazilian shipyards. Equipment, Systems and Services segment contributed positively with segment EBITDA amounting to euro 31 million, increasing by euro 10 million year on year. It should be noted that the Offshore segment's profitability in 2014 had benefited from euro 35 million in utilizations from the provision for risks on contracts in Brazil, recognized at the time of the VARD Group's acquisition all of which utilised by 31 December 2014.

**EBIT** was negative for euro 137 million in 2015 (positive euro 198 million in 2014). In addition to the factors discussed earlier, the change in this performance measure reflects an increase of euro 12 million in depreciation and amortization charges in the period. Accordingly, the **EBIT margin** was negative at -3.3% compared with positive 4.5% in 2014.

**Finance income and costs and income and expense from investments** reported a net expense of euro 138 million (net expense of euro 60 million at 31 December 2014). The change year on year is mainly attributable to the recognition of euro 47 million in net foreign exchange losses (euro 2 million in 2014), of which euro 41 million unrealized (euro 8 million in 2014), mainly on certain currency balances recorded by companies within the VARD Group, and to the higher financial charges for construction loans (euro 36 million at 31 December 2015 versus euro 26 million in the previous year). Expense from investments amounted to euro 3 million (income from investments at euro 6 million in 2014).

**Income taxes** reported a positive balance of euro 23 million in 2015 (negative for euro 51 million in 2014) and are mainly related to income from the group tax consolidation and deferred tax assets recognized by the Parent Company on provisions made in the period; with reference to the VARD Group's Brazilian subsidiaries, the result for the period includes losses for which no deferred tax assets have been recognized.

**Profit/loss before extraordinary and non-recurring income and expenses** reported a net loss of euro 252 million at 31 December 2015 (profit of euro 87 million at 31 December 2014) for the reasons described above. The Group's contribution to this result was a net loss of euro 141 million (profit of euro 99 million in 2014).

**Extraordinary and non-recurring income and expenses** reported an expense of euro 50 million for 2015, and included costs relating to claims under asbestos-related lawsuits (euro 30 million), charges for business reorganization plans and other non-recurring personnel costs mainly relating to VARD (euro 17 million) and company costs for Italy's Extraordinary Wage Guarantee Fund (euro 3 million). At 31 December 2014 this figure amounted to euro 44 million and included company costs for the Extraordinary Wage Guarantee Fund (euro 10 million), charges connected with business reorganization plans (euro 9 million), costs relating to claims under asbestos-related lawsuits (euro 21 million) and non-recurring expenses relating to the Initial Public Offering (euro 4 million).

**Tax effect of extraordinary and non-recurring income and expenses** was positive for euro 13 million at 31 December 2015 (positive for euro 12 million at 31 December 2014).

**Profit/(loss) for the period** was a loss of euro 289 million for 2015 (profit of euro 55 million at 31 December 2014), for the reasons described above. The Group's share of this result was a loss of euro 175 million at 31 December 2015 (profit of euro 67 million in 2014).

**Net financial position**, which does not include construction loans, reported net debt of euro 438 million at 31 December 2015 (net cash of euro 44 million at 31 December 2014). The change in Net financial position is due to funding requirements related to Shipbuilding and Offshore segments, which have a large number of deliveries scheduled in the first half of 2016, duly reflected in the high amount of working capital employed in the construction at 31 December 2015.
The expected delivery during 2016 of several cruise and offshore vessels, for which the payment terms, as known, envisage relevant cash inflow at delivery, will contribute to free up the currently committed resources which can then be reinvested in the construction of other ships in backlog.

**Net working capital** reported a positive balance of euro 251 million (positive for euro 69 million at 31 December 2014). The growth in production volumes generated an increase in Inventories and advances by euro 17 million and Construction contracts by euro 764 million. Trade receivables decreased by euro 50 million, and Trade payables increased by euro 132 million. Lastly, Other current assets and liabilities reported a negative change of euro 178 million mainly related to changes in fair value of forex derivatives. Construction loans, treated as part of working capital, amounted to euro 1.103 million at 31 December 2015, increasing from euro 847 million at 31 December 2014. It is recalled that, in view of the operational nature of construction loans and particularly the fact that these types of loan are obtained and can be used exclusively to finance the contracts to which they refer, management treats them in the same way as client advances and so classifies them as part of Net working capital. Of the total construction loans reported at 31 December 2015, euro 983 million refer to VARD Group while the remaining euro 120 million relate to the Parent company, which has finalised a construction loan with a leading international bank for the purpose of financing cruise ship construction.

**Equity** amounted to euro 1,226 million at 31 December 2015 (euro 1,530 million at 31 December 2014).

Net cash flow for the period was negative for euro 292 million (positive euro 179 million at 31 December 2014), reflecting negative **Free cash flow** (the sum of cash flow from operating activities and cash flow from investing activities) of euro 459 million (negative euro 124 million at 31 December 2014) and euro 167 million in net positive cash flows from financing activities (euro 303 million at 31 December 2014).

Among the **profitability indicators**, ROI was negative at 8.6% and ROE negative at 20.7%. These indicators have been affected by the negative results for the period and are not immediately comparable with those at 31 December 2014.

Among the **indicators of the strength and efficiency of the capital structure** at 31 December 2015 Total debt/Equity ratio was 0.7, while Net financial position/Equity ratio was 0.3. These indicators reported an increase both for the reduction in equity, due to the loss for the period, and for the increase in gross and net debt, due to the absorption of financial resources needed to cope with the growth in production volumes in Shipbuilding and partly for the construction of several offshore vessels scheduled for delivery in the first half of 2016. At 31 December 2014, some of these indicators were not applicable because of the positive Net financial position.

## Operational review by segment

### SHIPBUILDING

The Shipbuilding segment is engaged in the engineering and construction of cruise ships, ferries, naval vessels and mega-yachts, as well as in ship repair and conversion activities.

**Revenues** from the Shipbuilding segment amounted to euro 2,847 million at 31 December 2015 (up 5.3% compared to euro 2,704 million at 31 December 2014), of which euro 1,649 million from the cruise business (euro 1,439 million at 31 December 2014) and euro 1,056 million from the naval business (euro 1,059 million at 31 December 2014). Compared to 2014, the increase in cruise revenues (euro 210 million) driven by higher volumes, with 11 ships under construction at the Group's Italian shipyards versus 9 ships at 31 December 2014, was partially weakened by the adverse effects on working capital of revised cost estimates to complete orders due for delivery in 2016 and thereafter. Revenues from the naval business benefited from the contribution of the FMG[6] Group due to the positive trend in the USD/Euro exchange rate on one hand, and, on the other, were affected by the reduction of activities in Italy pending the start of work on the Italian Navy's fleet renewal program in 2016. Revenues from other activities reported a decrease of euro 64 million from euro 206 million at 31 December 2014.

The segment's **EBITDA** was negative for euro 23 million in 2015, decreasing from positive euro 195 million in 2014. The **EBITDA margin** was negative at -0.8% for 2015 compared to a positive 7.2% for 2014.
As mentioned in previous quarterly reports, Fincantieri is currently engaged in managing a particularly challenging order book, which includes a large number of new prototypes currently under design or

[6] *Fincantieri Marine Group*

construction for a great number of diverse clients, with 2 cruise ship prototypes already delivered in 2015 and another 4 due for delivery in 2016.

