

2018 NINE MONTHS RESULTS

November 9, 2018

FINCANTIERI
The sea ahead



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Declaration of the Manager responsible for preparing financial reports

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



9M 2018 Key Messages

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

(1) Sum of backlog and soft backlog

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



9M 2018 main orders (1/2)

Orders acquired in Q3

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

Shipbuilding



9M 2018 main orders (2/2)

Orders acquired in Q3

Offshore



2 Expedition cruise vessels

Ponant

2020



1 Cable laying vessel

Prysmian

2020



3 Offshore Patrol Vessels

*Norwegian Defence
Materiel Agency*

2022-2024



1 Expedition cruise vessel

Hapag-Lloyd Cruises

2021



2 Expedition cruise vessels

Viking Cruises

2021-2022



9M 2018 main deliveries

Deliveries in Q3

	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
		Littoral Combat Ships "Sioux City" (LCS 11) and "Wichita" (LCS 13)	US Navy	Marinette
Offshore		12 Module Carrier Vessels	11 for Topaz Energy and Marine; 1 for Kazmortransflot Ponant	Vard Braila Vard Vung Tau
		Expedition cruise vessel "Le Laperouse"	Ponant	Vard Ålesund
		Expedition cruise vessel "Le Champlain"	Ponant	Vard Søviknes



