

AGREEMENT BETWEEN FINCANTIERI – LLOYD WERFT – BIG

Fincantieri creates an international network for refitting and refurbishment services acquiring a shareholding in the German shipyard Lloyd Werft

Fincantieri – Cantieri Navali Italiani S.p.A and Bremer Investitions-Gesellschaft mbH (BIG), the service provider for regional and business development in the state of Bremen, have signed an agreement with the current shareholders of Lloyd Werft Bremerhaven GmbH for the acquisition of a shareholding in Lloyd Werft.

Transaction rationale

This agreement will extend Fincantieri's presence in the market of ship refitting and refurbishment services and represents the first stage of an industrial and commercial cooperation between the Italian shipbuilding group and the German shipyard.

Fincantieri, combining the strengths and capabilities of the German shipyard with its yard in Palermo, has taken a significant step forward in its strategy to create the basis for an overarching and unique network in ship refitting and refurbishment services, a business segment historically characterized by a very high fragmentation. The strategic location of the two shipyards in the North Sea and in the Mediterranean Sea, will strengthen Fincantieri's position in the areas where a significant part of the cruise and ferry fleets is operating.

Fincantieri and Lloyd Werft will act as prime contractor for ordinary and extraordinary maintenance and upgrading services, offering technical support and assistance in planning and running maintenance programmes. Both companies have solid expertise in this role due to their proven experience in services planning, through preliminary on board inspections, design and engineering activities, dock occupancy scheduling, coordinating and carrying out procurement as well as managing the shipyard activities.

The excellent technical competences of Lloyd Werft in ship repairs and conversions, deriving from over one hundred years of presence in this market segment, together with

the strong production and technological capabilities of Fincantieri, will contribute to meet overall clients expectations, guaranteeing high quality services with short lead time.

The Market

Forecasts estimate a strong growth in the next few years for the segment of ship repairs and conversions due to the planned expansion of the cruise and ferry fleets worldwide. This growth is driven by a steady increase of cruise passengers and of both passengers and trailers on ferries. Growth rates for these markets are expected to reach 8% per year for cruise passengers for the period 2006-2014 and 6% for trailers transportation demand for the period 2006-2010.

Market forecasts indicate an expected average growth rate, for the period 2006-2013, of 12% in demand for drydocking. This solid demand trend is further strengthened by the increasing innovation in shipbuilding, which leads owners to upgrade the existing fleet in order to fill the gap with the higher standards of new generation ships.

Details of the agreement

Fincantieri and BIG will acquire 21.05% and 13.16% respectively of the share capital of Lloyd Werft through a capital increase. The remaining shares will be held by the current shareholders. The full effectiveness of the Agreement will be subject to the final approval from the EU Commission and the German Antitrust Authority.

Moreover, Fincantieri will have the right, by the end of 2008, to reach the majority by acquiring further shares from the current shareholders.

Fincantieri- Cantieri Navali Italiani S.p.A.

Fincantieri is one of the world's leading shipbuilding groups with an extensive experience in the construction of merchant and naval vessels. The company is a world leader in market segments characterized by high technological contents and cutting edge design such as cruise ships and ferries; it is also a benchmark in the naval field with a wide range of products, including all major types of surface vessels and submarines. Fincantieri is positioning itself as partner for the shipping and defence sector, offering innovative and tailored products combined to a high quality service level. This is achieved by leveraging on its experience as a prime contractor/integrator, on its engineering know-how and on an integrated network of specialised shipyards and qualified subcontractors.

Fincantieri employs a workforce of approximately 9,400 (20,000 including suppliers), in 8 shipyards, two design centres, a dedicated research centre in shipbuilding and ship propulsion and two marine systems plants.

In 2005 Fincantieri recorded a turnover of € 2,268.8 million, with an EBIT of € 111.4 million, in line with the economic and financial performance of recent years.

As of February 2006 the order book value is approximately €9,300 million.

In 2005 Fincantieri completed various repairs and conversions projects, including the “Pacific Star”, the “Costa Atlantica”, the “Costa Victoria”, the “Costa Fortuna” and the “Costa Europa”, and has recently received an order from Celebrity cruises for the large-scale conversion of the “Century”.

Lloyd Werft-Bremerhaven GmbH

Lloyd Werft is a leading shipyard in the field of ship repairs and major conversions, with over one hundred years expertise in a wide range of projects on all types of ship, including naval vessels. The yard is located in a geographically strategic position in the North Sea, and can rely on suitable facilities including two graving docks and one floating dock, provided with cranes of appropriate lifting capacity and outfitting piers capable of catering for ships up to 110,000 dwt.

With a qualified team of more than 500 employees, the track record of Lloyd Werft in the field of major conversions includes prestigious projects such as the “S/S Norway”, the “Queen Elizabeth 2”, the “Costa Victoria” the “Aurora” and recently the “Star Princess”.

In the field of completion, Lloyd Werft has demonstrated its know-how and skills by completing vessels such as the “Costa Victoria” (1996), the “Norwegian Sky” (1999), “Norwegian Sun” (2001) and latest the “Pride of America” (2005), the first US-flag cruise ship ever built outside the USA.

Bremer Investitions-Gesellschaft mbH

Bremer Investitions-Gesellschaft mbH is the parent company of the BIG Group which was founded in 1998 to provide central service for regional and business development in the state of Bremen.

The BIG Group, controlled by the state of Bremen, provides a full range of investment-related services for companies located in the region of Bremen.

Furthermore, the Group provides consultancy services with regard to the development and execution of innovative projects, implementation of grant aid programmes, internationalization of regional companies and marketing of commercial properties and industrial estates.