The exceptional number of prototype ships simultaneously in the design phase, never recorded before and spread over a large number of clients, has also led to a significant overload which failed to find adequate support from the subcontractor network seriously weakened by the global financial and economic crisis. For new prototypes due for delivery from March 2016 on, this overload became particularly evident during the second half of 2015, given the typical business dynamics implying high cost concentration in the outfitting phase over the last months of construction.

Furthermore, it is worth recalling that the margins on these vessels, ordered during the new-build construction demand downturn triggered by the global financial crisis, reflect severely depressed prices and that the 2015 order backlog did not yet allow full utilization of capacity in the Italian production facilities. Consequently, given the significant extra costs involved in managing such issues affecting prototype ships, the EBITDA margin of the Shipbuilding segment was heavily penalized.

In order to solve the issues described above, Fincantieri will continue the improvement programs already started in order to guarantee, in the medium term, the necessary strengthening of competencies and business competitiveness, in particular by revising its design and production processes.

Moreover it should be noted that due to the deteriorating crisis in the Offshore segment and the absence of sufficient specialized resources in its own network, Fincantieri has developed important synergies in the second half of 2015 with VARD's Romanian operations by using in Italy a large number of their production and design personnel while putting in place the necessary actions to increase the use of Romanians yards for the construction of outfitted hull sections or small specialized cruise units to support the Italian operations.

It should also be noted that while the Company is expensing in full the costs of prototypes under construction, it is still waiting to receive grants for maritime industry research and innovation, allocated under the 2014 Stability Law and subsequently re-presented in the 2015 Stability Law for a reduced amount.

During 2015 the Shipbuilding segment was awarded a record level of **orders** totaling euro 9,262 million, compared to order intake of euro 4,400 million in 2014. The order backlog for the segment stood at euro 14,067 million at 31 December 2015 (7,465 million at 31 December 2014).

Among Group orders for the Shipbuilding segment there are 24 units:

- 9 units within the Italian Navy's fleet renewal program (7 Multipurpose Offshore Patrol units, 1 Logistic Support Ship and 1 Multipurpose Amphibious unit);
- 2 FREMM units for the Italian Navy;
- 2 LCS units for US Navy, ninth (LCS 21) and tenth (LCS 23) vessels within the contract for 10 ships signed in 2010 through the subsidiary Marinette Marine Corporation (MMC);
- 1 ATB unit (Articulated Tug Barge), comprising 1 tug plus 1 barge, for petroleum/chemical transportation;
- 4 cruise ships for Carnival Corporation brands, 2 units for Costa Asia, 1 unit for P&O Cruises Australia and 1 unit for Princess Cruises. The units, which will be built at the Monfalcone and Marghera shipyards, will serve growing cruise markets, including China and Australia;
- 3 cruise ships for Virgin Cruises, a Virgin Group brand and new entrant in the cruise market;

- 2 cruise ships for Viking Ocean Cruises, sister ships of the four units that have already been ordered, one of which delivered during Spring 2015.

During the period the Company delivered 9 units:

- "Britannia" the new flagship of the P&O Cruises fleet, a Carnival Corporation brand, delivered by the Monfalcone shipyard;
- "Viking star", the prototype ship for the Viking Ocean Cruises fleet, delivered by the Marghera shipyard;
- "Le Lyrial", the small super luxury cruise ship for the French cruise line Ponant, delivered by the Ancona shipyard;
- "Carabiniere", the fourth frigate for the Italian Navy (FREMM programme) delivered at the Muggiano shipyard;
- "F.-A.-Gauthier", the first ever LNG powered ferry ever built in Italy by the Castellammare di Stabia (Naples) shipyard for the Canadian shipowner Société des traversiers du Québec;
- "USS Milwaukee" (LCS 5) within the LCS program for the US Navy, delivered by Marinette Marine shipyard;
- 2 *barge* and 1 *tug* units for Moran Towing Corporation delivered by Sturgeon Bay shipyards.

Moreover during 2015, the Company delivered from the Palermo shipyard "MSC Sinfonia", "MSC Opera" and "MSC Lirica", the last three of the four MSC ships included in the "Renaissance" program.

**OFFSHORE**

The Offshore operating segment is engaged in the design and construction of support vessels for the oil&gas exploration and production market. Fincantieri operates in this market through the VARD Group and Fincantieri Oil&Gas S.p.A.

The VARD Group also provides its customers with turnkey electrical systems, inclusive of engineering, manufacturing, installation, integration testing and commissioning.

In an extremely depressed global market due to the steep decline in oil prices, reaching a 6-year minimum levels during the second half of 2015 and triggering a general downsizing of investment plans and introduction of cost-cutting programs by the majority of clients, **revenues** of the Offshore segment amounted to euro 1,199 million at 31 December 2015, down 24.1% from euro 1,580 million in 2014, due to lower activity levels at some European yards and the negative impact of changes in the Norwegian krone/Euro exchange rate (euro 84 million). It should also be noted that the 2014 operating revenues included euro 35 million for the utilizations of the provision, recognized at the time of allocating the VARD Group's purchase price in respect of delays and higher expected costs at its Brazilian shipyards, all of which utilised by 31 December 2014.

The Offshore segment's **EBITDA** was negative for euro 3 million at 31 December 2015 compared to positive euro 108 million at 31 December 2014, with a negative **EBITDA margin** at -0.2% (positive 6.8% at 31 December 2014).

This deterioration is the result of weak operating performance by VARD Brazilian shipyards, only partially offset by positive results of the rest of VARD Group, reached despite the drop in offshore market demand and reduced margins for ships under construction in European shipyards.

In order to address this situation, VARD has started the reorganization of its operations, notably in Norwegian and Romanian yards, targeting structural cost base reduction, while accelerating the development of synergies with Italian cruise operations through the production of sections for large cruise ships currently under construction in Italy and the possibility to build entire expedition cruise vessels.

In Norway, the workload guarantees a good level of activities but temporary layoffs are already being used for a provisional reduction in the workforce. In Brazil, where the difficult political and economic context continues to be a problem, the Niterói yard has revised the estimated completion costs for the last two vessels, with deliveries scheduled for the first half of 2016. As for the new Promar shipyard, the progress of the program to build LPG carriers for Transpetro has not been satisfactory since the work involved and its complexity are much greater than originally expected. This is why the delivery dates have been rescheduled and additional extra costs have been recorded during the third quarter of 2015, and increased during the last quarter in order to align them to the conditions agreed with Transpetro at the delivery of the first unit in January 2016. It is also noted that during the last quarter Transpetro cancelled orders for two LPG carriers which were part of Vard Promar order portfolio. Following this decision, VARD has initiated legal proceedings against Transpetro in order to secure its contractual rights and recover extra costs incurred in LPG project. The termination did not have a material impact on 2015 results as the vessels were in early stages of construction. It is noted that the revision of the costs and programs has also led to delays for the 2 PLSV (Pipelay Support Vessels) under construction.

During 2015 the Offshore segment was awarded **orders** totaling euro 402 million (euro 1,131 million in 2014).

Among Group orders for the Offshore segment there are 6 units:

- 4 OSCV (Offshore Subsea Construction Vessel), one for the client Kreuz Subsea, two for the client Topaz Energy and Marine a new client based in Dubai and one, acquired during the last quarter of the year, for an important international client;
- 1 Stern Trawler for a new Canadian client;
- 1 Costal Fishing vessel for the client Breivik AS.