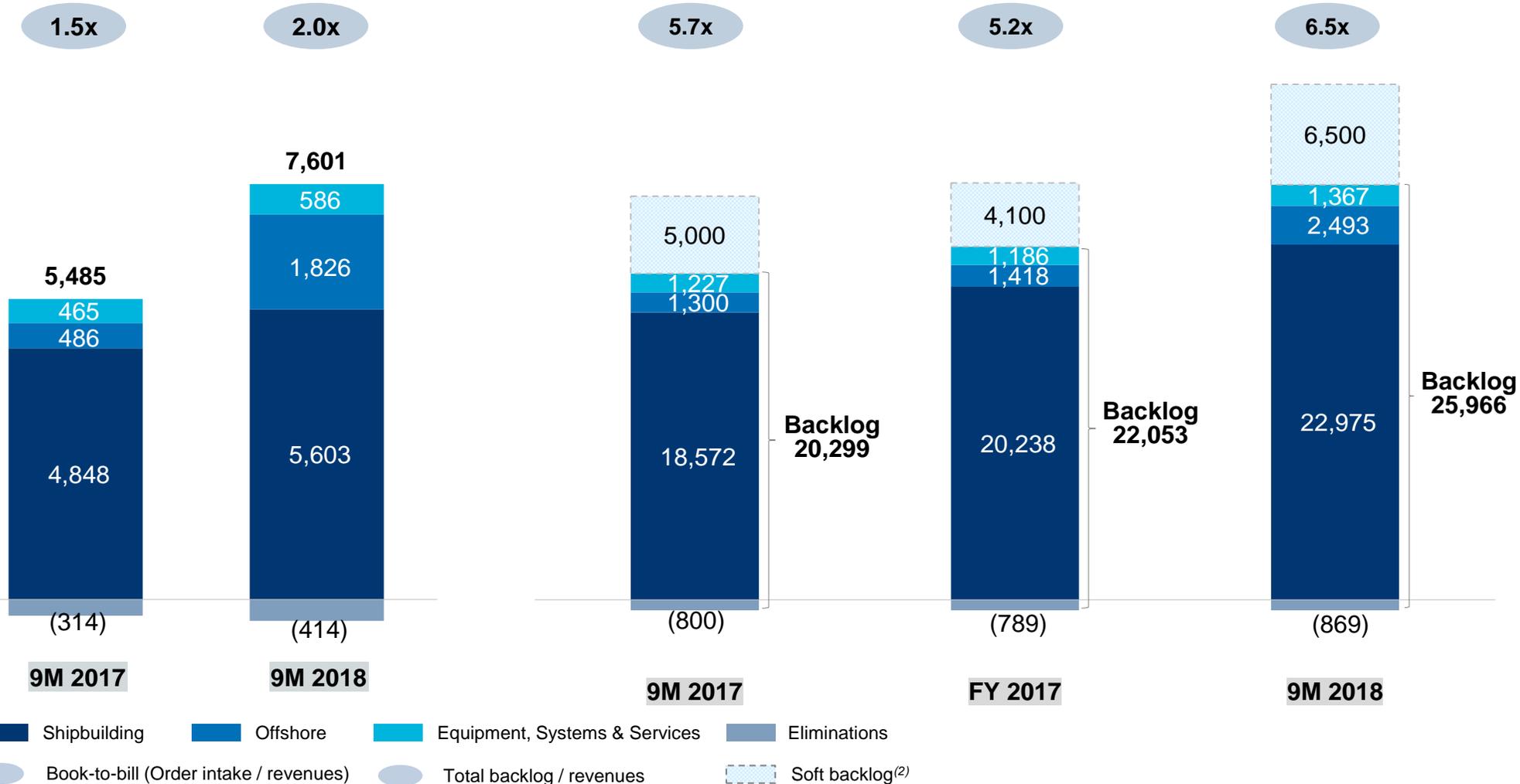
Order intake and backlog – by segment

Order intake

€ mln

Total backlog⁽¹⁾

€ mln



(1) Sum of backlog and soft backlog

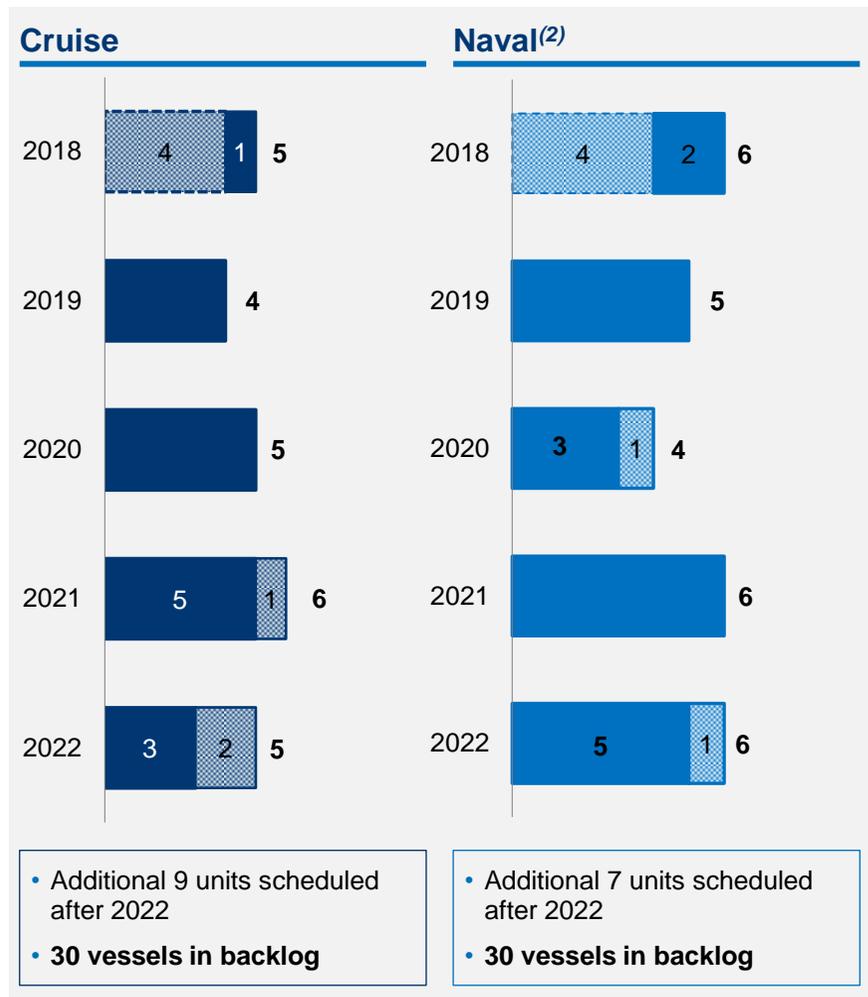
(2) Soft backlog represents the value of existing contract options and letters of intent as well as contracts in advanced negotiation, none of which yet reflected in the order backlog



