

## THE BOD APPROVES Q1 2020 RESULTS: REVENUES AT 1.3 BILLION, TOTAL BACKLOG AT 31.9 BILLION.

### PRIMARY OBJECTIVES: EMPLOYEES SAFETY AND BACKLOG SAFEGUARD

#### COVID-19 Update

- **Production activities gradually resumed** since April 20, 2020 and prompt deployment of all necessary measures **to ensure the health and safety** of our employees and those of our subcontractors
- **To safeguard the relationships with strategic clients and to ensure the acquired backlog**, the business strategy is now focused on reassessing dates, to avoid any cancellations of acquired orders, in full collaboration with clients
- **Q1 production volumes recorded a 20% reduction** due to the interruption of production activities in all Italian shipyards and production plants starting as of March 16, 2020

#### Consolidated Q1 2020 results

- **Revenues at euro 1,307 million** (euro 1,368 million at March 31, 2019) down by only 4.5% compared to Q1 2019, despite the reduction of production time of 20% due to the suspension of operations in the Group's Italian shipyards and production plants, resulting in approximately euro 190 million loss in revenues
- **EBITDA at euro 72 million** (euro 92 million at March 31, 2019) including the reduction in production volumes in the Group's Italian sites, EBITDA margin 5.5% (6.7% at March 31, 2019). **The lack of progress in shipbuilding projects, due to the suspension of activities, led to a shortfall in EBITDA of approx. euro 15 million**
- In addition to EBITDA shortfall due to the Italian sites production downtime, **the effects of COVID-19 on Q1 2020 results, amounting to euro 23 million, are accounted in the extraordinary expenses** and are mainly attributable to a reduced operating leverage, as a consequence of the lower production volumes, and to expenses for ensuring personnel health and safety
- **Net Debt<sup>1</sup>** at euro 444 million (euro 736 million at December 31, 2019)
- **Total backlog<sup>2</sup> at euro 31.9 billion, covering approximately 5.5 times 2019 revenues, with Q1 order intake at euro 0.3 billion:** backlog at euro 27.7 billion (euro 30.7 billion at March 31, 2019) with 92 ships in backlog; soft backlog at approximately euro 4.2 billion (approximately euro 3.6 billion at March 31, 2019)
- **8 vessels successfully delivered in the quarter**, among which "Seven Seas Splendor", ultra-luxury cruise ship for Regent, brand owned by Norwegian Cruise Line Holding Ltd, "Scarlet Lady", the first of a four cruise ships for the Shipowner Virgin Voyages; "Le Bellot", expedition cruise vessel for Ponant and a naval vessel for the US Navy

#### Other key events

- **Outstanding result for Fincantieri Marinette Marine chosen as prime contractor by the US Navy within the "FFG(X)" program:** the company was awarded a nearly 800 million dollars contract for the concept design and construction of the first-in-class guided missile. The contract envisages the option for further 9 units, with a cumulative value of 5.5 billion dollar.

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<sup>1</sup> Excluding construction loans

<sup>2</sup> Sum of backlog and soft backlog

- **Completed the load-bearing structure of the new bridge in Genoa in record time:** all the 19 steel spans had been raised by the end of April 2020 demonstrating the Group's capability to deal with highly complex non-naval infrastructure projects even in emergency situations
- **VARD enters the promising renewable energy sector:** the experience gained in the design and construction of specialized vessels enabled, after the end of Q1 2020, the acquisition of an order for one Service Operation Vessel (SOV) conceived to perform maintenance operations at offshore wind farms, reaffirming the diversification strategy envisaged by Fincantieri for its subsidiary
- **Acknowledgment of Group efforts towards sustainability:** the Group's commitment to fight climate change was rated B by the Carbon Disclosure Project<sup>3</sup>. The Group positioned itself in the top cluster of Vigeo Eiris<sup>4</sup> chart, gaining the highest placement among its reference peers.

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**Rome, May 14 2020** – The Board of Directors of **FINCANTIERI S.p.A.** (“Fincantieri” or the “Company”), chaired by Giampiero Massolo, has examined and approved the interim financial information at March 31, 2020<sup>5</sup>.

