European Delegation - Market Trends :

- Cruise Ships
- Ferries
- Offshore

JECKU 2013 – Top Executive Meeting

November 13-15, 2013

Okinawa - Japan

THE SHIPBUILDERS' ASSOCIATION OF JAPAN

SEA Europe
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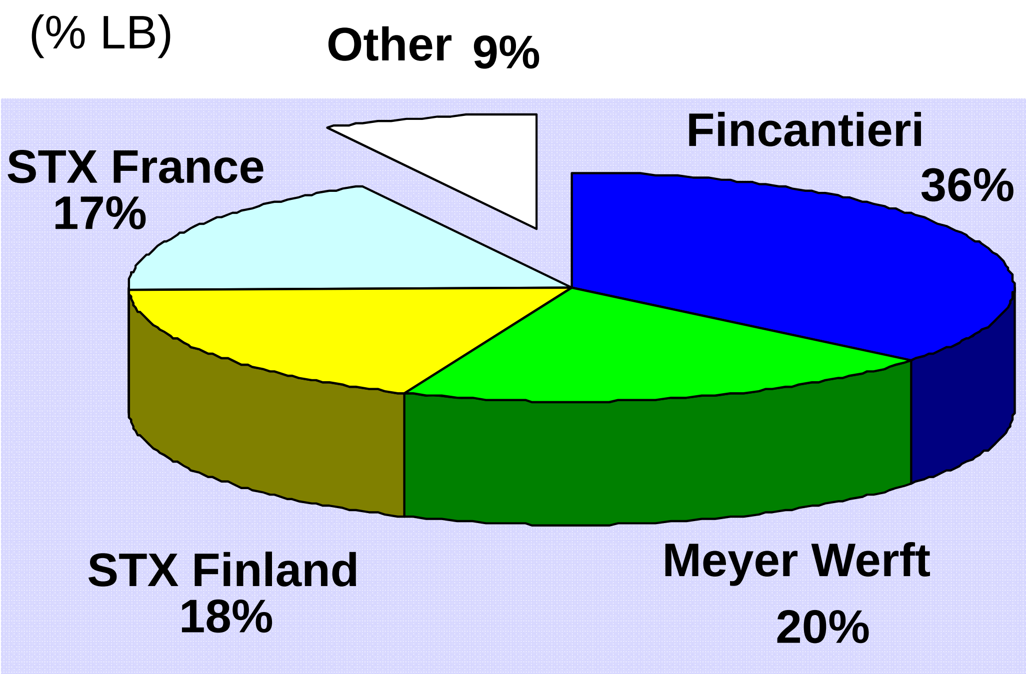
FINCANTIERI
The sea ahead

CONTRIBUTION OF EUROPEAN SHIPBUILDERS TO CRUISE INDUSTRY GROWTH

DELIVERED SINCE 1990 & ON ORDER

266 SHIPS; ~ 462.000 LB



- **Since 1990, 266 ships, equivalent to 462.000 LB have been delivered or are under construction at four European shipbuilding companies.**
- **A huge contribution by Europe to the oceangoing cruise fleet, standing at 357 ships and ~ 508.000 LB**

EVOLUTION & INNOVATION
THE KEY TO SUCCESS

Crown Princess - 1990

Gt	**70.000**
Cabins	**798**
Outside Cabins	**78%**
Balcony Cabins	**23%**

Royal Princess - 2013

Gt	**130.000**
Cabins	**1.780**
Outside Cabins	**80 %**
Balcony Cabins	**80 %**

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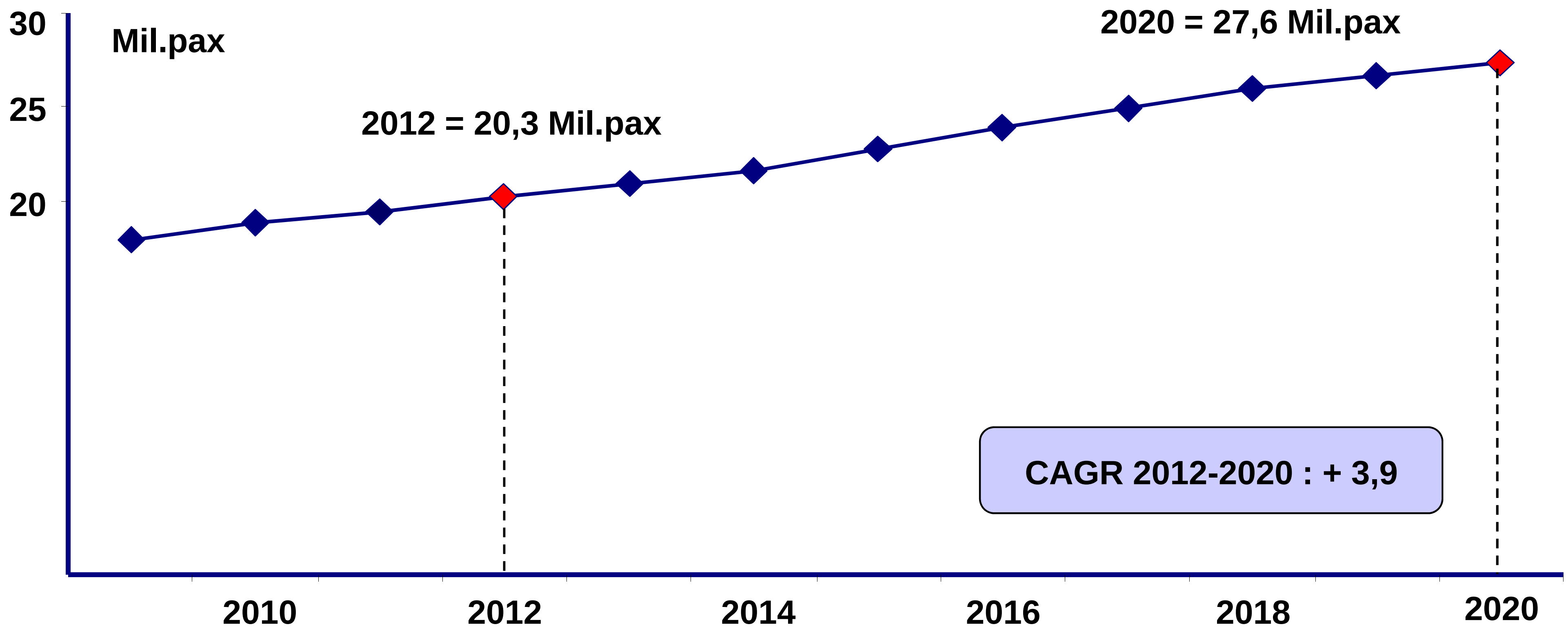
PASSENGERS

In 2012, more than 20 million people cruised, notwithstanding the crisis, especially in Europe.