Since the second half of last year the decline in oil prices has significantly altered the spending outlook for oil exploration & production companies, involving a general scaling back of investment plans and introduction of cost-cutting programs. The order backlog stood at euro 1,143 million at 31 December 2015 (euro 2,124 million at 31 December 2014), relating to 29 vessels, of which 18 of VARD's own design, ensuring a good volume until 2017.

It is also reported in the first quarter 2015, the VARD Group terminated the contracts for the construction of two vessels after the companies that had ordered them filed for bankruptcy. In respect of one of these two vessels VARD Group had received a 10% advance payment. In September 2015 the first of the two vessels was transferred, upon completion, to Vard Shipholding Singapore Pte. Ltd., a newly-formed wholly-owned

subsidiary company. Pending its sale, this vessel has since been chartered to DOF, while the other vessel is still under construction. At 31 December 2015 the two units are recorded in inventories.
As mentioned above, during the last quarter Transpetro, one of the main Vard Promar clients, cancelled orders for two LPG carriers. Following this event Vard Promar has initiated legal proceedings against Transpetro in order to secure its contractual rights and recover extra costs incurred in LPG project. The value of these four units has been excluded from the backlog at 31 December 2015.

During the period the Company delivered 12 units:

- 5 PSV (Platform Supply Vessel), in particular “Troms Mira” and “Troms Hera” delivered to Troms Offshore part of the Group Tidewater by the Vard Vung Tau shipyard (Vietnam); “Stril Barents” delivered to Simon Møkster Shipping by the Vard Aukra shipyard (Norway); “Island Clipper” delivered to Island Offshore by the Vard Brevik shipyard (Norway) and “MMA Plover” delivered to Mermaid Marine Australia Offshore by the Vard Vung Tau shipyard (Vietnam);
- 3 OSCV (Offshore Subsea Construction Vessel), in particular “Skandi Africa” delivered to DOF by the Vard Søviknes (Norway), “Far Sleipner” and “Far Sentinel” delivered to Farstad Shipping by the Vard Langsten shipyard (Norway);
- 1 AHTS (Anchor Handling Tug Supply vessel) “Skandi Angra” delivered to Norskan Offshore, a DOF Group company, by the Vard Niterói shipyard (Brazil);
- 1 Offshore Tug Vessel, delivered to Buksér og Berging by the Vard Braila shipyard (Romania);
- 1 research unit, “Marjata”, delivered to the Royal Norwegian Navy by the Vard Langsten (Norway);
- 1 LPG Carrier, “Oscar Niemeyer”, delivered to Transpetro by the Vard Promar (Brazil) shipyard.

**EQUIPMENT, SYSTEMS AND SERVICES**

The Equipment, Systems and Services segment is engaged in the design and manufacture of systems and components as well as in the provision of after-sales services. These activities are carried out by FINCANTIERI S.p.A. and its subsidiaries Isotta Fraschini Motori S.p.A., Delfi S.r.l., Seastema S.p.A. and FMSNA Inc.

**Revenues** from the Equipment, Systems and Services segment increased by 17.7% to euro 226 million at 31 December 2015 (euro 192 million at 31 December 2014). This improvement was primarily due to higher volumes of both after sales services for naval vessels and sales of ship automation systems in line with the development prospects for this business.

**EBITDA** of the segment amounted to euro 31 million at 31 December 2015 compared to 21 million at 31 December 2014, with an improvement of **EBITDA margin** to 13.8% from 11.1% in 2014, mainly reflecting the higher contribution of after sales services, both in naval ships and in propulsion systems.

The Equipment, Systems and Services segment secured euro 639 million in new **orders** during 2015 (euro 204 million in 2014), partly related to the Italian Navy's fleet renewal program, taking the segment’s backlog to euro 732 million significantly increasing from euro 300 million in 2014.

**Other significant events in the period**

- In January, incorporation of Fincantieri SI, a company based in Trieste, to design, manufacture and supply integrated innovative systems in the field of electric, electronic and electromechanical industrial solutions.
- In February, launch of the association known as "Vessels for the Future". The initiative, of which Fincantieri is a founding member along with Rolls Royce, aims to promote research, development and innovation in the maritime field, with a particular focus on vessels for the future and their operational requirements.
- Also in February, announcement of the three winning project ideas for Innovation Challenge, the Open Innovation initiative developed by Fincantieri with the Chemical, Management, Computer and Mechanical Engineering Department of the University of Palermo.
- In April Vard Group AS (55.63% controlled by Fincantieri) announced the incorporation of Vard Contracting AS, a Norwegian-registered company in which it owns 100% of the shares. The new company's mission is to make more effective services provided by subcontractors at Norwegian shipyards, to strengthen the competitiveness of these yards and to defend the Group's know-how.
- Also in April Fincantieri signed an important agreement with Banca Mediocredito FVG, allowing the naval engineering group's suppliers to access factoring services and to benefit from specific banking products giving them easier and cheaper access to credit. The agreement opens new possibilities and opportunities to the enterprises in Friuli Venezia Giulia.
- Furthermore, in April Fincantieri signed agreements with the University of Palermo and the University of Rijeka aimed at working and cooperating together for mutual benefit.
- In May, the subsidiary Marine Interiors S.p.A. finalised the acquisition of Santarossa Contract, a company in a state of voluntary arrangement and a traditional supplier of Fincantieri for the design and creation of turnkey cabin solutions and refitting for the cruise industry. This acquisition confirms Fincantieri's strategy of extending direct control over higher value-added business segments, with the aim of expanding its areas of business whilst also reducing its procurement costs.
- In the same month Fincantieri signed an agreement for the acquisition of a minority stake via capital injection in Camper & Nicholsons International ("Camper and Nicholsons"), a global leader in all luxury yachting activities. The agreement gives Fincantieri the possibility of increasing its interest in Camper & Nicholsons at a later date.
- In June VARD announced that the "Skandi Africa", an Offshore Subsea Construction Vessel (OSCV), had received the prestigious "Ship of the Year" award, instituted by the major Nordic shipping magazine, Skipsrevyen.
- In the same month VARD announced the launch of its "A step forward" innovation project following its strategy and long shipbuilding traditions in developing high technology and new solutions. The goal of the

project is to develop tools to enable higher returns on investment for shipowners, increase the efficiency and ease of operations, and provide an attractive work environment on board.

