1H 2018 RESULTS

July 27, 2018

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Declaration of the Manager responsible for preparing financial reports

Pursuant to art. 154-BIS, par. 2, of the Unified Financial Act of February 24, 1998, the executive in charge of preparing the corporate accounting documents at Fincantieri, Felice Bonavolontà, declares that the accounting information contained herein correspond to document results, books and accounting records.

1H 2018 Key Messages

- **1H 2018 revenues up 10%** vs 1H 2017, **EBITDA at €183 mln** (+25%), **EBITDA margin at 7.3%** (up 16% compared to 6.3% in 1H 2017); **Adjusted profit of €39 mln** (+39%)
- **Total backlog*(1)* at record €29.8 bln amounting to ~ 6 times 2017 revenues:**
  - **Backlog at €22 bln** (99 ships) up from €20.4 bln in 1H 2017, with scheduled deliveries until 2026
  - **Soft backlog*(2)* at €7.8 bln** (€5.1 bln in 1H 2017)
- **Commercial success with the acquisition, in the first six months of the year, of firm orders and options for 9 cruise ships**
- **In July 2018, a new order from Tui Cruises for two LNG propelled cruise ships** was acquired**, an MOA with Princess Cruises for two LNG fuelled ships** was signed **and an option for two additional Leonardo Class ships for NCL** was exercised. In addition, **VARD acquired orders for three additional expedition cruise vessels**
- **Sound operating performance in Shipbuilding with the delivery of six units (four cruise and two naval vessels)**
- **VARD's shareholders approved the delisting of the company**
- **Signed a share purchase agreement with the French state for the acquisition of 50% (+1% loan) of the share capital of STX France**
- **Net debt at €264 mln** (vs €314 mln at FY17)

(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

1H 2018 main orders

Orders acquired in Q2

	Vessel		Client	Delivery
Shipbuilding		**2 Cruise ships**	*Viking Ocean Cruises*	2022-2023
		**1 Cruise ship**	*Silversea Cruises*	2021
Offshore		**2 Expedition cruise vessels**	*Ponant*	2020
		**1 Cable laying vessel**	*Prysmian*	2020
		**3 Offshore Patrol Vessels**	*Norwegian Defence Materiel Agency*	2022-2024

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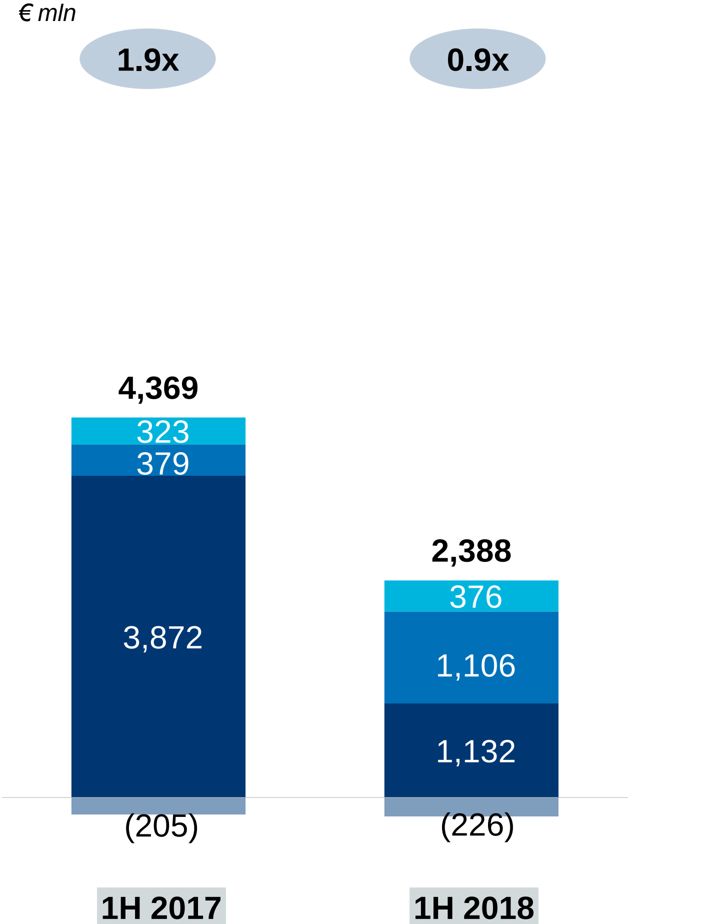
1H 2018 main deliveries

Deliveries in Q2

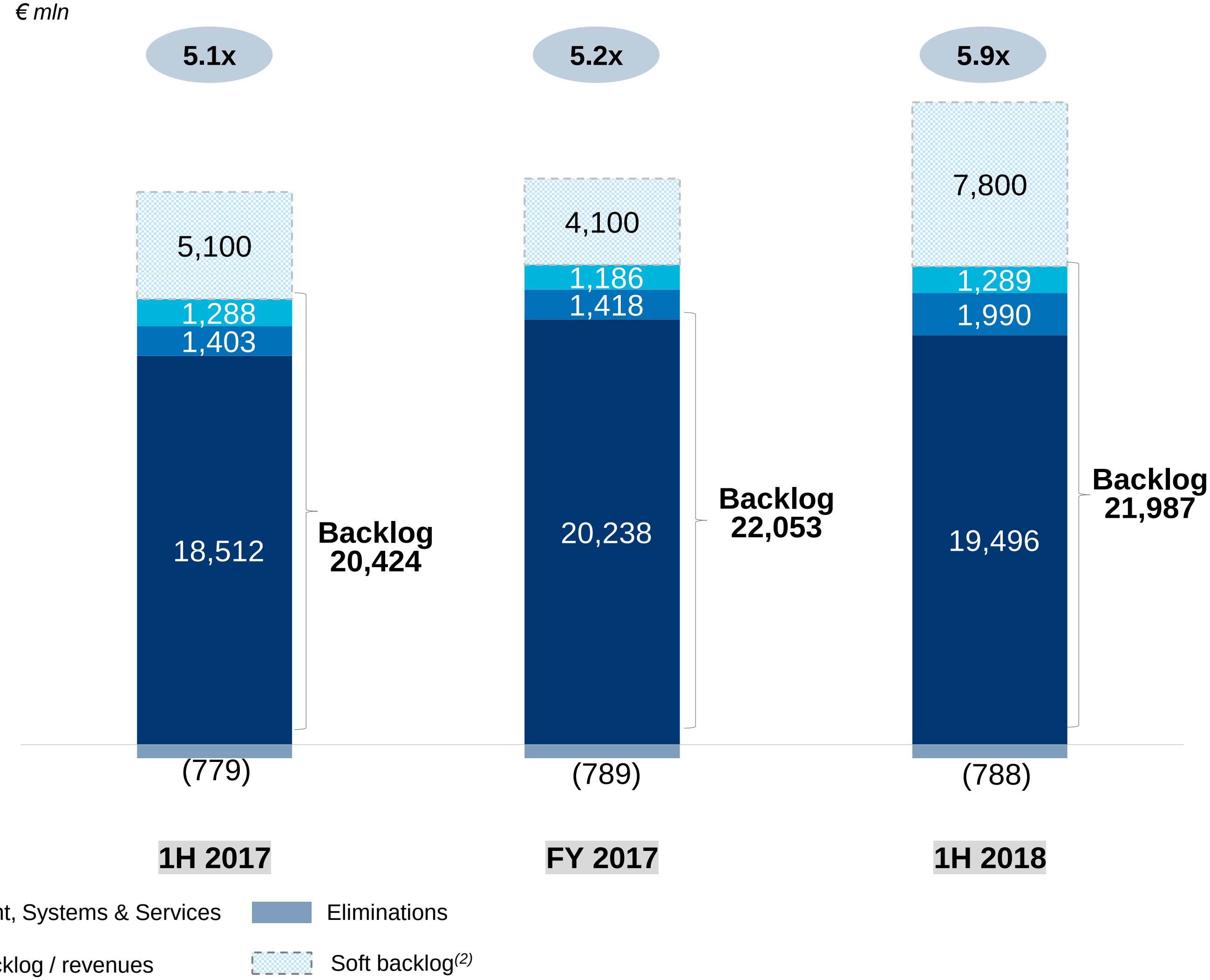
		Vessel	Client	Delivery
Shipbuilding		**Cruise ship “Carnival Horizon”**	*Carnival Cruise Line (Carnival Corporation)*	Monfalcone
		**Oceanographic vessel “Kronprins Haakon”**	*Institute of Marine Research*	Riva Trigoso - Muggiano
		**Cruise ship “Seabourn Ovation”**	*Seabourn Cruise Line*	Sestri Ponente
		**Cruise ship “MSC Seaview”**	*MSC Cruises*	Monfalcone
		**Cruise ship “Viking Orion”**	*Viking Ocean Cruises*	Ancona
		**FREMM “Martinengo”**	*Italian Navy*	Muggiano
Offshore		**10 Module Carrier Vessels**	*9 for Topaz Energy and Marine; 1 for Kazmortransflot*	Vard Braila Vard Vung Tau
		**Expedition cruise vessel “Le Laperouse”**	*Ponant*	Vard Ålesund