Backlog deployment – by segment and end market

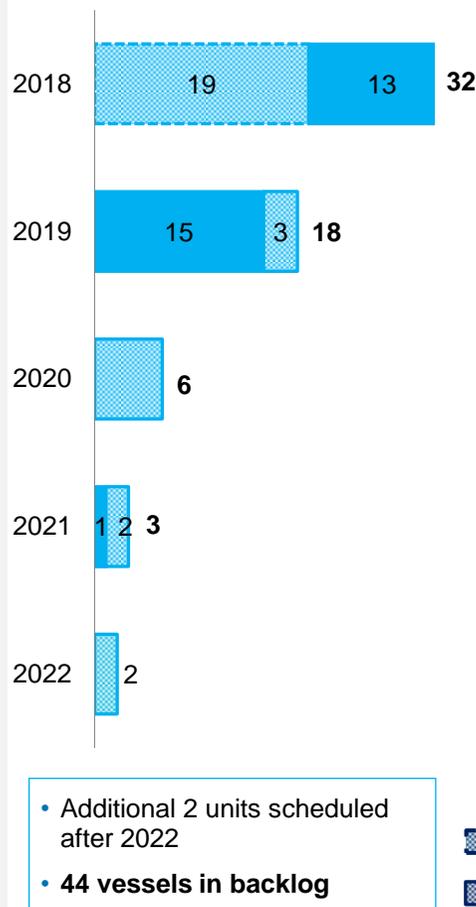
Shipbuilding

ship deliveries⁽¹⁾



Offshore

ship deliveries



Comments

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

Delivered in 9M 2018
 New orders in 9M 2018

⁽¹⁾ Articulated Tug Barge (ATB) is an articulated unit consisting of a barge and a tug, thus being counted as two vessels in one unit
⁽²⁾ Ships with length > 40 m
⁽³⁾ Offshore business generally has shorter production times and, as a consequence, shorter backlog and quicker order turnaround than Cruise and Naval