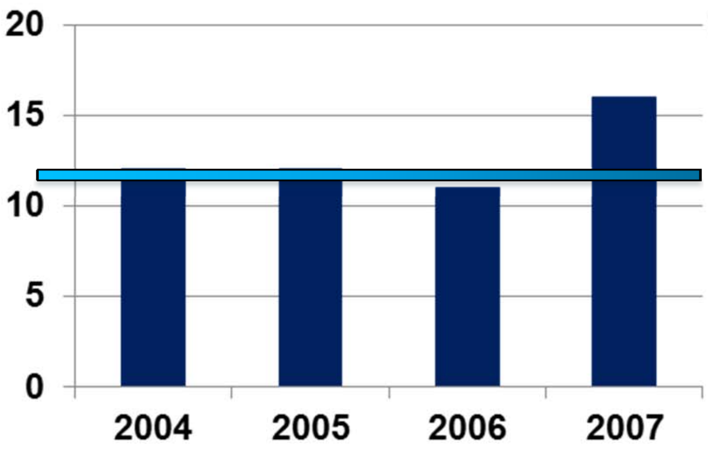


- Speculative behaviours have not spread across the cruise sector: the new ships ordered have balanced the passenger growth and the market is still growing.

NEW ORDERS

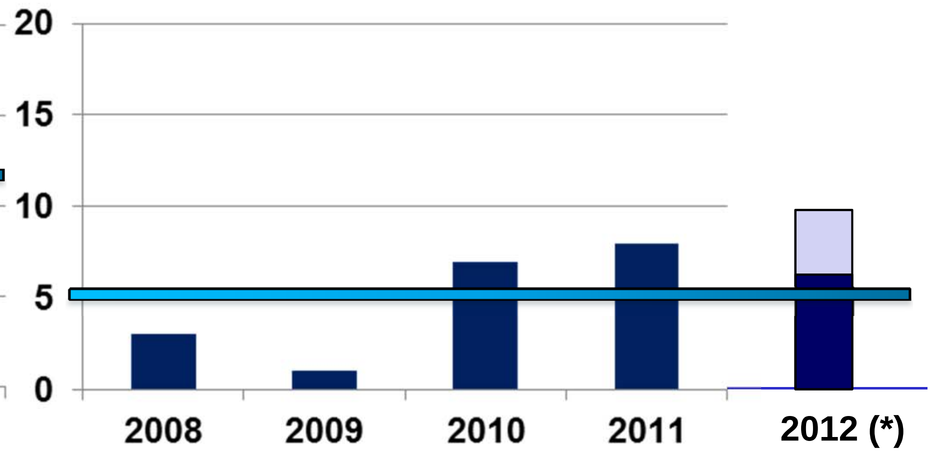
2004 – 2007: 51 ships

Avg 12 ships per year



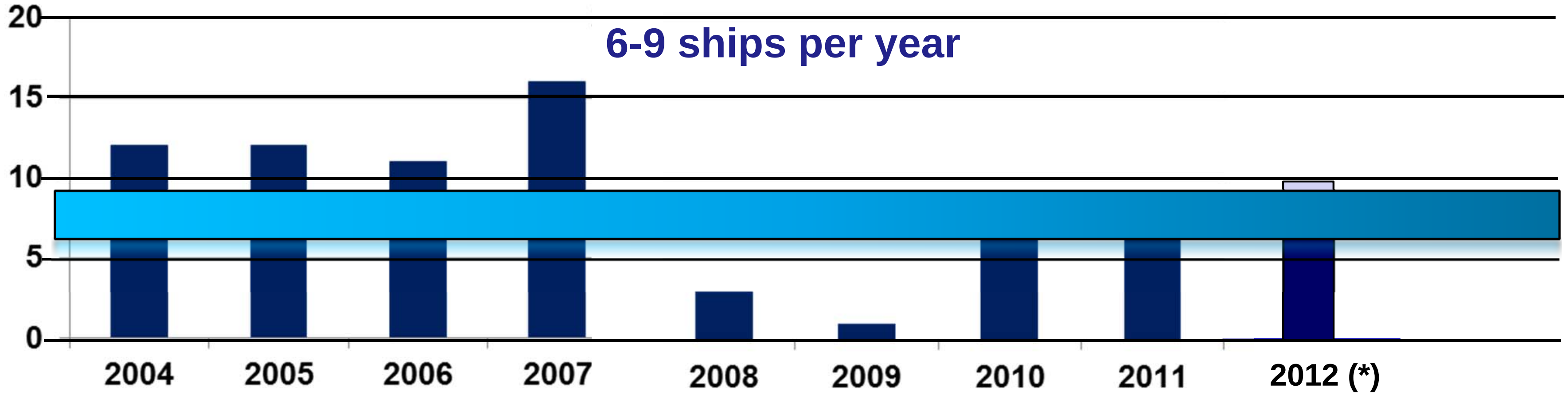
2008- 2011: 19 ships

Avg 5 ships per year



2013 onwards

6-9 ships per year



(*) New orders 2012 : 6 ships + 4 ships subject to financing

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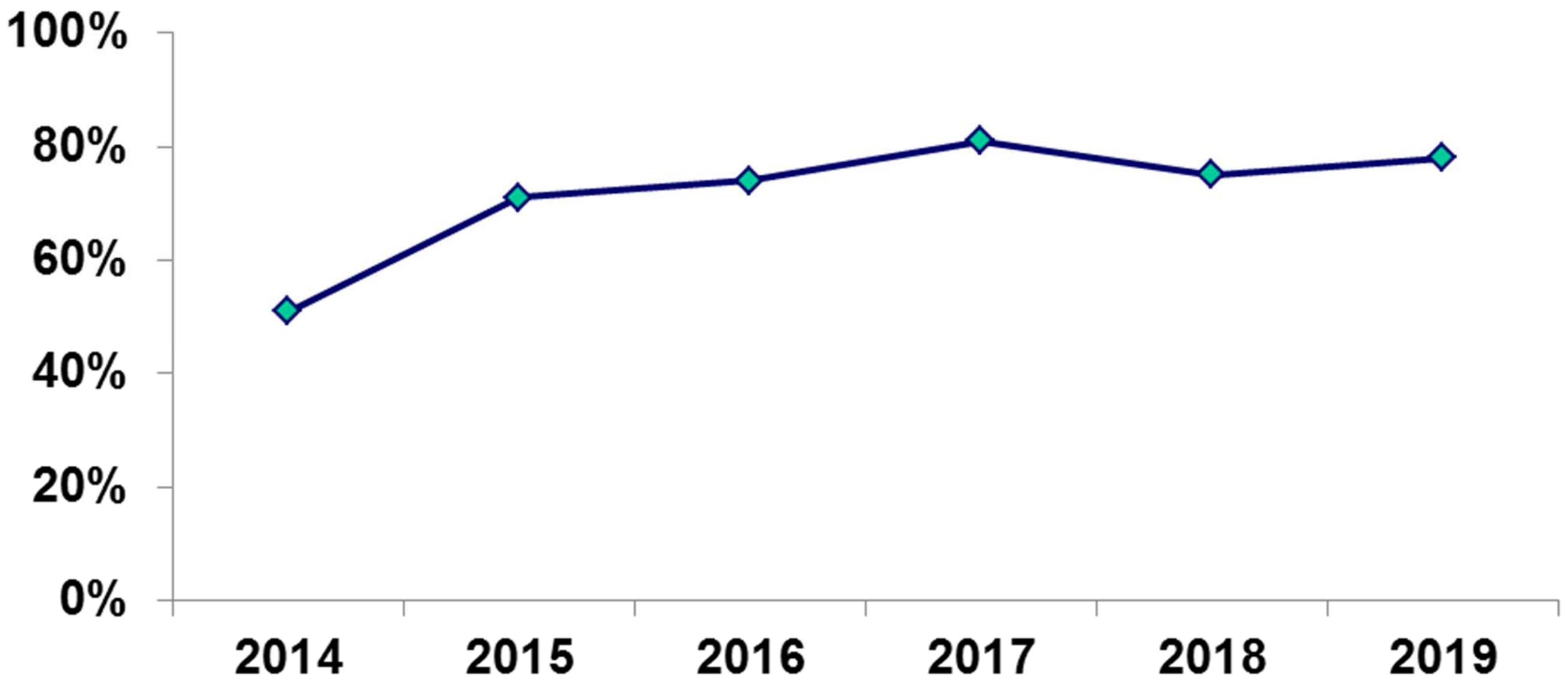
OCCUPANCY RATE

Occupancy rate of cruise-dedicated newbuilding capacity



INVESTMENT POLICY

Cruise Lines:
Investment policy in the medium term

Need to preserve the profitability of the assets

VS

Need to sustain the market growth

From 2008 to 2012 :

- **Fuel cost more than doubled**
- **Revenues per passenger days slightly declined**
- **Return on invested capital declined.**

- **Search for cost savings / margin improvements**
- **Need to offer innovative products**
- **Need to comply with new regulations**

→

- **Request for innovative, aggressively-priced quality vessels.**

CRUISE SCENARIO

Shipyards' Challenges

- **Specific approach to each market niche, (each new project needs to be customized on very specific needs and requirements)**
- **New Rules (Safe Return to Port and Probabilistic Damage Stability) + fuel efficiency + reduction of environmental footprint = additional product complexity**
- **Price is a trade-off between the acceptable spending target of the client and the intrinsic higher value of the innovative prototype.**

CONCLUSIONS

- Moderate demand levels
- Regulatory pressures
- Growing complexity/novelty of the product & onboard systems
- Cost growth / cost constraints
- Demanding (i.e. low) newbuilding prices
- Increased role of financing & ECAs
- Competitiveness = industrial factors + financial strength + exchange rate

- Maturity of the business
- Strong competition
- Lower and lower margins for the shipbuilders