Order intake and backlog – by segment

Order intake



Total backlog[1]



(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

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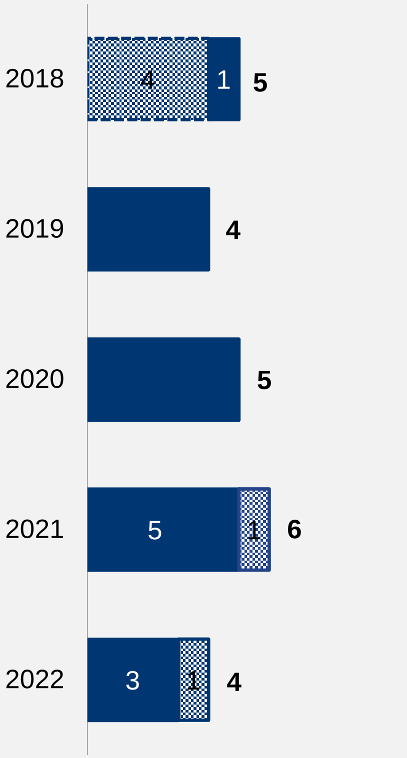
Backlog deployment – by segment and end market

Shipbuilding

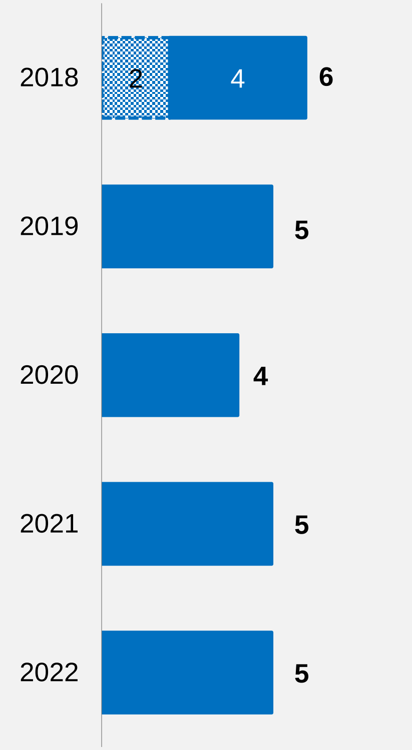
 # ship deliveries(1)

Cruise



- Additional 5 units scheduled after 2022
- **25 vessels in backlog**

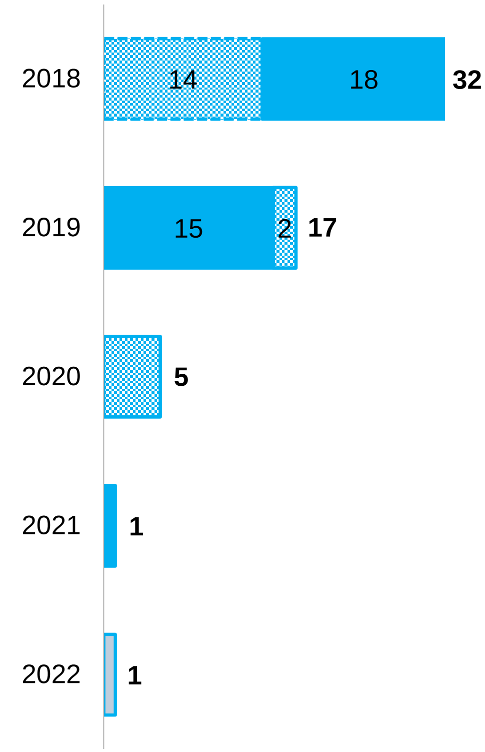
Naval(2)



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

Offshore(3)

 # ship deliveries



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

Comments

- 20 units delivered in 1H 2018, 13 units acquired in the period
- Cruise: 25 vessels
  - Deliveries up to 2027, after confirmation of the option for 2 ships for Norwegian Cruise Line, which occurred in July
- Naval: 30 vessels
  - Deliveries up to 2026, with 7 units scheduled after 2022
- Offshore: 44 vessels
  - 9 expedition cruise vessels in backlog
- 99 ships in backlog at June 30, 2018