- In June Vard Holdings Limited announced the acquisition of 100% of the shares in ICD Software AS and its subsidiaries. The ICD Software Group is specialized in the development of automation and control system software for the offshore and marine sectors and has 63 employees, half of whom in Norway and the rest in two subsidiaries in Poland and Estonia. The acquisition was made by Seaonics AS, a 51% subsidiary of Vard Group AS. As a result of the acquisition, Seaonics is expected to be able to expand its business in deck handling equipment and automation technology. The acquisition forms part of the initiatives taken by the VARD Group to enhance its product range and develop new areas of business.
- At the end of June Fincantieri launched the "Active Safety" training project at all the Group's Italian yards, with a session devoted to the topic of "protection from slips, trips and falls", representing a major cause of shipyard injury. The project, involving about 4,000 employees, is part of the "Towards Zero Accidents" operational safety program started by the Group in 2011, which over the years has led to a more than 50% reduction in the number of on-site accidents.
- On 29 June, in implementation of an order issued by the Criminal Court of Gorizia, the Italian Military Police's Environmental Operations Task Force from Udine preventively seized some areas of the Monfalcone shipyard used for sorting process residues and essential for the proper conduct of the production process. Fincantieri was forced, in accordance with the aforementioned court order, to suspend working activities for all the workers involved in the production cycle at the Monfalcone shipyard with effect from 31 December 2015. Following the entry into force of Legislative Decree 92 of 4 July 2015, the Gorizia Prosecutor's Office subsequently ordered on 6 July 2015 the release of the seized areas in the Monfalcone shipyard, allowing all the shipyard's production workers to resume their working activities on 7 July.
- In order to secure its presence in the Chinese market, during the month of July Fincantieri has established a Shanghai-based subsidiary in China, under the name of Fincantieri (Shanghai) Trading Co. Ltd. Forming part of Fincantieri's international expansion strategy, the aim is to capture the important business opportunities offered by the Chinese market in several sectors, such as cruise ships, repairs and conversions, offshore and marine systems and equipment.
- On 21 July, Vard Holdings Limited (55.63% controlled by Fincantieri) announced the incorporation of Vard Electro Italy Srl, an Italian-registered company, 100% owned by Vard Electro AS. The main business of the new subsidiary will be to deliver turn-key electrical solutions to other parts of the Fincantieri Group.
- On 6 August, Fincantieri Marine Group LLC, the U.S. subsidiary of Italy's shipbuilding giant Fincantieri, and Gibbs & Cox, Inc., the leading independent naval engineering and design firm in North America, announced a joint strategic research and development initiative in the ship and vessel design arena.
- In August, as part of an international collaboration program with the United Arab Emirates, Fincantieri conducted in Genoa, at CETENA - Naval Research Centre, a subsidiary of the Fincantieri Group, training

courses for students of Higher Colleges of Technology and Khalifa University of Science, Technology and Research, both Abu Dhabi University and among the most prestigious of the entire area. The purpose of the activity was to introduce the Italian excellence in the marine field in its different aspects (military, cruise, mega yachts) and boost relations with UAE leading universities that are opening up in recent years in the naval field.

- On 22 September, Vard Holdings Limited announced the construction of Vard Shipholding Singapore Pte.Ltd, based in Singapore. The new company, 100% controlled by Vard Holdings Limited, will manage the charter of the first of the two Platform Supply Vessels (PSV), owned by the Company and built at the Vard Vung Tau shipyard in Vietnam, for which the contracts were terminated following the insolvency of clients. At the same time Vard Holdings Limited announced that a contract had been secured to charter that PSV to DOF.

- On 23 September, during the 2015 Monaco Yacht Show Fincantieri and Pininfarina, standard-bearer of the Italian design for 85 years, introduced the “Ottantacinque” concept of a latest-generation luxury mega yacht.

- On 30 September 2015 concluded the process of allotting bonus shares to entitled shareholders, as indicated in paragraph 5.2.3.4 of the Initial Italian Public Offering Prospectus for the listing of Fincantieri S.p.A. ordinary shares on the Electronic Stock Market (MTA), organized and managed by Borsa Italiana S.p.A. The allotment of bonus shares, made available by the Selling Shareholder Fintecna S.p.A., has involved a total of 14,735,406 ordinary shares, of which 14,272,716 shares allotted to the General Public and 462,690 shares to Fincantieri Employees. As a consequence of the allocation of bonus shares by the Selling Shareholder Fintecna S.p.A., the share capital of Fincantieri amounts to euro 862,980,726 and is held for 71.6% by Fintecna S.p.A., while 28.4% is free float.

- On 15 October Fincantieri announced the issue of a Profit Warning by its subsidiary VARD, regarding the financial results for the third quarter and the full year 2015, due to operational challenges at the Brazilian shipyards, combined with the negative trend in the Brazilian economic and political environment.

- On 9 November Mr. Andrea Mangoni tendered his resignation as Director of the Board and General Manager of Fincantieri.

- On 17 November, in Rome, National Research Council President Luigi Nicolais and Fincantieri CEO Giuseppe Bono signed an agreement which further expands the strategic partnership established at the end of November 2011 in the field of research, technological innovation and training applied to the shipbuilding sector.

- On 21 December Fincantieri has signed a contract with Mazagon Dock Limited (MDL), one of the most important Indian shipyards, controlled by the Ministry of Defence and specialized in the building of naval and offshore units, to provide technical advice within the Project 17A, which envisages the construction of 7 stealth frigates ordered by the Indian Navy.

**Key events after 31 December 2015**

On 11 January, Vard Holdings Limited announced the delivery of the first Liquefied Petroleum Gas (LPG) carrier for Transpetro “Barbosa Lima Sobrinho”; the first unit entirely built and delivered by Vard Promar.

On 26 January, in the presence of the Prime Minister Matteo Renzi and the President of Iran Hassan Rouhani - on an official visit in Italy, Fincantieri has signed a number of framework agreements with some primary Iranian companies, preparatory to the implementation of several important contracts and the potential development of joint activities. In particular, Fincantieri has reached a cooperation and development agreement with Azim Gostaresh Hormoz Shipbuilding Industry Co (AGH), a modern and new Iranian shipyard, strategically located in the Persian Gulf. The agreement provides for cooperation between the two companies both for the construction of new merchant vessels and offshore units, and in the field of ship repairs and conversions as well as refitting activities of already operating units.

On 22 February, Vard Holdings Limited announced the signing of a contract for the design and construction of a stern trawler for HAVFISK ASA. The contract value is approximately NOK 325 million (approximately euro 34 million).

On 29 February Vard Holdings Limited has announced its financial results for the fourth quarter 2015 and for the year ended 31 December 2015 and provided guidance on its diversification strategy.

On 2 March, Fincantieri and Huarun Dadong Dockyard (HRDD), one of the largest Chinese shipyards specialized in ship repair and refitting activities, signed in Shanghai an exclusive cooperation agreement in the field of ship repair and conversions aimed at serving the cruise ships based in China. The understanding includes the development of technical skills, project management, and logistics procedures.

On 3 March, at the Muggiano shipyard (La Spezia), Fincantieri delivered “Itarus”, the semisubmersible floating platform built by Fincantieri for the Russian RosRAO, the Federal State Unitary Enterprise for radioactive waste management.

On 7 March, Fincantieri and the University of Rhode Island (U.S.A.), on behalf of its International Engineering Program (IEP), has signed an important understanding which establishes the beginning of mutual collaboration to develop academic and cultural interchange.

Also on 7 March Vard Holdings Limited announced the establishment of a new company, Vard Electro Canada Inc., based in Canada, whose share capital is wholly owned by Vard Electro AS. The core business of the new company is represented by electrical systems installation and integration with the aim of supporting the growth of Vard Electro AS in North America.

On 15 March, during the Seatrade Cruise Global, the most important event of the cruise industry, Fincantieri has announced that its subsidiary Vard Holdings Limited has signed a historic Letter of Intent with the French shipowner Ponant for the construction of four small-sized luxury cruise vessels. The Letter, subject to several conditions including satisfactory ship owner financing, marks the entrance of VARD in the cruise shipbuilding sector.