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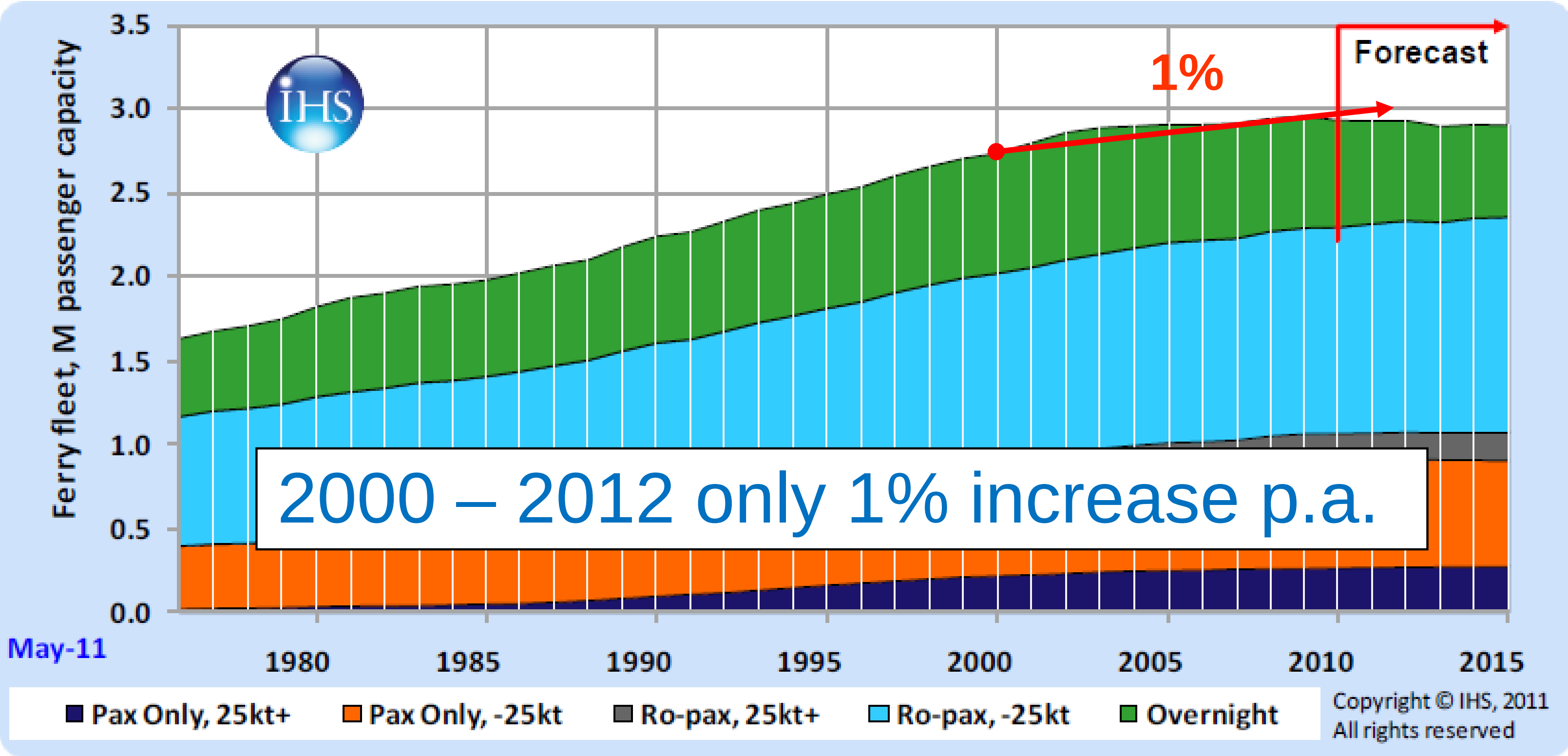
PAPENBURG 1795