Delivered in 1H 2018

New orders in 1H 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*

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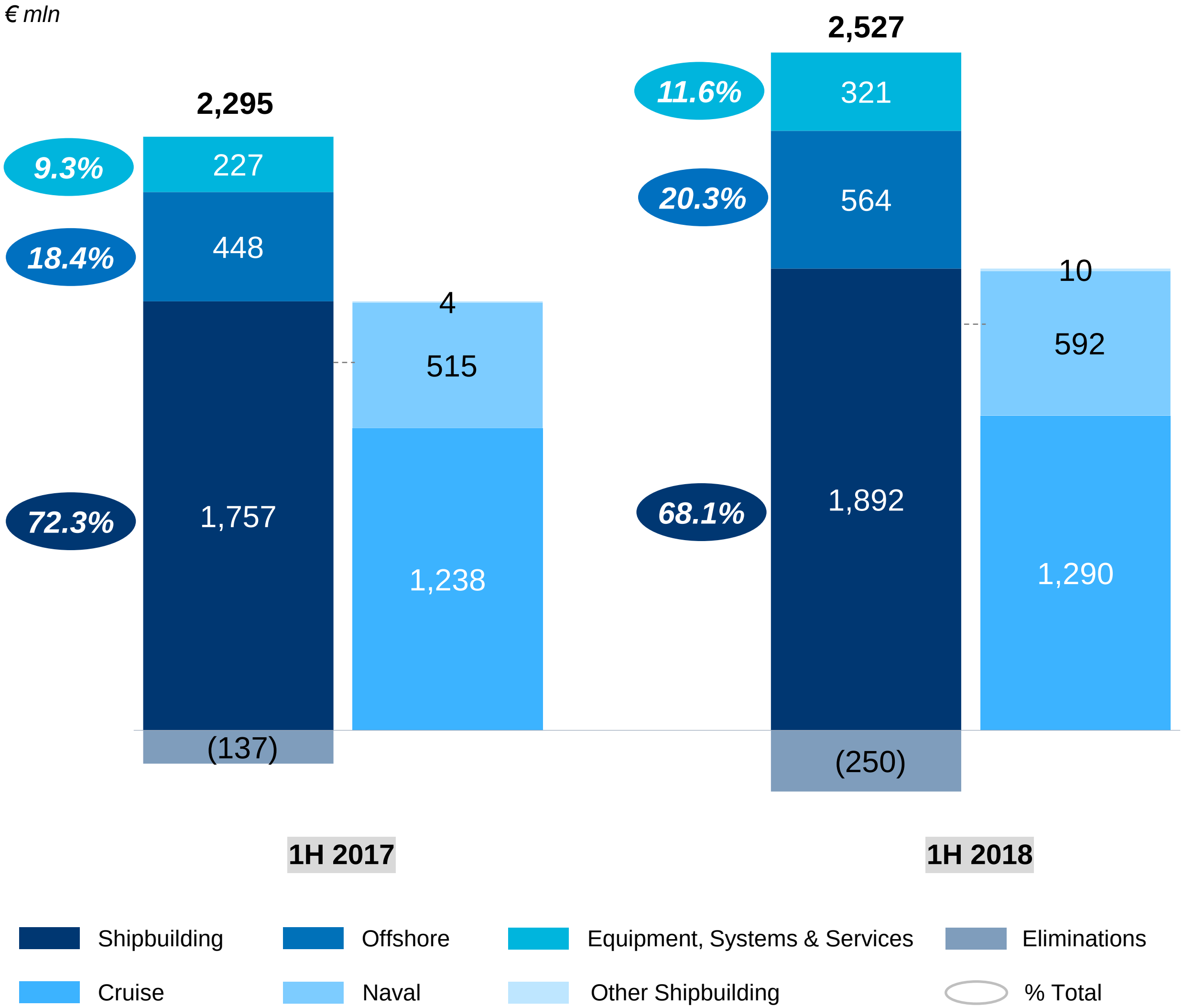
Revenues – by segment and end market

Breakdown by segment and end market(1)



(1) Breakdown calculated on total revenues before eliminations

Comments

- Shipbuilding
  - Growth of revenues in cruise, standing at 46.4% of Group's total (4 units delivered and 9 units under construction vs. 3 units delivered and 11 units under construction in 1H 2017)
- Offshore
  - Ongoing implementation of diversification strategy, which generated an increase in production volumes especially in Romanian yards; 25.9% increase vs 1H17
  - Negative effect of NOK/EUR exchange rate (€25 mln)
- Equipment, Systems and Services
  - 41.4% increase vs 1H17 thanks to workload related to the Italian Navy fleet renewal program and the Qatari Ministry of Defense order

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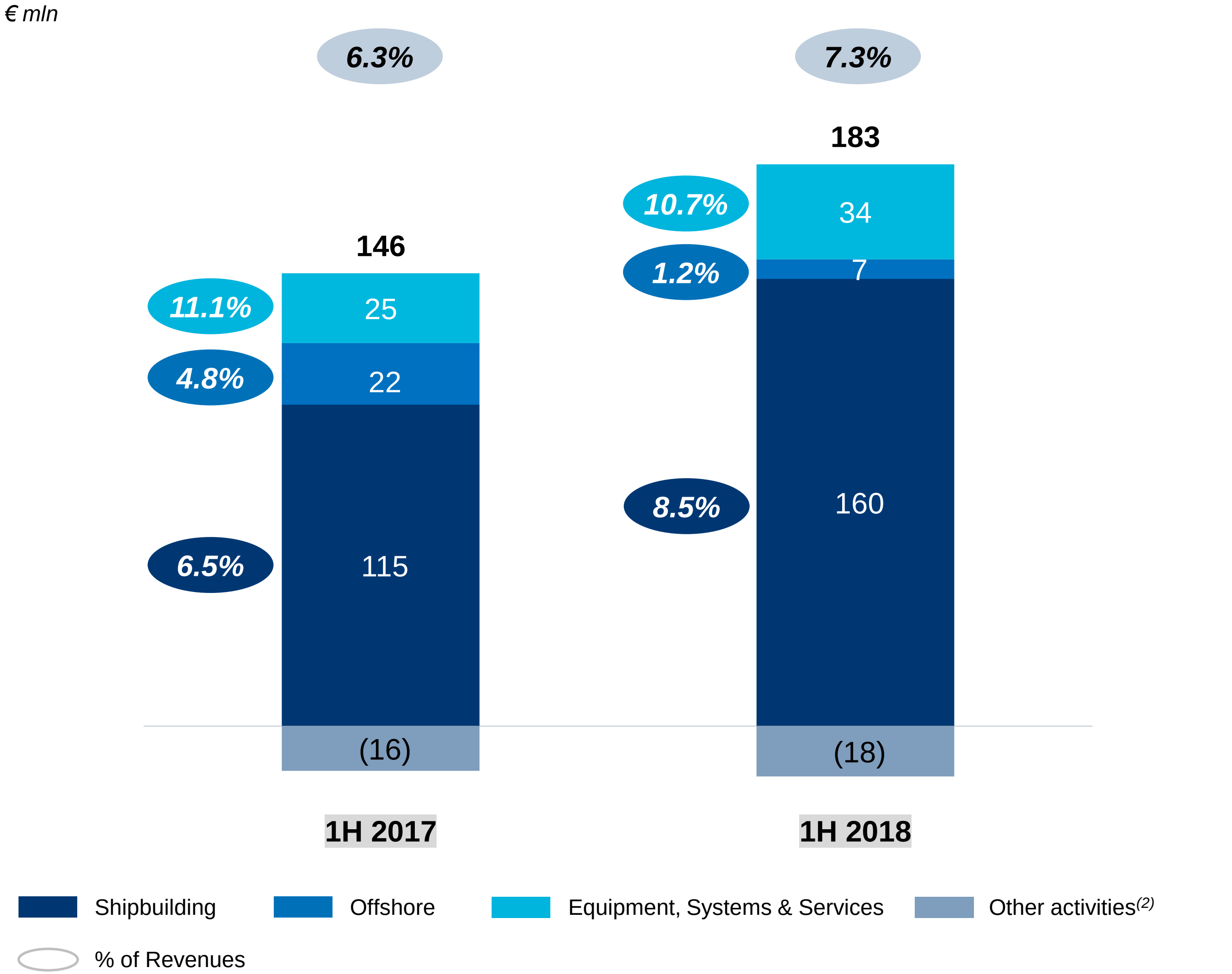
EBITDA(1) by segment