On 21 March, Mrs. Anna Molinotti tendered her resignation as Director of the Board and member of the Compensation Committee of Fincantieri S.p.A..

On 24 March, at the Ancona shipyard, Fincantieri delivered “Viking Sea”, the second of six cruise ships Viking Ocean Cruises has ordered from Fincantieri, has been delivered today at the shipyard in Ancona.

On 31 March, Koningsdam, the new ship for Holland America Line, brand of the Carnival Group, the world’s largest cruise operator, was delivered at Fincantieri’s shipyard in Marghera.

Also on 31 March, Fincantieri and Norwegian Cruise Line Holdings have reached an agreement for the construction of the second ultra-luxury cruise ship for the Regent Seven Seas Cruises brand. The contract, which is worth euro 422 million, is effective immediately and all conditions have been met.

**Business outlook**

The Company Business Plan 2016-2020, approved today, intends to consolidate the Group’s global leadership in high value added shipbuilding segments, in line with the diversification strategy pursued over the recent years.

In particular, the Plan foresees further strengthening of existing business platforms, not only in core segments, by finalising major negotiations ongoing, but also in new geographical areas and high-potential markets, such as the Chinese one, also through establishment of new strategic partnerships.

Furthermore, the Plan foresees the implementation of actions aimed at increasing Group profitability in order to allow shareholders return, through the development of significant production synergies with the subsidiary VARD, by using the Romanian Tulcea shipyard to support the Italian production network.

The Shipbuilding segment is expected to see a strong increase in volumes and gradual recovery of margins. In order to manage high prospective workload, the Company will continue to implement actions aimed at the optimization of engineering and production structure in Italy.

Regarding the Offshore segment, the subsidiary VARD will, on one hand, implement a business diversification strategy in order to cope with the core Oil&Gas sector crisis, and on the other, implement actions aimed at lowering the cost position. As for the diversification of revenue sources, it should be noted that during 2015 13% of VARD total orders are related to fishing and aquaculture segments and that 100% of Offshore segment orders have been acquired with new clients. Finally in March 2016 VARD has signed an important agreement with Ponant for the construction of four small-sized luxury cruise vessels, which will be entirely built at its Romanian and Norwegian shipyards, with support and supply of critical components by Fincantieri.

In Equipment, Systems and Services segment the Company will continue its strategy of revising the value chain management, by insourcing high value added activities and outsourcing those with lower value added, in order to enhance its product positioning and further develop after sales business.

**BUSINESS PLAN 2016-2020**

Today the Board of Directors also approved the Group Business Plan 2016-2020.

In particular, the Business Plan 2016-2020 foresees for the Group to leverage the significant backlog to strengthen its global leadership, develop significant commercial and industrial synergies, notably between

Shipbuilding and Offshore segments, and continue the rationalization of the operating model aimed at reaching an adequate level of profitability.

**Shipbuilding**

The cruise industry is experiencing an unprecedented growth. The Group foresees the number of cruise passengers worldwide to go from 22.1 million in 2014 to 30.6 million in 2020 and to further grow to 49.0 million in 2030, with the weight on total number of tourists increasing from 2.0% in 2014 to 2.3% in 2020 to 2.7% in 2030. This expected growth has led to significant fleet renewal programs undertaken by the shipowners with consequent substantial saturation of cruise shipbuilding capacity until 2020 and positive effects on pricing trend, expected to consolidate in the medium term.

In this context, the revenue growth in cruise segment is based on the significant backlog: **over 90% of 2016-2020 revenues is, in fact, already covered by contracts and MOA.** This backlog includes 4 prototype ships scheduled for delivery in 2016, 3 in the first half and 1 in the fourth quarter), whose development has allowed the acquisition of a large number of sister ships.

The company is also developing commercial synergies with the subsidiary VARD, as demonstrated by the recent agreement with the cruise operator Ponant.

In order to develop the important cruise production plan, in addition to the adjustment of production capacity at Monfalcone and Marghera shipyards to build larger ships, Fincantieri intends to develop significant production synergies with VARD Romanian shipyards. In particular through the utilization of Tulcea shipyard to support the Italian production network and reduce its potential overload.

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In naval, Fincantieri expectations for foreign market development highlight a growth in demand for new naval vessels, especially in countries with no strong local shipbuilders, whom cumulated spending programs amount to euro 31.8 billion over 2016-2020. Approximately 60% of this value is concentrated in a group of ten countries.

In the light of this development, the Group intends to leverage its experience in the segment and the new concepts under development to acquire new programs for foreign Navies.

Furthermore, the Company will consolidate and develop its existing programs, including the completion of Italian Navy's fleet renewal program, with deliveries scheduled up to 2026, and the LCS program for US Navy, with 9 ships in backlog plus 1 option to be financed in 2016, and deliveries up to 2020. The Company will also participate to additional tenders expected to be held from 2016 on.

In terms of marginality, the Shipbuilding segment's performance will be positively impacted during the Business Plan period by:

- a limited number of prototypes scheduled for delivery from 2016 on, with consequent backlog de-risking and positive impacts on margins due to the reduction of development and production costs. In particular, while the weight of prototypes on total cruise deliveries increases from 33% in 2015 to 80% in 2016, in the following years this ratio will decrease: 20% in 2020, 0% in 2018 and 2019. In fact, the current backlog only includes two prototypes scheduled for delivery in 2017-2020 period (one for MSC Cruises and one for Virgin Cruises).

- a significant improvement in cruise ship pricing for the ships scheduled for delivery starting from the first half of 2017, leading to an increase in average revenues per lower berth: while in 2016 this figure remains unchanged compared to the two years period 2014-2015, it is expected to increase by 11% in 2018 and by approximately 20% in 2020 (compared to 2014-2015).
- a higher contribution of Naval revenues at the end of Business Plan. The weight of Naval revenues on total Shipbuilding revenues is 37% in 2015 and in 2016, 36% in 2018 and 43% in 2020.

**Offshore**

As for the Offshore segment, the persistent decline in oil prices, already commenced in the second half of 2014, has significantly altered the spending outlook for oil exploration & production companies, which have scaled back their investment plans and initiated cost-cutting programs. This resulted in a negative outlook for PSV (Platform Supply Vessel) and AHTS (Anchor Handling Tug Supply vessel) demand due to oversupply following oil price fall and postponements of drilling projects.

In the medium term, the Group expects E&P spending to recover, followed by the recovery in offshore support vessel demand starting from 2018.

Regarding the core offshore support vessel business, gradual demand recovery is expected starting from 2018, notably for high complexity OSCVs (Offshore Subsea Construction Vessels) and new geographies, such as the Middle East region.

In 2015 the Group has launched a product diversification strategy which foresees for VARD to pursue business opportunities in new segments such as aquaculture and offshore wind, and to leverage synergies within the Group for the construction of passenger vessels, such as exploration cruise, and naval vessels, such as Offshore Patrol Vessels (OPV).

In this context, in fact, new clients accounted for 100% of the VARD order intake in 2015.

The Business Plan foresees the adjustment of yard structure in Europe, with focus of Norwegian yards on the core segment, and dedication of Aukra yard to projects in the aquaculture sector, leveraging its location in the maritime cluster close to the client network. On the other hand, for the Romanian yards VARD foresees a recovery in activities and development of competencies and know-how for the construction of special passenger vessels.