FERRY VESSEL MARKET



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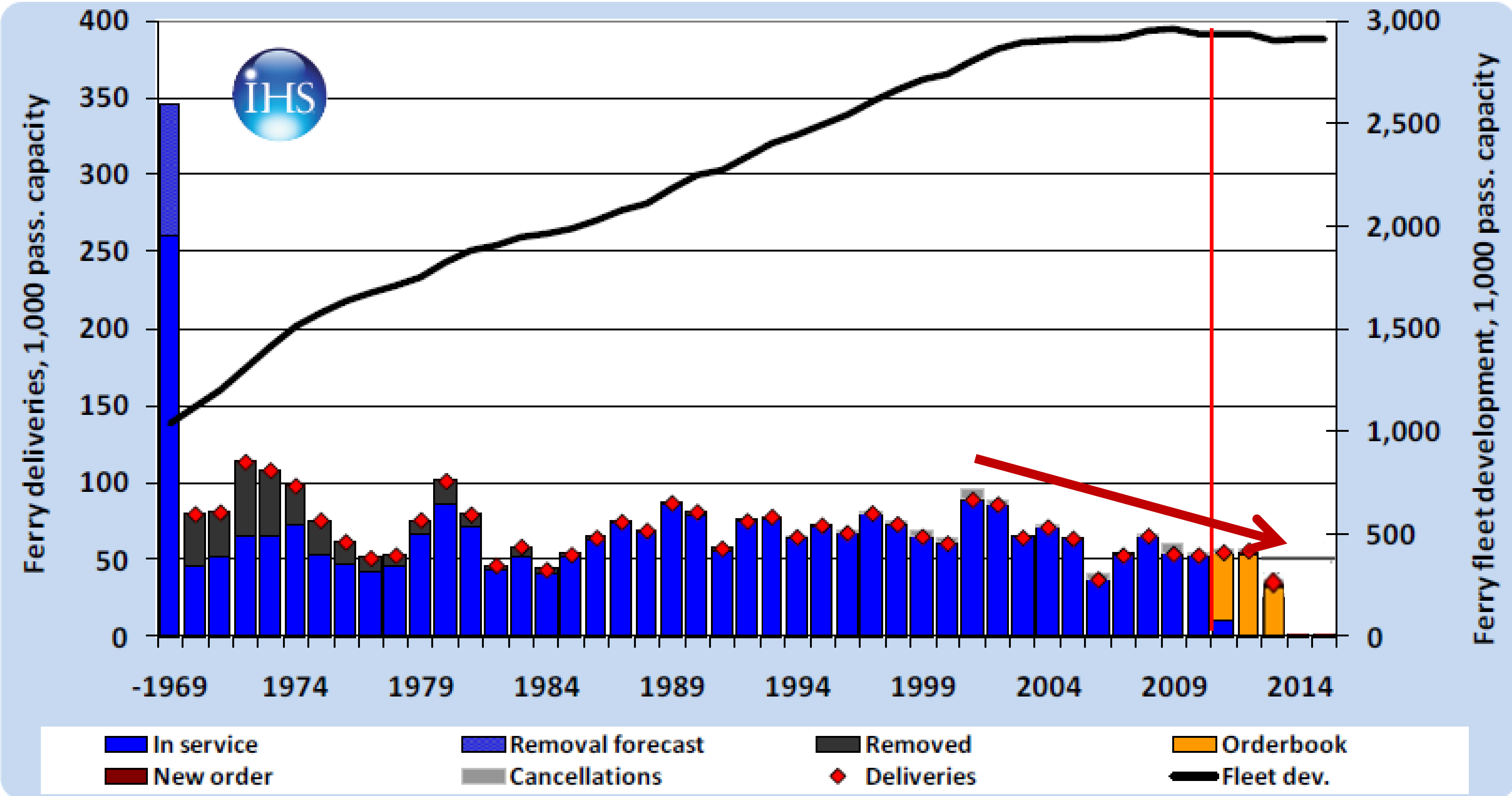
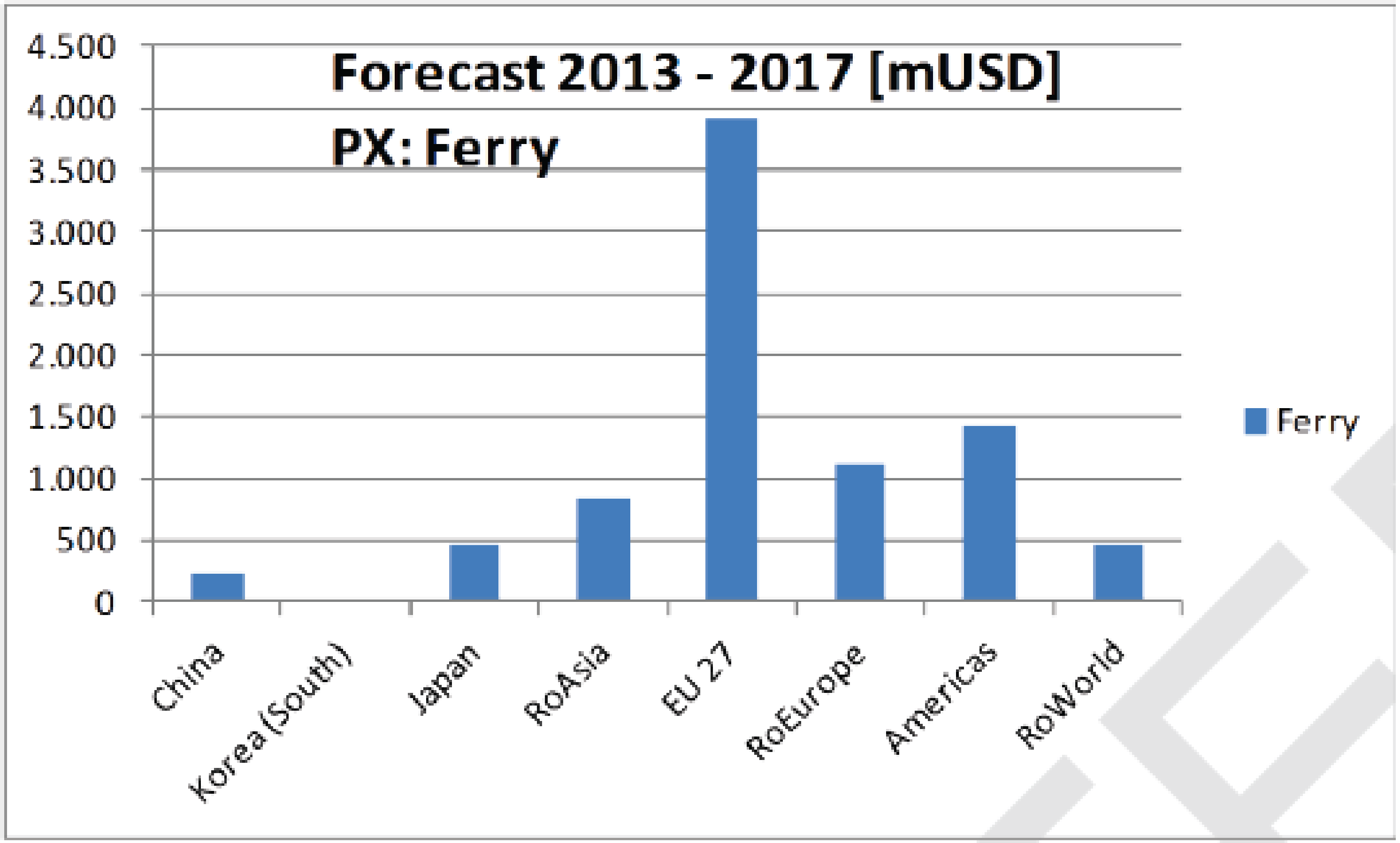
FERRY VESSEL MARKET



FERRY VESSEL MARKET FORECAST BY BUILDING COUNTRY



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FERRY VESSEL MARKET

CONCLUSIONS

- Moderate growth in the past, expected to continue
- Regulatory pressures
- Fragmentation of the industry