EBITDA and EBITDA margin



Comments

- EBITDA margin increase of 16% from 1H 2017
- Shipbuilding
  - Further improvement due to the construction of cruise ships at higher margins and to the positive contribution of Italian Navy's fleet renewal program
- Offshore
  - Reflects the continuing process of adjustment of the production structure to the challenges of the portfolio diversification efforts
- Equipment, Systems & Services
  - Reflects the change in the mix of products, heavily influenced by the strong growth in cruise volumes

(1) *EBITDA is a Non-GAAP Financial Measure. The Company defines EBITDA as profit/(loss) for the period before (i) income taxes, (ii) share of profit/(loss) from equity investments, (iii) income/expense from investments, (iv) finance costs, (v) finance income, (vi) depreciation and amortization, (vii) extraordinary wages guarantee fund – Cassa Integrazione Guadagni Straordinaria, (viii) expenses for corporate restructuring, (ix) accruals to provision and cost of legal services for asbestos claims, (x) other non recurring items*

(2) *Other costs*

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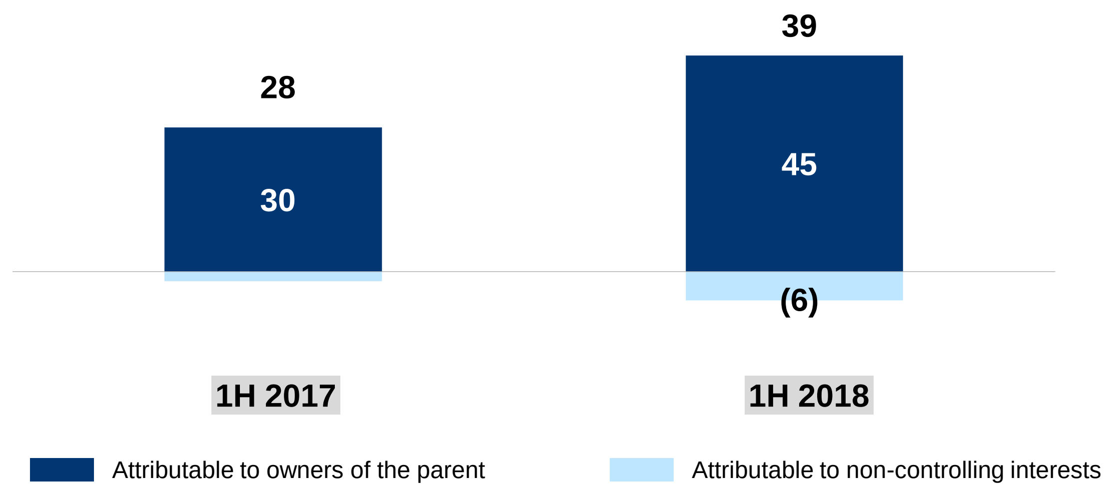
Net result

Adjusted net result (1)

€ mln



€ mln	1H 2017	1H 2018
A **Net result before extraordinary and non recurring items(1)**	**28**	**39**
Attributable to owners of the parent	*30*	45
B Extraordinary and non recurring items gross of tax effect	(22)	(32)
C Tax effect on extraordinary and non recurring items	5	8
A + B + C **Net result**	**11**	**15**

Comments

- The result before extraordinary and non recurring items reflects
  - Improvement of operating performance and margin
  - Increased finance expenses at €52 mln (vs €39 mln in 1H 2017), due to increased unrealized foreign exchange losses (€9 mln), mostly related to a Vard Promar loan in Brazil, and to the uptick in production volumes
  - Extraordinary and non recurring items gross of tax effect at €32 mln including: provision for litigation (€33 mln), of which €32 mln for asbestos claims (vs. €19 mln in 1H 2017), and costs for VARD restructuring measures (€3 mln); such costs were partially offset by an extraordinary event which brought in €4 mln

(1) *Excluding extraordinary and non recurring items net of tax effect*

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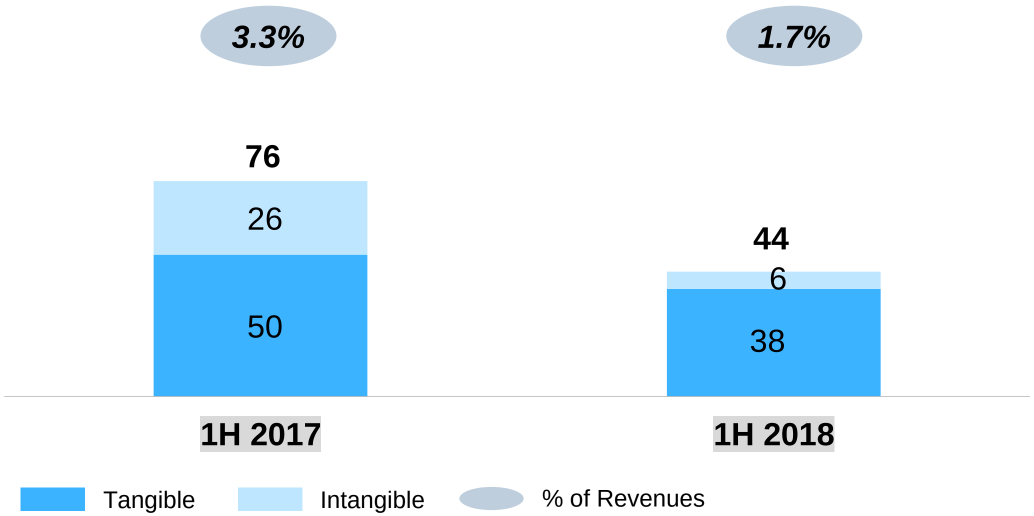
Capital expenditures