Operations in Brazil will be reorganized starting from the second half of 2016, through the phasing out of newbuilding activities at Vard Niterói at the completion of the projects currently under construction scheduled for delivery in the second quarter of 2016 and ramp-up of the new Vard Promar shipyard to strengthen its presence in this country and become a major player for the development of future programs, provided economic and financial conditions are satisfied. Furthermore, in 2015 VARD has initiated legal proceedings against Transpetro, still ongoing, for the recovery of extra cost incurred in LPG project and the cancellation of orders for two LPG vessels.

Lastly, cost reduction and efficiency improvement programs are being intensified in order to enhance the Group's competitiveness in core and new markets.

**Equipment, Systems & Services**

In the Equipment, Systems and Services segment the Group intends to strengthen the growth of traditional components and naval after sale businesses, throughout the development of the relevant backlog deriving from the renewal of Italian Navy's fleet, the increase of non-captive business and the extension of product range.

The Group also intends to consolidate and further develop cabins and integrated systems business areas insourced in 2015 and to continue insourcing other high value added businesses that represents critical supplies of the ship such as HVAC (Heating, Ventilation and Air Conditioning) systems and public areas.

This will lead in the medium term to an important development of after sale activities on all business areas already insourced and to be insourced, with particular focus on cruise business.

**Guidance 2016 and consolidated medium term financial targets**

The Business Plan outlined above foresees the achievement, at consolidated Group level, of positive net result before extraordinary and non-recurring items already in 2016 and dividend distribution starting from 2017 net income.

The following are the forecasts for 2016:

- Revenues increasing by 4-6% compared to 2015
- EBITDA margin at approx. 5%
- Net working capital at approx. euro 0.4-0.5 billion
- Net financial position at approx. euro 0.7-0.8 billion of net debt

The following are the forecasts for 2018:

- Revenues increasing by 16-23% compared to 2016
- EBITDA margin at approx. 6-7%
- Net working capital at approx. euro 0.0-0.3 billion
- Net financial position at approx. euro 0.4-0.6 billion of net debt

The following are the forecasts for 2020:

- Revenues increasing by 16-21% compared to 2018
- EBITDA margin at approx. 7-8%
- Net working capital at approx. euro 0.1-0.3 billion
- Net financial position at approx. euro 0.1-0.3 billion of net debt

**Net debt evolution and sources of funding**

Relevant production volumes in cruise will lead to an increase of capital needs at the beginning of the Business Plan period, due to the payment terms in this segment.

However Fincantieri is well prepared to satisfy the expected funding needs thanks to the available credit lines (approx. euro 1.0 billion for Fincantieri S.p.A. only, of which euro 590 million of committed revolving credit facilities, euro 150 million of committed construction loans and euro 260 million of uncommitted credit lines) and the utilization of additional funding sources (reverse factoring and other forms of construction financing currently under negotiation).

Over the Business Plan horizon, the revenue growth coupled with the increase in marginality and the normalization of cruise growth will lead to a significant cash flow generation, which will be used to finance the important capex foreseen, to reduce net debt and allow dividend distribution.

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**ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING**

The Board of Directors convened the Ordinary and Extraordinary Shareholders' Meeting to be held on 19 May 2016 on a single call.
The Board of Directors also resolved to propose to the Shareholders' Meeting to cover the FINCANTIERI S.p.A.'s loss for the year of euro 112.7 million by using the Extraordinary reserve for the same amount. As a consequence the Extraordinary reserve will amount to euro 168 million. The Board of Directors will not propose to the Shareholders' Meeting to distribute dividends for 2015.

The other items on the agenda will be:

- extraordinary meeting: (i) resolution upon certain amendments of the By-Laws: Article 19, following the proposal by Fintecna S.p.A. and Articles 16, 17, 19, 20, 21, 22, 24 and 27;
- ordinary meeting: (i) appointment of Board Directors and the President of the Board, subject to prior determination of the number of Board members, duration of the mandate and their compensation, (ii) non-binding vote on the first Section of the Compensation Report in accordance with Article 123-ter of the Italian Consolidated Financial Act.

The Board of Directors also approved the Report on Corporate Governance and Ownership Structure, prepared pursuant to Article 123-bis of the Italian Consolidated Financial Act, and the Compensation Report prepared in accordance with Article 123-ter of the Italian Consolidated Financial Act, including the description of Fincantieri S.p.A.'s compensation policy for 2016.
The Notice of call and all the documentation related to the items on the agenda will be made available to the public in the ways and within the terms laid down by the regulations in force.

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*The Manager Responsible for Preparing Financial Reports, Carlo Gainelli, declares, pursuant to paragraph 2 of article 154-bis of Italian Legislative Decree no. 58 dated 24 February 1998, that the accounting information contained in this press release corresponds to the underlying accounting books and records.*

* * *

**Fincantieri** *is one of the world's largest shipbuilding groups and number one by diversification and innovation. It is leader in cruise ship design and construction and a reference player in all high-tech shipbuilding industry's sectors, from naval to offshore vessels, from high-complexity special vessels and ferries to mega-yachts, ship repairs and conversions, systems and components production and after-sales services.*
*Headquartered in Trieste (Italy), the Group has built more than 7,000 vessels in over 230 years of maritime history. With approximately 20,000 employees, of whom more than 7,700 in Italy, 21 shipyards in 4 continents, today Fincantieri is the leading Western shipbuilder. It has among its clients the major cruise operators, the Italian and the U.S. Navy, in addition to several foreign navies, and it is partner of some of the main European defense companies within supranational programmes.*

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*DISCLAIMER*
*Forecast data and information must be regarded as forward-looking statements and therefore, not being based on simple historical facts, contain, by their nature, an element of risk and uncertainty because they also depend on the occurrence of future events and developments outside the Company's control. Actual results could therefore be materially different from those expressed in forward-looking statements. Forward-looking statements refer to the information available at the date of their publication; FINCANTIERI S.p.A will communicate any variation of information and forward-looking data in the ways and within the terms laid down by the regulations in force.*

* * *

*Financial results at 31 December 2015 and Company's Business Plan 2016-2020 will be presented to the financial community during a conference call scheduled for Thursday 31 March 2016 at 18:00 CET.*
*To attend the conference please dial the following telephone numbers:*
*Italy +39 028020911*
*United Kingdom +44 1212818004*
*United States +1 7187058796*
*Hong Kong +852 58080984 then press *0*
*The slide presentation will be available in the Investor Relations section of the web page www.fincantieri.com 10 minutes before the start of the conference.*

* * *

*Attachments: Financial statements, not subject to audit by the Independent Audit Firm*

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# RECLASSIFIED FINANCIAL STATEMENTS USED IN THE REPORT ON OPERATIONS