- replacement demand difficult to materialise
- Key role of financing and new technologies

- Pessimistic outlook

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Source: BALance Technology Consulting

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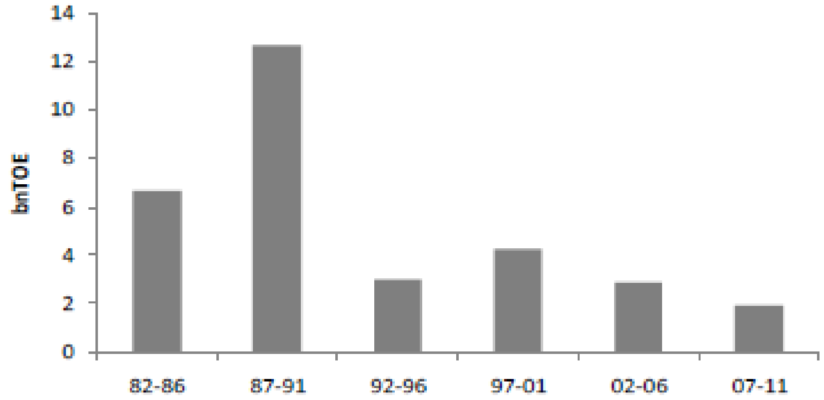
stx France

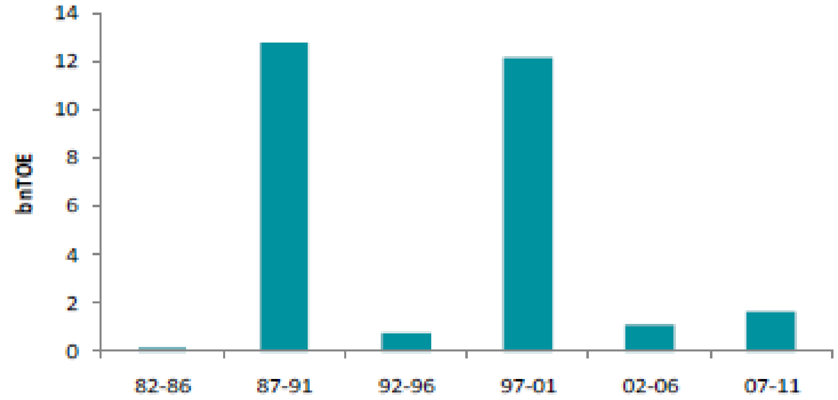
PETROL DISCOVERY = DEEP WATER

55% of oil and gas offshore discoveries in deep-water (06-10)!