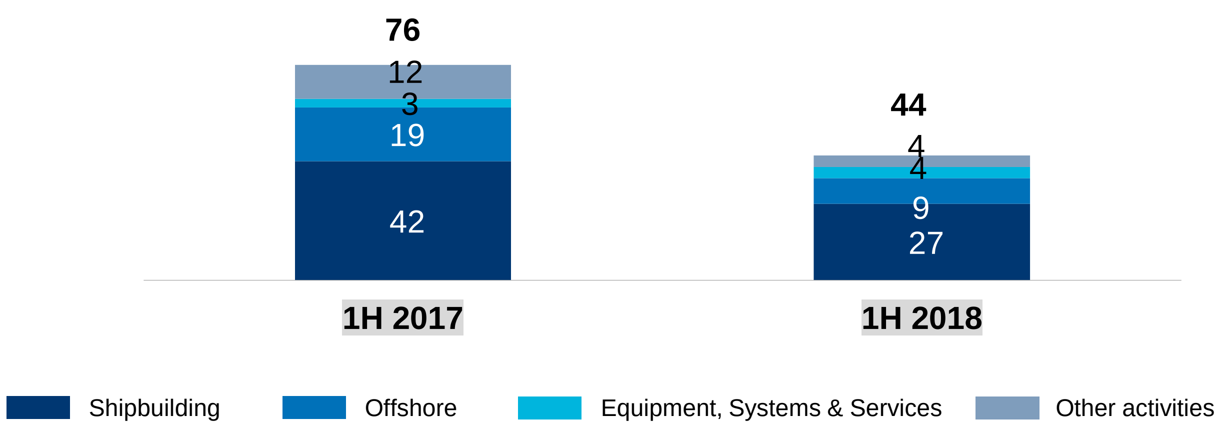
Capex

€ mln



Capex by segment

€ mln



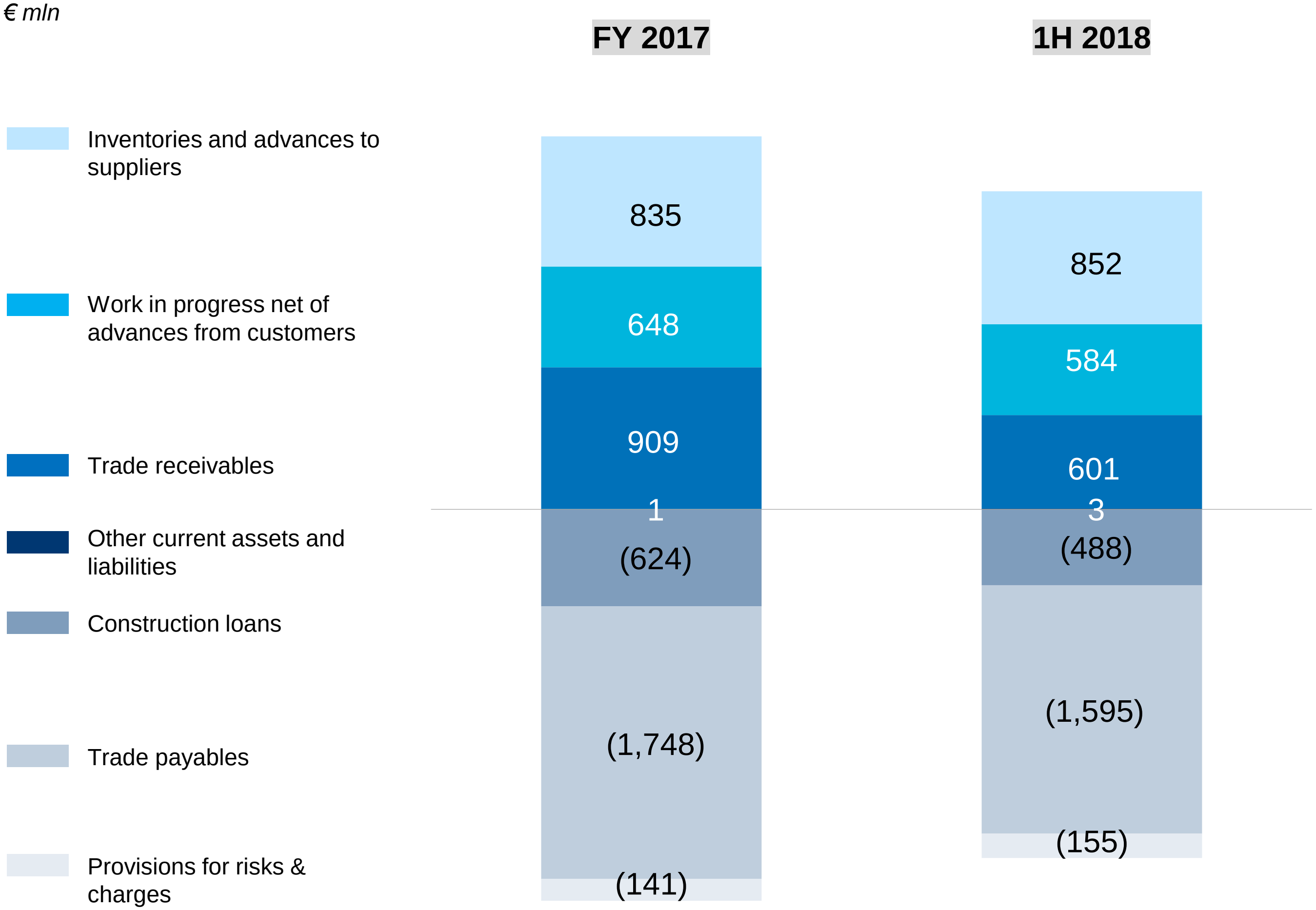
Comments

- Tangible capex mainly aimed at supporting the development of production volumes:
  - Upgrade of operating areas and safety standards of the Italian yards, in particular the Monfalcone, Marghera, Sestri and Ancona yards
  - Technological upgrading
  - Improvement of environmental standards at all production sites
- Intangible capex mainly related to the development of new technologies mainly for cruise business and new IT systems

Net working capital(1)

Breakdown by main components

€ mln



Net working capital	(120)	(198)

Comments

- Net working capital at €(198) mln, from €(120) mln in FY 2017
- Decrease of Work in progress net of advances from customers, due to the deliveries occurred in the period
- Decrease of Trade receivables mainly due to the cash-in of final payments for the cruise ships delivered in the period
- Construction loans at €488 mln (down €136 mln) entirely attributable to VARD