## RECLASSIFIED CONSOLIDATED INCOME STATEMENT[7]

| (Euro/million) | 31.12.2015 | 31.12.2014 |
|---|---|---|
| **Revenue and income** | **4,183** | **4,399** |
| Materials, services and other costs | (3,337) | (3,234) |
| Personnel costs | (865) | (843) |
| Provisions | (7) | (25) |
| **EBITDA** | **(26)** | **297** |
| ***EBITDA margin*** | ***-0.6%*** | ***6.8%*** |
| Depreciation, amortization and impairment | (111) | (99) |
| **EBIT** | **(137)** | **198** |
| ***EBIT margin*** | ***-3.3%*** | ***4.5%*** |
| Finance income/costs (+/-) | (135) | (66) |
| Income/expense (+/-) from investments | (3) | 6 |
| Income taxes | 23 | (51) |
| **Profit/loss (+/-) before extraordinary and non-recurring income and expenses** | **(252)** | **87** |
| *of which Group* | *(141)* | *99* |
| Extraordinary and non-recurring income and expenses (+/-) | (50) | (44) |
| Tax effect of extraordinary and non-recurring income and expenses | 13 | 12 |
| **Profit for the period** | **(289)** | **55** |
| of which Group | (175) | *67* |

## RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| (Euro/ million) | 31.12.2015 | 31.12.2014 |
|---|---|---|
| Intangible assets | 518 | 508 |
| Property, plant and equipment | 974 | 959 |
| Investments | 62 | 60 |
| Other non-current assets and liabilities | (44) | (48) |
| Employee benefits | (57) | (62) |
| **Net fixed capital** | **1,453** | **1,417** |
| Inventories and advances | 405 | 388 |
| Construction contracts and advances from customers | 1,876 | 1,112 |
| Construction loans | (1,103) | (847) |
| Trade receivables | 560 | 610 |
| Trade payables | (1,179) | (1,047) |
| Provisions for risks and charges | (112) | (129) |
| Other current assets and liabilities | (196) | (18) |
| **Net working capital** | **251** | **69** |
| **Net invested capital** | **1,704** | **1,486** |
| **Equity** | **1,266** | **1,530** |
| **Net financial position** | **438** | **(44)** |
| **Sources of funding** | **1,704** | **1,486** |

[7] *The line "Provisions and impairment" has been modified in "Provisions" and includes provisions and reversal for risks and writedowns. It excludes impairment of Intangible assets and Property, plant and equipment, which is included in "Depreciation, amortization and impairment" (previously "Depreciation and amortization"). This change had no effect on the comparative information.*

## RECLASSIFIED CONSOLIDATED STATEMENT OF CASH FLOWS

| (Euro/million) | 31.12.2015 | 31.12.2014 |
|---|---|---|
| Net cash flows from operating activities | (287) | 33 |
| Net cash flows from investing activities | (172) | (157) |
| Net cash flows from financing activities | 167 | 303 |
| **Net cash flows for the period** | **(292)** | **179** |
| | | |
| **Cash and cash equivalents at beginning of period** | **552** | **385** |
| Effects of currency translation difference on opening cash and cash equivalents | - | (12) |
| **Cash and cash equivalents at end of period** | **260** | **552** |

| (Euro/million) | 31.12.2015 | 31.12.2014 |
|---|---|---|
| **Free cash flow** | **(459)** | (124) |

## CONSOLIDATED NET FINANCIAL POSITION

| (Euro/million) | 31.12.2015 | 31.12.2014 |
|---|---|---|
| **Cash and cash equivalents** | **260** | **552** |
| **Current financial receivables** | **53** | **82** |
| Current bank debt | (187) | (32) |
| Current portion of bank loans and credit facilities | (63) | (47) |
| Other current financial liabilities | (13) | (1) |
| **Current debt (-)** | **(263)** | **(80)** |
| **Net current cash/debt (+/-)** | **50** | **554** |
| **Non-current financial receivables** | **113** | **90** |
| Non-current bank debt | (299) | (290) |
| Bond | (298) | (297) |
| Other non-current financial liabilities | (4) | (13) |
| **Non-current debt (-)** | **(601)** | **(600)** |
| **Net financial position** | **(438)** | **44** |

## ECONOMIC AND FINANCIAL INDICATORS

| | 31.12.2015 | 31.12.2014 |
|---|---|---|
| ROI | -8.6% | 13.9% |
| ROE | -20.7% | 4.0% |
| Total debt/Total equity | 0.7 | 0.4 |
| Net financial position/EBITDA | n.m. | n.a. |
| Net financial position /Total equity | 0.3 | n.a. |

## SCHEDULED DELIVERIES[8]

| *(number)* | 2016 | 2017 | 2018 | 2019 | 2020 | beyond |
|---|---|---|---|---|---|---|
| *Cruise ships* | 5 | 5 | 5 | 4 | 2 | 2 |
| *Naval vessels (>40 m)* | 10 | 8 | 3 | 5 | 1 | 9 |
| *Offshore* | 18 | 10 | 1 | | | |

[8] *Compared to 31 December 2014, the delivery of 2 cruise ships was postponed in agreement with the cruise line companies from 2016 to the first half of 2017, in order to ensure a better workload balance. For naval vessels, the delivery of "Pietro Venuti", third of the "Todaro" class, U212A, and of the LCS7 both previously expected in the fourth quarter of 2015, have been postponed to 2016. In the Offshore segment, Vard has adjusted production schedules as a consequence of variation orders for several projects leading to extended delivery dates, resulting in an improved workload balance at the yards. Moreover Vard has also reviewed delivery dates of vessels under constructions at Group's Brazilian shipyards.*

## OTHER INDICATORS

| | | 31.12.2015 | 31.12.2014 |
|---|---|---|---|
| Order intake (*) | Euro/million | 10,087 | 5,639 |
| Order book (*) | Euro/million | 22,061 | 15,019 |
| Backlog (*) | Euro/million | 15,721 | 9,814 |
| Soft backlog | Euro/billion | 3 | 5 |
| Capital expenditure | Euro/million | 161 | 162 |
| Employees at the end of the period | Number | 20,019 | 21,689 |

(*)Net of eliminations and consolidation adjustments

## OPERATIONAL REVIEW BY SEGMENT

### SHIPBUILDING

| (Euro/million) | 31.12.2015 | 31.12.2014 |
|---|---|---|
| Revenue and income (*) | 2,847 | 2,704 |
| EBITDA (*) | (23) | 195 |
| *EBITDA margin* (*) (**) | *-0.8%* | *7.2%* |
| Order intake (*) | 9,262 | 4,400 |
| Order book (*) | 18,540 | 10,945 |
| Backlog (*) | 14,067 | 7,465 |
| Capital expenditure | 112 | 98 |
| Vessels delivered (number) | 9 | 7 |

(*) Before eliminations between operating segments
(**) Ratio between segment EBITDA and Revenues and income

### OFFSHORE

| (Euro/million) | 31.12.2015 | 31.12.2014 |
|---|---|---|
| Revenue and income (*) | 1,199 | 1,580 |
| EBITDA (*) | (3) | 108 |
| *EBITDA margin* (*) (**) | *-0.2%* | *6.8%* |
| Order intake (*) | 402 | 1,131 |
| Order book (*) | 2,729 | 3,623 |
| Backlog (*) | 1,143 | 2,124 |
| Capital expenditure | 31 | 47 |
| Vessels delivered (number) | 12 | 18 |

(*)Before eliminations between operating segments
(**) Ratio between segment EBITDA and Revenues and income

### EQUIPMENT, SYSTEMS AND SERVICES

| (Euro/million) | 31.12.2015 | 31.12.2014 |
|---|---|---|
| Revenue and income (*) | 226 | 192 |
| EBITDA (*) | 31 | 21 |
| *EBITDA margin* (*) (**) | *13.8%* | *11.1%* |
| Order intake (*) | 639 | 204 |
| Order book (*) | 1,181 | 663 |
| Backlog (*) | 732 | 300 |
| Capital expenditure | 5 | 5 |
| Engines produced in workshops (number) | 44 | 53 |