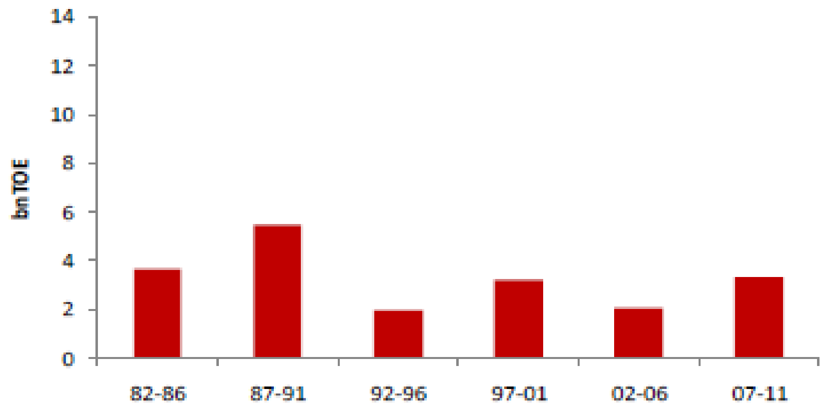
Shallow water ex – Middle East



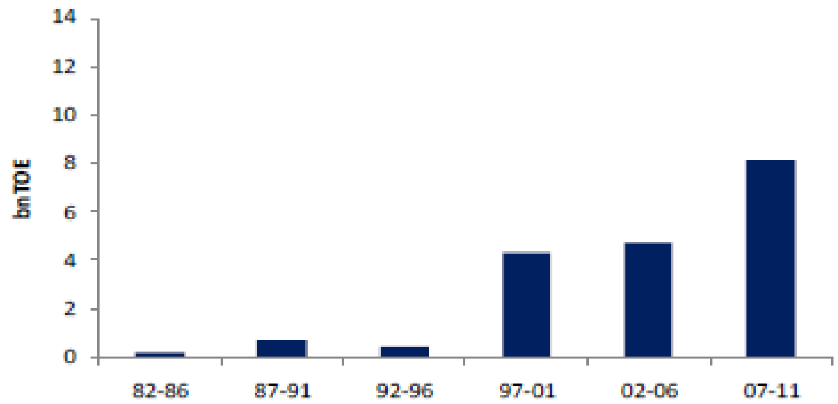
Shallow water Middle East



Mid-water (400-3000ft)



Deep-water (>3000ft)



Source : Infield

stx France

CONSEQUENCE ON THE VESSELS DEFINITION

Deeper Water

Longer transits

Lack of infrastructure

Safer Operation

Future high end vessels will require beam of >25m

Crane size is increasing and latest trend are cranes of 400-600+ tonnes

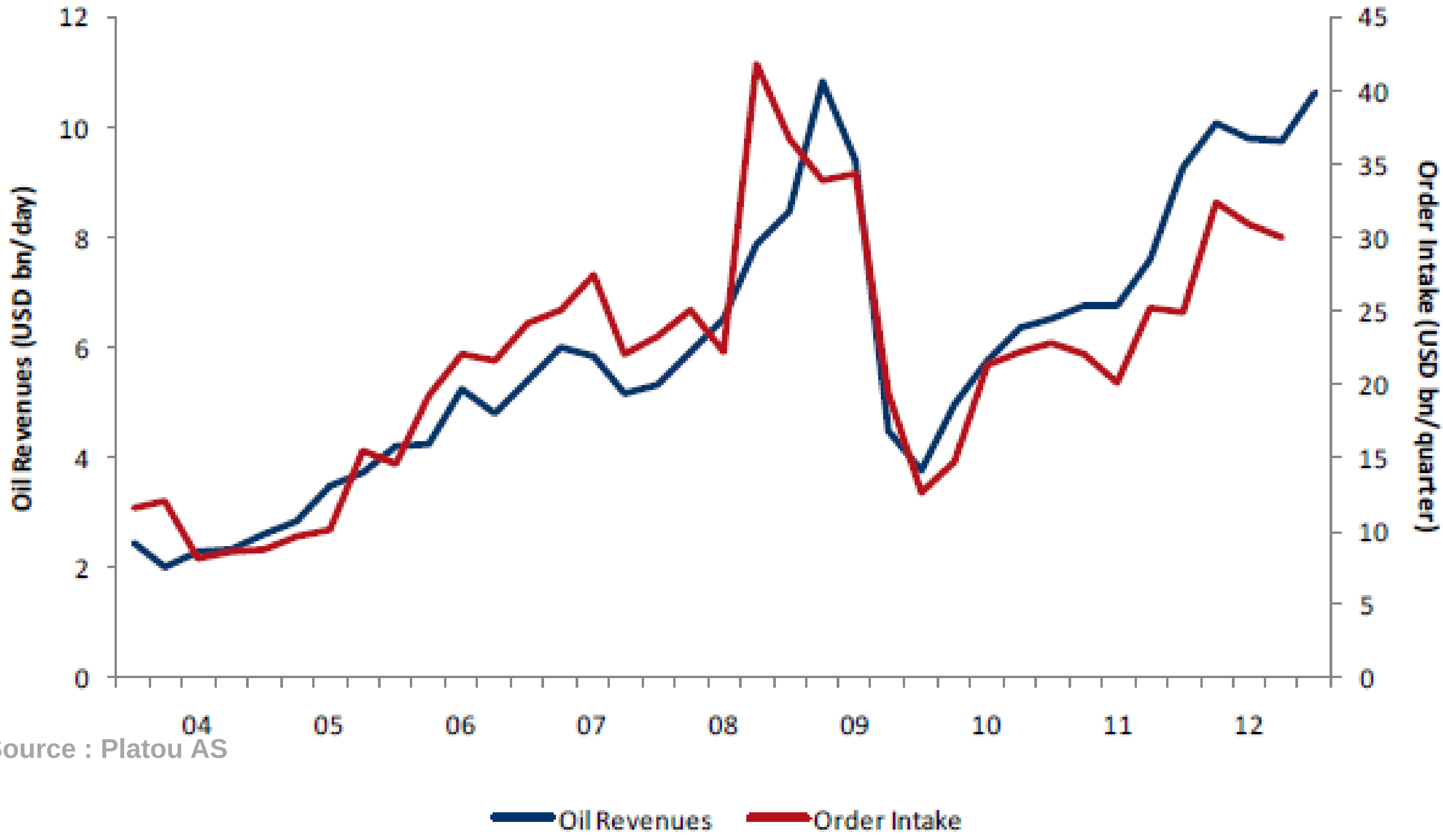
Speed and consumption essential for vessel selection