(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*

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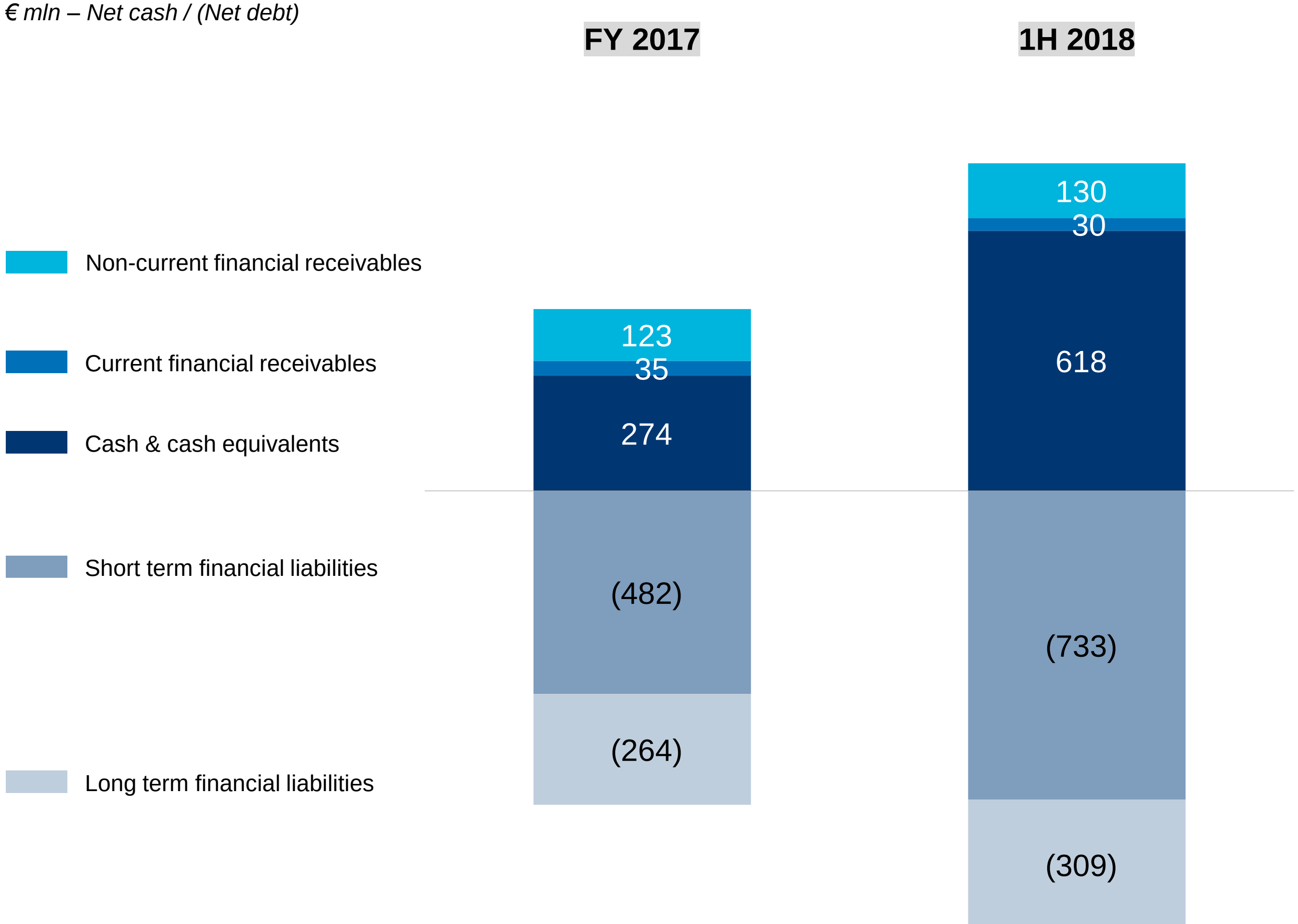
Net financial position(1)

Breakdown by main components

€ mln – Net cash / (Net debt)



	FY 2017	1H 2018
Net financial position	**(314)**	**(264)**

Comments

- Net debt at the end of 1H 2018 at €264 mln (€314 mln in FY 2017)
  - Most of the Group's debt is related to the financing of current assets associated with cruise ship construction and therefore consistent with net working capital changes
  - Change in net debt linked to the cash-in of final payments on the delivered ships

(1) Net financial position does not account for construction loans as they are not general purpose loans and can be a source of financing only in connection with ship contracts

Outlook

2018 Guidance

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

Shipbuilding

- Expected delivery of 5 units, of which 1 cruise ship and 4 naval vessels
- Italian Navy's fleet renewal program fully operational
- Start 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
- Continued focus on execution aimed at recovering margins in the medium term
- Persisting crisis of the Oil&Gas sector could impact on order intake and backlog

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 of the cruise sector

Business Plan Guidance

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

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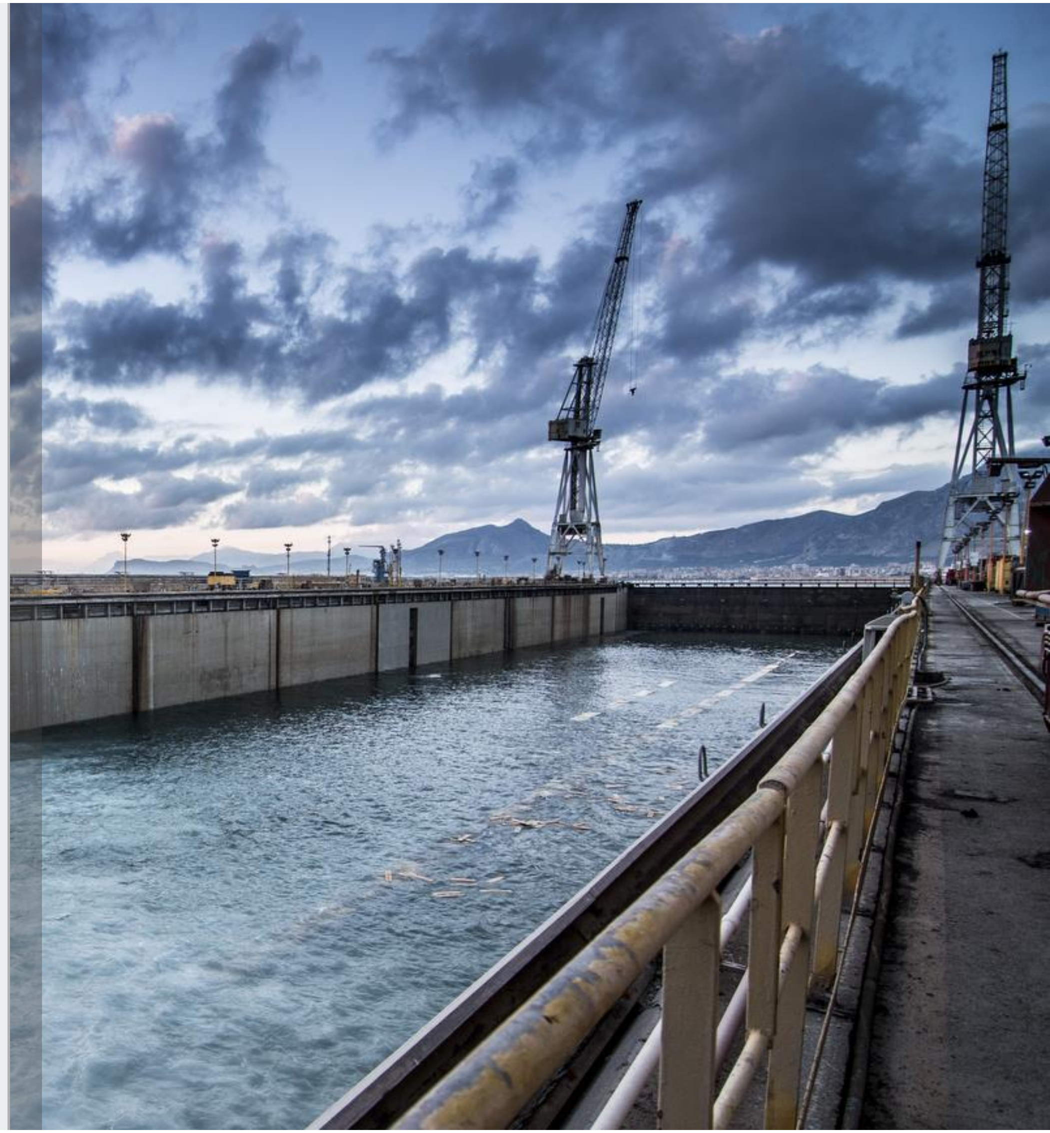
Q&A