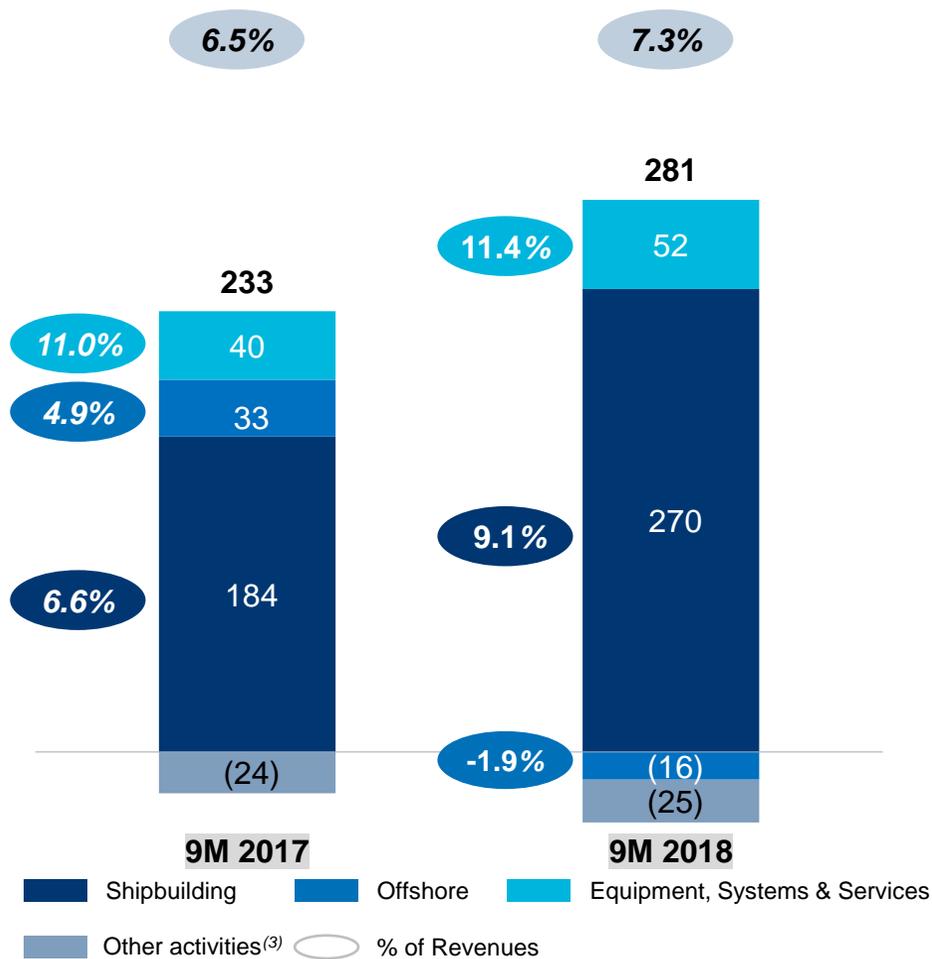
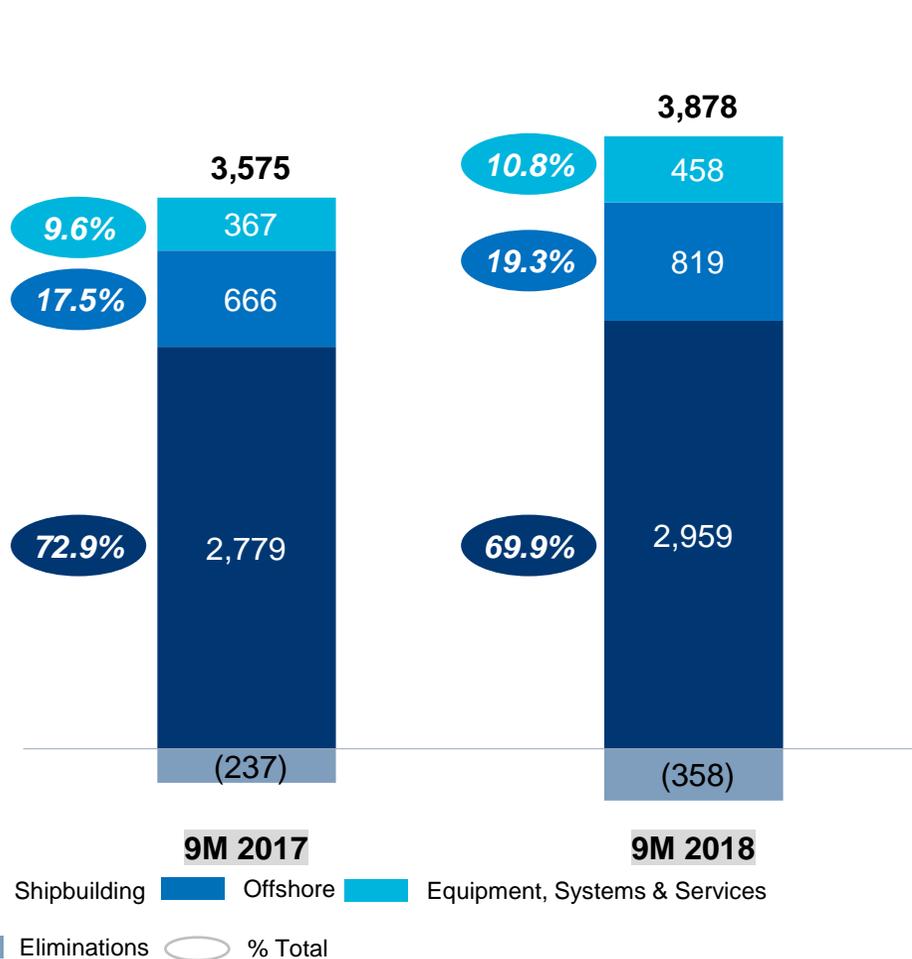
Revenues and EBITDA⁽¹⁾ – by segment

Revenues breakdown by segment⁽²⁾

€ mln

EBITDA and EBITDA margin

€ mln



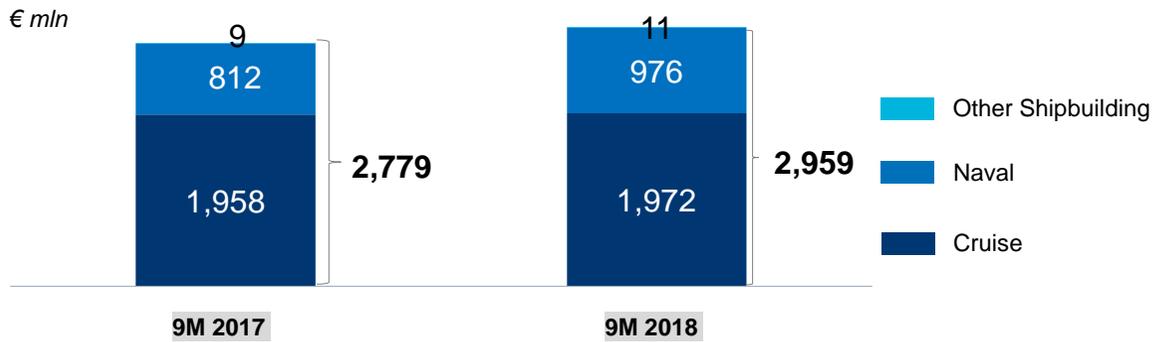
(1) EBITDA is a Non-GAAP Financial Measure. The Company defines EBITDA as profit/(loss) for the period before (i) income taxes, (ii) share of profit/(loss) from equity investments, (iii) income/expense from investments, (iv) finance costs, (v) finance income, (vi) depreciation and amortization, (vii)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