(*)Before eliminations between operating segments
(**) Ratio between segment EBITDA and Revenues and income

# IFRS FINANCIAL STATEMENTS OF THE PARENT COMPANY

## STATEMENT OF FINANCIAL POSITION

| (Euro/thousand) | 31.12.2015 | 31.12.2014 |
|---|---|---|
| **ASSETS** | | |
| **NON-CURRENT ASSETS** | | |
| Intangible assets | 85,189 | 61,550 |
| Property, plant and equipment | 572,825 | 540,659 |
| Other investments | 157,731 | 146,739 |
| Financial assets | 578,128 | 86,762 |
| Other assets | 5,727 | 7,018 |
| Deferred tax assets | 105,593 | 99,345 |
| **Total non-current assets** | **1,505,193** | **942,073** |
| **CURRENT ASSETS** | | |
| Inventories and advances | 311,907 | 243,196 |
| Construction contracts - assets | 1,246,984 | 613,559 |
| Trade receivables and other current assets | 647,184 | 690,087 |
| Income tax assets | 27,309 | 49,025 |
| Financial assets | 99,213 | 598,777 |
| Cash and cash equivalents | 143,128 | 326,331 |
| **Total current assets** | **2,475,725** | **2,520,975** |
| **TOTAL ASSETS** | **3,980,918** | **3,463,048** |
| **EQUITY AND LIABILITIES** | | |
| **EQUITY** | | |
| Share capital | 862,981 | 862,981 |
| Reserves and retained earnings | 320,127 | 432,679 |
| **Total Equity** | **1,183,108** | **1,295,660** |
| **NON-CURRENT LIABILITIES** | | |
| Provisions for risks and charges | 75,030 | 81,525 |
| Employee benefits | 52,853 | 59,312 |
| Financial liabilities | 506,522 | 511,008 |
| Other liabilities | 21,072 | 22,618 |
| **Total non-current liabilities** | **655,477** | **674,463** |
| **CURRENT LIABILITIES** | | |
| Provisions for risks and charges | | |
| Construction contracts – liabilities | 568,505 | 405,150 |
| Trade payables and other current liabilities | 1,114,284 | 988,005 |
| Income tax liabilities | | |
| Financial liabilities | 459,544 | 99,770 |
| **Total current liabilities** | **2,142,333** | **1,492,925** |
| **TOTAL EQUITY AND LIABILITIES** | **3,980,918** | **3,463,048** |

## STATEMENT OF COMPREHENSIVE INCOME

| (Euro/thousand) | 2015 | 2014 |
|---|---|---|
| Operating revenue | 2,462,214 | 2,322,198 |
| Other revenue and income | 59,288 | 79,971 |
| Materials, services and other costs | (2,132,128) | (1,828,874) |
| Personnel costs | (422,291) | (422,235) |
| Depreciation and amortization | (53,868) | (46,989) |
| Provisions and impairment | (31,351) | (36,135) |
| Finance income | 30,096 | 23,702 |
| Finance costs | (58,426) | (47,149) |
| Income/(expense) from investments | 1,998 | (258) |
| Income taxes | 31,736 | (6,712) |
| **PROFIT/(LOSS) FOR THE PERIOD (A)** | **(112,732)** | **37,519** |
| | | |
| **Other comprehensive Income/(Losses), net of tax (OCI)** | | |
| Gains/(Losses) from remeasurement of employee defined benefit plans | 1,872 | (5,430) |
| **Total Gains/(Losses) that will not be reclassified to profit or loss, net of tax** | **1,872** | **(5,430)** |
| Effective portion of Gains/(Losses) on cash flow hedging instruments | (1,692) | 566 |
| **Total Gains/(Losses) that may be subsequently reclassified to profit or loss, net of tax** | **(1,692)** | **566** |
| **Total other comprehensive Income/(Losses), net of tax (B)** | **180** | **(4,864)** |
| **TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD (A) + (B)** | **(112,552)** | **32,655** |

## STATEMENT OF CASH FLOWS

| (Euro/thousand) | 31.12.2015 | 31.12.2014 |
|---|---|---|
| Profit/(Loss) for the year | (112,732) | 37,519 |
| Depreciation and amortization | 53,867 | 46,989 |
| (Gains)/losses from disposal of property, plant and machinery | 1,205 | (626) |
| (Revaluation)/impairment of intangible assets and equity investments | | 657 |
| Increases/releases of provisions for risks and charges | 31,523 | 33,126 |
| Interest (income) expense on employee benefits | 851 | 1,708 |
| Interest income | (2,000) | (400) |
| Interest expense | 21,149 | 23,963 |
| Income taxes | (31,737) | 6,712 |
| **Gross cash flows from operating activities** | **(37,874)** | **149,648** |
| **CHANGES IN WORKING CAPITAL** | | |
| - inventories | (68,711) | (26,992) |
| - construction contracts | (373,912) | 38,567 |
| - trade receivables | 28,413 | (238,630) |
| - advances from customers | (7,336) | (40,546) |
| - trade payables | 153,523 | 184,496 |
| - other assets and liabilities | (12,178) | (20,184) |
| **Cash flows from working capital** | **(318,075)** | **46,359** |
| Dividends received | 2,000 | 400 |
| Dividends paid | | (10,000) |
| Interest income received | 13,919 | 15,474 |
| Interest expense paid | (35,432) | (40,498) |
| Income taxes paid | 45,790 | (21,624) |
| Utilization of provisions for risks and charges | (38,018) | (32,023) |
| Utilization of provisions for employee benefits | (4,044) | (7,555) |
| **NET CASH FLOWS FROM OPERATING ACTIVITIES** | **(333,860)** | **(49,467)** |

## (continued) STATEMENT OF CASH FLOWS

| (Euro/thousand) | 31.12.2015 | 31.12.2014 |
|---|---|---|
| **NET CASH FLOWS FROM OPERATING ACTIVITIES** | **(333,860)** | **(49,467)** |
| Investments in: | | |
| - intangible assets | (33,632) | (29,993) |
| - property, plant and equipment | (78,334) | (68,067) |
| - equity investments | (10,997) | (25,969) |
| Disposals of: | | |
| - intangible assets | 984 | |
| - property, plant and equipment | 105 | 706 |
| - equity investments | 4 | 15 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | **(121,870)** | **(123,308)** |
| Change in non-current loans: | | |
| - proceeds | 171,805 | 10,228 |
| - repayments | (145,683) | (27,217) |
| Change in non-current financial receivables: | | |
| - proceeds | (7,500) | (7,500) |
| Change in current bank loans and credit facilities | | |
| - proceeds | 245,050 | 2,263 |
| - repayments | (15,238) | |
| Change in other financial liabilities/receivables | 31,056 | 13,203 |
| Change in payables for held-for-trading financial instruments | (6,963) | 13,526 |
| Share capital increase | | 334,818 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | **272,527** | **339,321** |
| **NET CASH FLOWS FOR THE YEAR** | **(183,203)** | **166,546** |
| | | |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **326,331** | **159,785** |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | **143,128** | **326,331** |

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