Appendix

1H 2018 results by segment

Shipbuilding

Offshore

Equipment, Systems and Services



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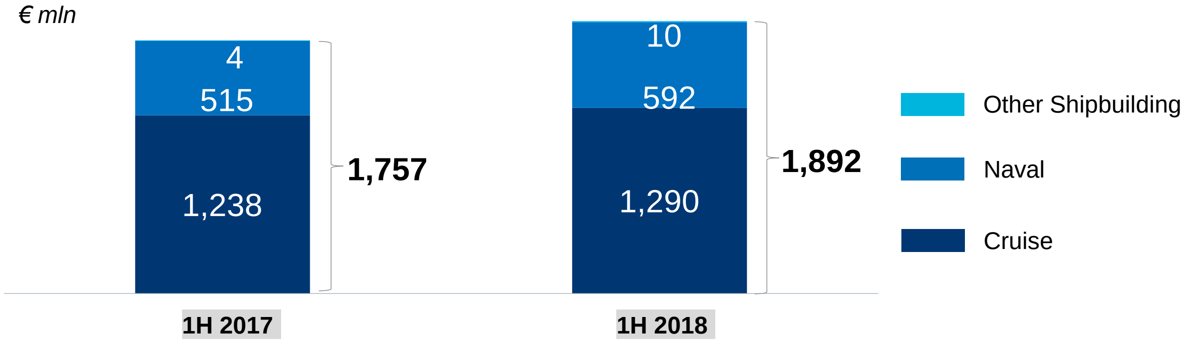
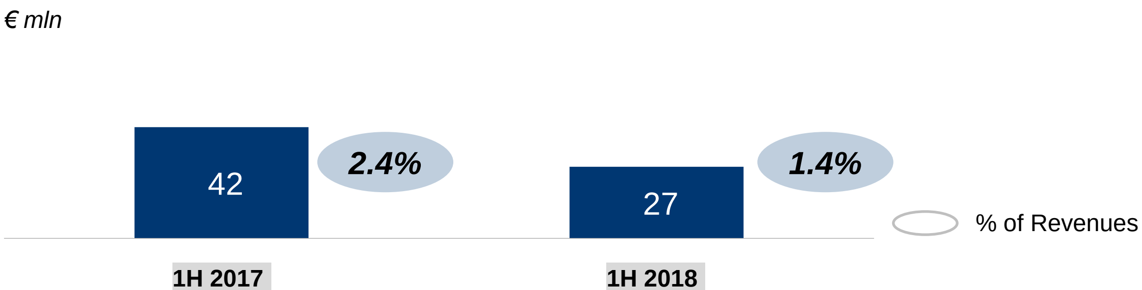
Shipbuilding

Revenues



EBITDA

Capex



Comments

- Revenues: €1,892 mln, up 7.7 % vs 1H 2017
  - Growth of volumes in cruise reaching 46.4 % of total Group revenues (4 units delivered and 9 units under construction vs. 3 units delivered and 11 units under construction in 1H 2017)
- EBITDA: €160 mln, margin at 8.5 %
  - Further improvement due to the construction of cruise ships at higher margins and to the positive contribution of Italian Navy's fleet renewal program
- Capex: €27 mln
- Orders: €1,132 mln vs €3,872 mln in 1H 2017
  - 2 cruise ships for Viking Ocean Cruises
  - 1 cruise ship for Silversea Cruises
- Backlog: €19,496 mln vs €18,512 mln in 1H 2017
- Deliveries: 6 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

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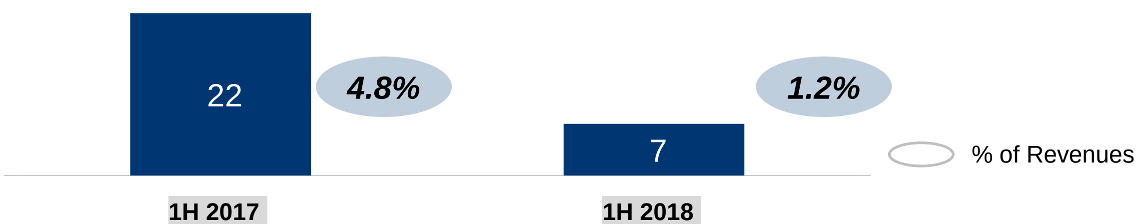
Offshore

Revenues

€ mln

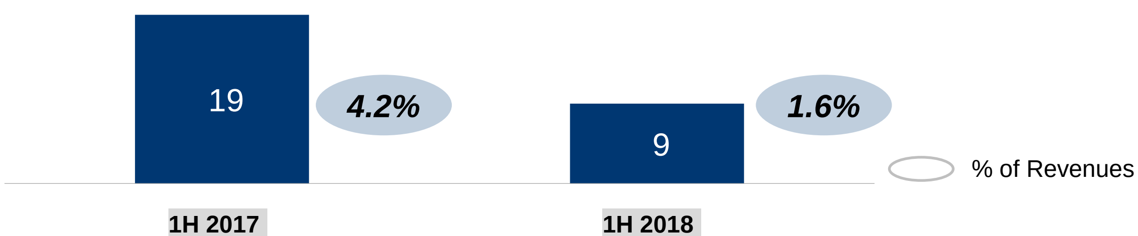
EBITDA

€ mln



Capex

€ mln



Comments

- Revenues: €564 mln, up 25.9% vs 1H 2017
  - Despite negative effect of EUR/NOK exchange rate (€25 mln)
  - Ongoing implementation of diversification strategy, which generated an increase in production volumes especially in Romanian yards
- EBITDA: €7 mln, with margin at 1.2 %
  - Reflects the continuing process of adjustment of the production structure to the challenges of the portfolio diversification efforts
- Capex: €9 mln
- Orders: €1,106 mln vs €379 mln in 1H 2017
  - 2 expedition cruise vessels for Ponant
  - 1 cable laying vessel for Prysmian
  - 3 OPVs for Norwegian Defence Materiel Agency
- Backlog: €1,990 mln vs €1,403 mln in 1H 2017
- Deliveries:
  - 10 Module Carrier Vessels: 9 for Topaz Energy and Marine, 1 for Kazmortransflot
  - 1 PSV unit to Island Offshore Shipping AS
  - 1 OSCV unit to Dofcon Navegação
  - 1 expedition cruise vessel to Ponant
  - 1 fishing unit to Nordland Havfiske AS