Demand for large subsea construction units!

Source : Platou AS

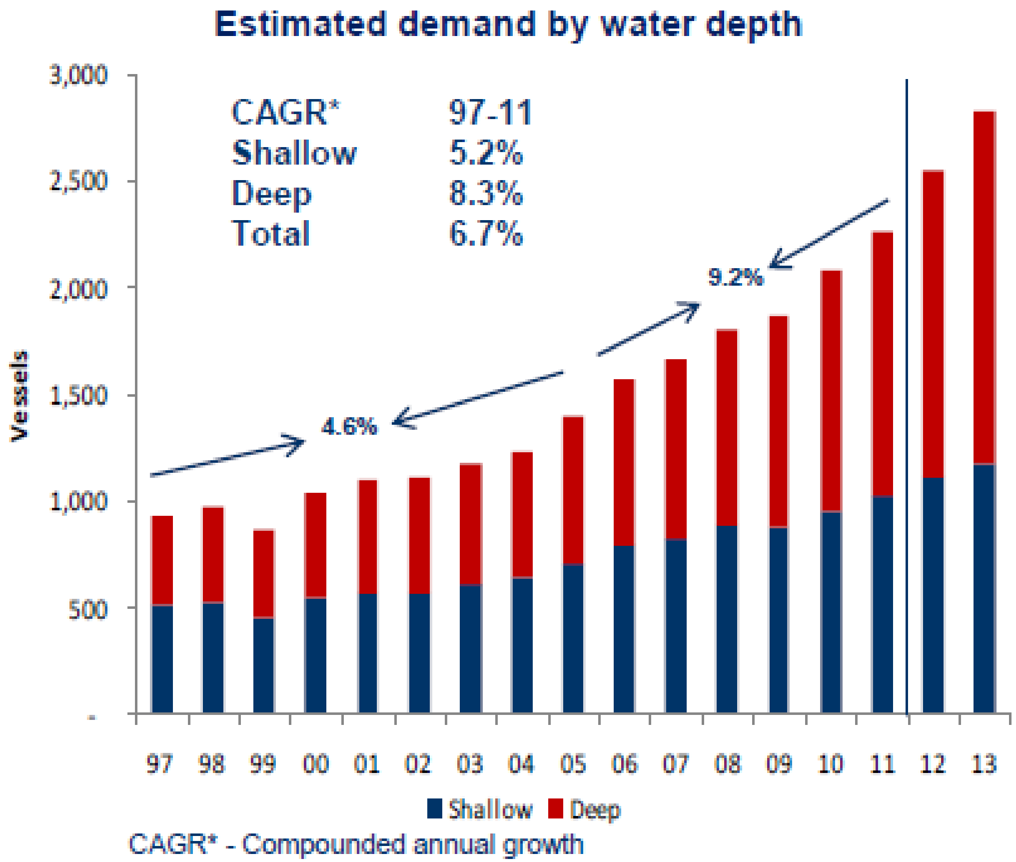
- Larger demand for Subsea Vessels
- Increasing of the size & the performance of the fleet
- Technology make difference