(2) Breakdown calculated on total revenues before eliminations

(3) Other costs

Shipbuilding

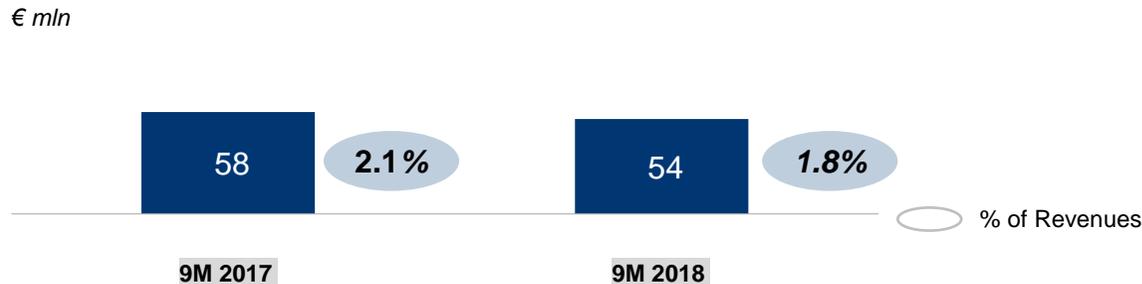
Revenues



EBITDA



Capex



Comments

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

Offshore

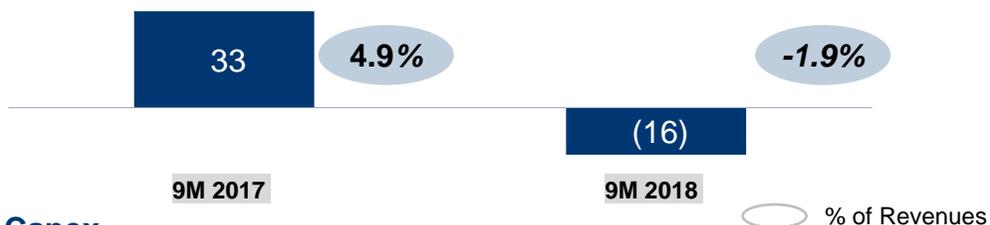
Revenues

€ mln



EBITDA

€ mln



Capex

€ mln



Comments

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

Equipment, Systems and Services

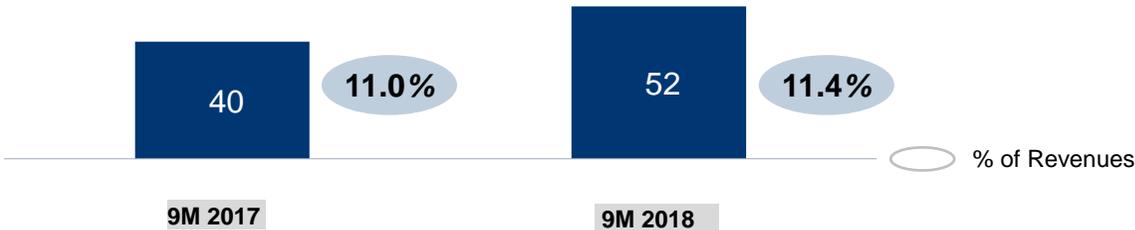
Revenues

€ mln



EBITDA

€ mln



Capex

€ mln



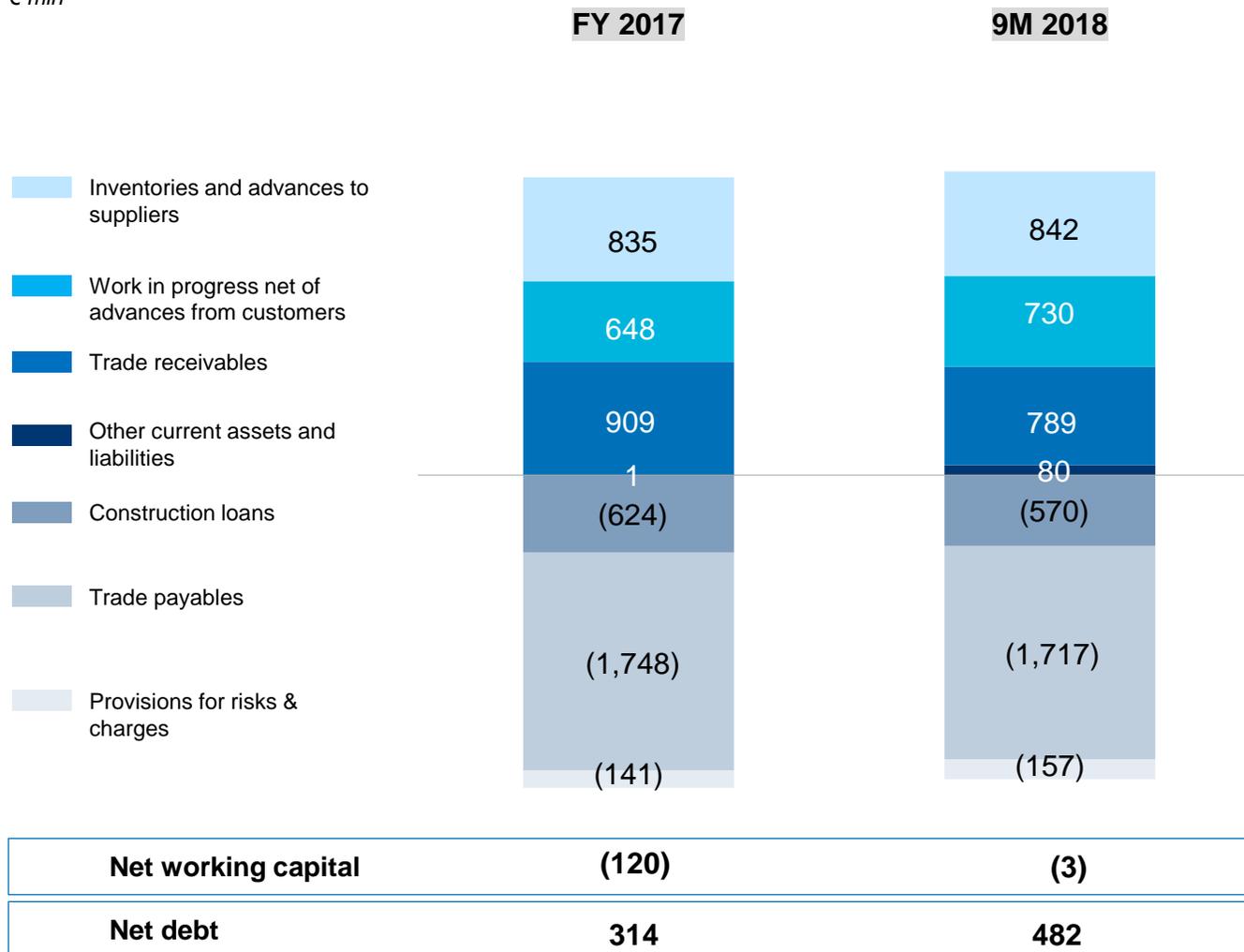
Comments

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

Net working capital and net debt⁽¹⁾

Breakdown by main components

€ mln



Comments

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

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

2018 Guidance

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

Shipbuilding

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

Offshore

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

Equipment, Systems & Services

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

Business Plan Guidance

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

Investor Relations contacts

Investor Relations Team

Cristiano Pasanisi – *VP Group Treasury, Corporate Finance & Investor Relations*

+39 040 319 2375

Cristiano.pasanisi@fincantieri.it

Matteo David Masi – *Head of Investor Relations*

+39 040 319 2334

MatteoDavid.masi@fincantieri.it

Alberta Michelazzi

+39 040 319 2497

Alberta.michelazzi@fincantieri.it

Institutional Investors

investor.relations@fincantieri.it

Individual Shareholders

azionisti.individuali@fincantieri.it

www.fincantieri.com



Q&A