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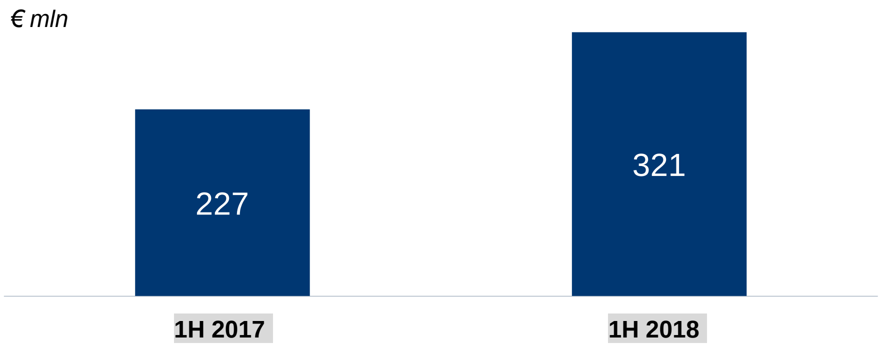
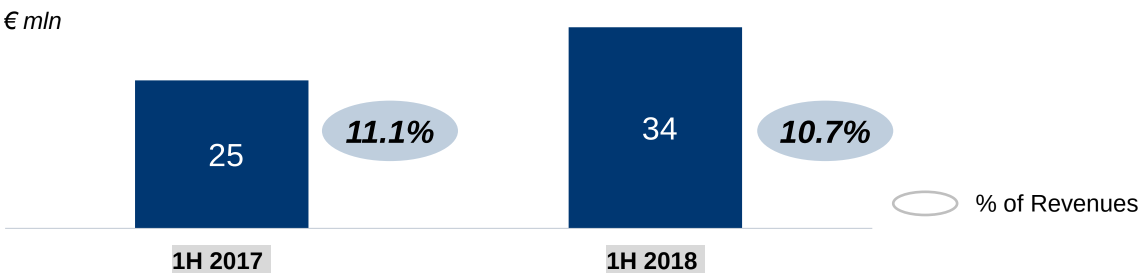
Equipment, Systems and Services

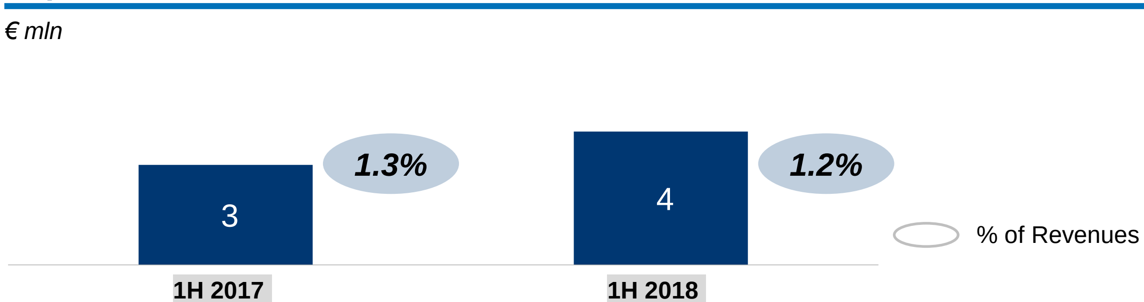
Revenues



EBITDA



Capex



Comments

- Revenues: €321 mln, up 41 % vs 1H 2017
  - Thanks to workload related to the Italian Navy fleet renewal program and the Qatari Ministry of Defense order, besides the uptick in volumes of cabins and public areas
- EBITDA: €34 mln with margin at 10.7 %
  - Reflects the change in the mix of products, heavily influenced by the strong growth in cruise volumes
- Orders: €376 mln vs €323 mln in 1H 2017
- Backlog: €1,289 mln vs €1,288 mln in 1H 2017

Profit & Loss and Cash flow statement

Profit & Loss statement (€ mln)	FY 2017	1H 2017	1H 2018
Revenues	**5,020**	**2,295**	**2,527**
Materials, services and other costs	(3,742)	(1,671)	(1,855)
Personnel costs	(909)	(462)	(482)
Provisions[(1)]	(28)	(16)	(7)
EBITDA	**341**	**146**	**183**
Depreciation, amortization and impairment	(120)	(58)	(65)
EBIT	**221**	**88**	**118**
Finance income / (expense)[(2)]	(83)	(39)	(52)
Income / (expense) from investments	(5)	(1)	1
Income taxes[(3)]	(42)	(20)	(28)
Net result before extraordinary and non recurring items	**91**	**28**	**39**
Attributable to owners of the parent	*95*	*30*	45
Extraordinary and non recurring items[(4)]	(49)	(22)	(32)
Tax effect on extraordinary and non recurring items	11	5	8
Net result for the period	**53**	**11**	**15**
Attributable to owners of the parent	*57*	*13*	21

Cash flow statement (€ mln)	FY 2017	1H 2017	1H 2018
Beginning cash balance	**220**	**220**	**274**
Cash flow from operating activities	532	122	99
Cash flow from investing activities	(168)	(81)	(35)
Cash flow from financing activities	(299)	(110)	278
Net cash flow for the period	**65**	**(69)**	**342**
Exchange rate differences on beginning cash balance	(11)	(7)	2
Ending cash balance	**274**	**144**	**618**

(1) *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*

(2) *Includes interest expense on construction loans for € 7 mln in 1H 2017, € 24 mln in FY 2017 and € [●] mln in 1H 2018*

(3) *Excluding tax effect on extraordinary and non recurring items*

(4) *Extraordinary and non recurring items gross of tax effect*

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Balance sheet

Balance sheet (€ mln)	FY 2017	1H 2017	1H 2018
Intangible assets	582	583	625
Property, plant and equipment	1,045	1,049	1,031
Investments	53	55	51
Other non-current assets and liabilities	122	42	72
Employee benefits	(59)	(58)	(58)
Net fixed assets	**1,743**	**1,671**	**1,721**
Inventories and advances	835	575	852
Construction contracts and advances from customers	648	1,594	584
Construction loans	(624)	(970)	(488)
Trade receivables	909	449	601
Trade payables	(1,748)	(1,426)	(1,595)
Provisions for risks and charges	(141)	(130)	(155)
Other current assets and liabilities	1	114	3
Net working capital	**(120)**	**206**	**(198)**
Assets held for sale including related liabilities	**-**	**-**	-
Net invested capital	**1,623**	**1,877**	**1,523**
Equity attributable to Group	*1.237*	*1,165*	1,201
Non-controlling interests in equity	*72*	*81*	58
Equity	**1,309**	**1,246**	**1,259**
Cash and cash equivalents	(274)	(144)	(618)
Current financial receivables	(35)	(34)	(30)
Non-current financial receivables	(123)	(128)	(130)
Short term financial liabilities	482	418	733
Long term financial liabilities	264	519	309
Net debt / (Net cash)	**314**	**631**	**264**
Sources of financing	**1,623**	**1,877**	**1,523**

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