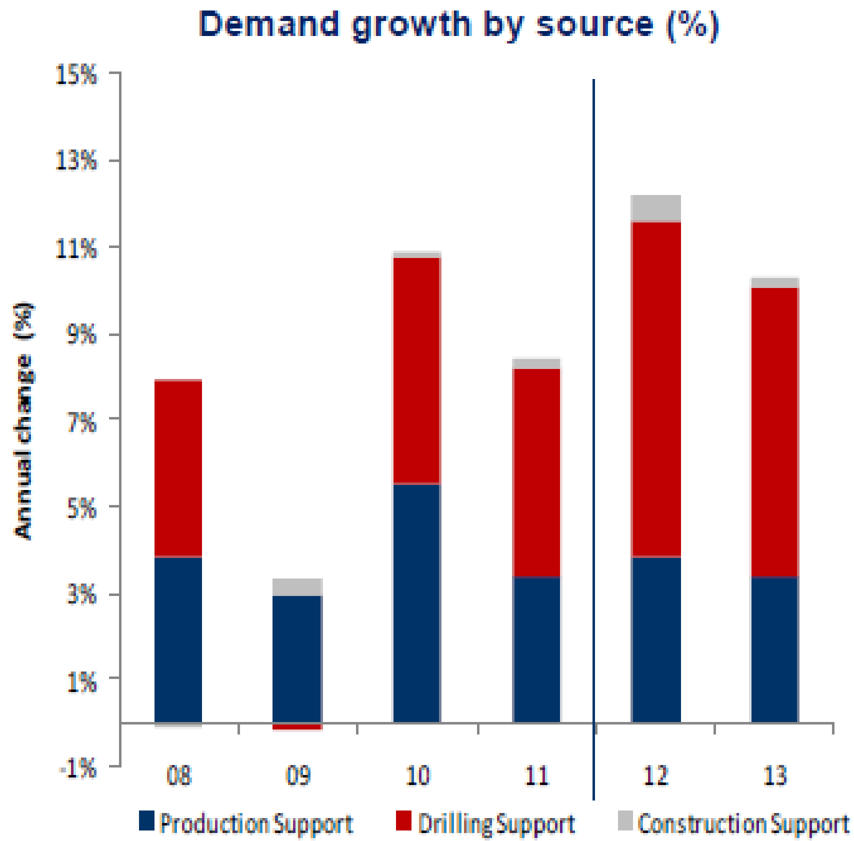
OIL REVENUE VS. SHIP ORDER INTAKE
OIL PRICE DRIVEN MARKET



Source : Platou AS

FLEET & ORDER BOOK





Source : Platou AS

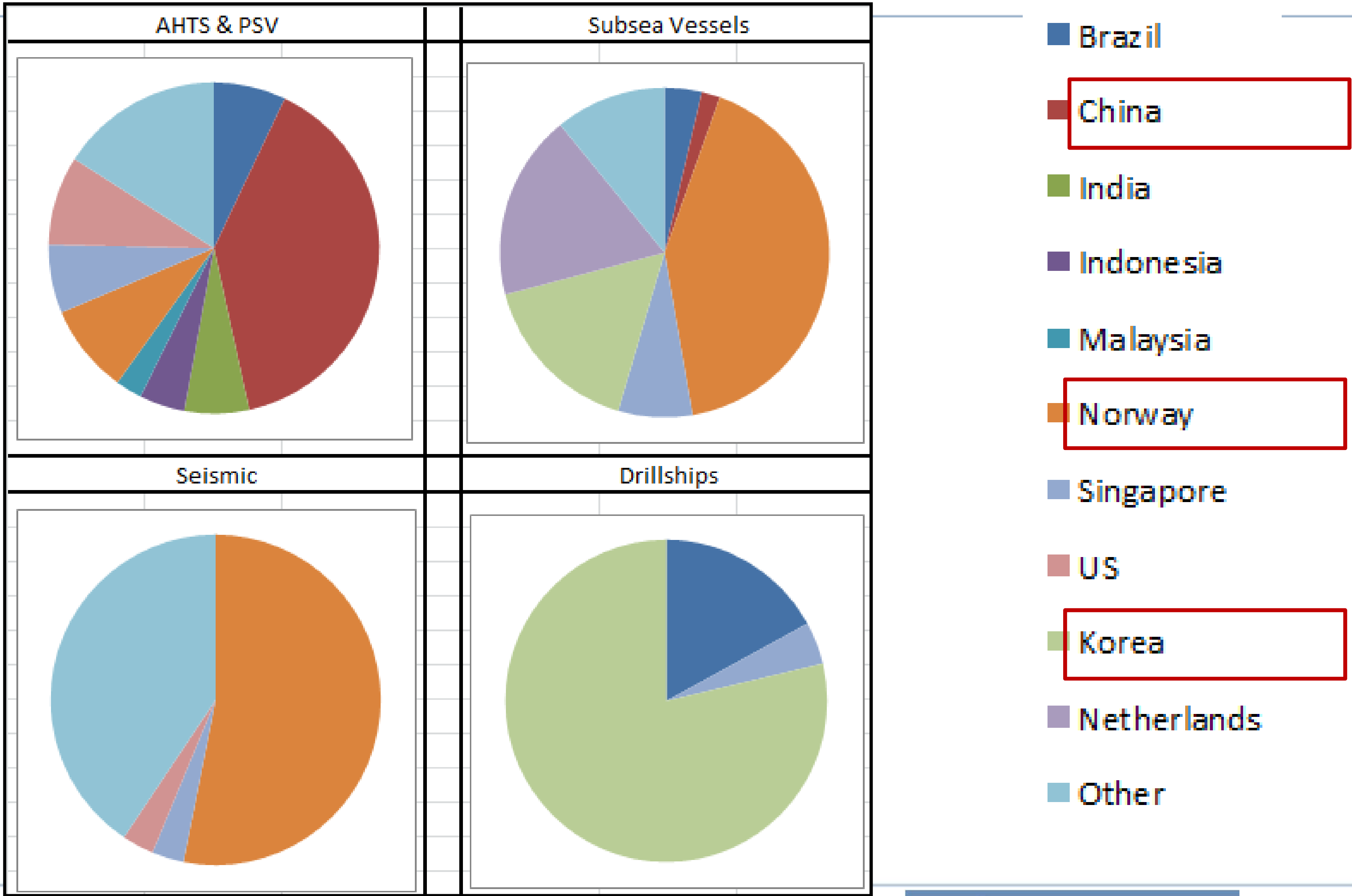
FLEET & ORDER BOOK

OFFSHORE UNITS		(No. of units in service)	(No. of units under construction)	(orderbook as a % of existing fleet)	(Average building price, in $m)	(Total orderbook value, in $m)
RIG	Drillships	79	49	62 %	650	31.853
	Jackups	474	83	18 %	210	17.417
	Semis	207	21	10 %	614	12.897
	Total	748	159	21 %	*425*	62.167
OSV	Anchor Handling Tug Supply	1737	225	13 %	28	6.266
	Platform Supply Vessel	1044	283	27 %	37	10.453
	Total	2781	508	18 %	*32*	16.720
OSCV	Remote Operated Vehicle Support Vessel	195	24	12 %	93	2.226
	Pipe Layers (incl. DLB)	61	17	28 %	276	4.700
	Diving Support Vessel (with SAT)	77	7	9 %	65	455
	Crane	2	1	50 %	400	400
	Well Stimulation/Intervention Vessel	7	2	29 %	250	500
	Total	348	54	16 %	*138*	6.951
Other	FPSO	165	39	24 %	*700*	27.300
	Shuttle Tankers	65	32	49 %	102	3.270
	Accommodation	121	10	8 %	150	730
Total Offshore Fleet		**4063**	**763**	**19 %**		**117.138**

Source : Platou AS

STX France

COMPETITION



SUMMARY

- Evolution of the vessel definition (size and complexity)
- Increasing of the number of units ordered (driven by oil price)
- Competition is worldwide