During the Board meeting **Giuseppe Bono, Fincantieri's Chief Executive Officer**, said: *“As the emergency started to unfold, our Group has distinguished itself for making every possible effort in order to safeguard our personnel and our subcontractors. We were among the first to halt our activities and, again, among the first to safely resume them. Despite the last months' deep uncertainty, the Group employees and those of the related industries showed strength and a strong sense of accountability and I feel the urge to thank them deeply. I wish to recall that Fincantieri is a spearhead of the Italian manufacturing sector and as such it proudly embraces the commitment to developing the territories in which it is deeply rooted. The Group focus is now on the safeguard of the backlog, essential not only to Fincantieri, but also to every small and mid-size company that contributes to make Fincantieri great in the world. At the end of April, we reached a milestone of ultimate importance for our Country: we completed the load-bearing structure of the new bridge in Genoa in record time thus demonstrating our capability to succeed even in the large infrastructures sector. We achieved an exceptional result on our reference foreign military markets, exploiting our presence and strengthening the role of strategic partner with the related navies. Thanks to our acknowledged expertise in the naval defence sector, we are, one more time, involved in negotiations with the Italian navy and as well as other foreign navies.”*

Bono concluded: *“As an important asset for the Country's productive and occupational system, we, once again, make ourselves available to play a leading role in our economy.”*

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<sup>3</sup>Carbon Disclosure Project: independent non-profit organization that offers a system to measure, detect, manage and to globally share information regarding the company's environmental impact

<sup>4</sup> Vigeo Eiris: agency that assesses the integration of social, environmental and governance factors in the context of sustainability with particular attention to promoting economic performance, responsible investment and the creation of sustainable value

<sup>5</sup>Prepared in accordance with international financial reporting and accounting standards (IAS/IFRS) and unaudited

**Safe Harbour Statement**

*The information contained in this document incorporates the assessments, based on the data currently available, of the possible impacts of the COVID-19 outbreak on the Group's operations. The valuation is the result of a preliminary analysis of the potential effects of the pandemic on the operating segments in which the Group operates.*

*It should be noted, however, that the repercussions of COVID-19 at a macroeconomic scale are not yet clearly appraisable and it is not excluded that critical issues, not foreseen or foreseeable to date, may arise in the future. It should be remembered that the forward-looking information have, by their nature, an intrinsic characteristic of risk and uncertainty, since they also depend on external factors and / or on future events that are beyond the control of the Company.*

*The negative economic effects resulting from the impacts of the spread of COVID-19 are not included in the Group's operating results, but in the extraordinary expenses. As of March 31, 2020 the amount of these charges, based on the estimates made to date, is equal to approximately € 23 million and mainly refers to a reduce operating leverage, as a consequence of the lower production volumes, and to expenses for ensuring personnel' health and safety.*

*Production volumes for the quarter were affected by the interruption, as of March 16, 2020, of the activities of the Group's Italian shipyards and production plants, in compliance with the instructions of the government authorities. Group's Italian activities showed a reduction of approximately 20% in terms of days worked in the quarter 2020 vs. the same period 2019 and of actual production volumes compared to those budgeted. From March 16 to March 29, production activities were suspended through the anticipation of the collective holidays with respect to their regular use in the summer period.*

*Production activities in VARD shipyards (Norway, Romania and Vietnam) were not suspended also because no suspension of production activities was ordered by the local authorities. As defense-related activities are considered "essential business" and as for explicit request of the US Navy, the American subsidiary FMG keeps on regularly run its production activities in all its American shipyards.*

*In order to ensure the acquired backlog and with a view to accommodate its customers' needs, Fincantieri is valuing, in full collaboration with the shipowners, the revision of the delivery dates of the units in portfolio and the consequent delays of the installments for units about to be delivered and for those under construction. The review of delivery dates will also be influenced by the subcontractors and by the recovery plan at full capacity of production activities.*

**ECONOMIC DATA**

31.12.2019	(euro/million)	31.03.2020	31.03.2019 restated (*)	31.03.2019 published
5,849	Revenue and income	1,307	1,368	1,385
320	EBITDA	72	92	90
5.5%	EBITDA margin	5.5%	6.7%	6.5%

(\*) The 2019 comparative figures have been restated to mirror discontinued operations of the business of small fishery and fishery farms support vessels and the dismissal of Aukra shipyard.

In the first three months of 2020 **Revenues and income**, euro 1,307 million, decreased by 4.5% compared to the same quarter 2019. The decrease is related to the revenues contraction of the Offshore and Specialized Vessels segment (-37.9%), only partially offset by the revenues increase in the Equipment, System and Services (+20.6%) and by the Shipbuilding revenues, in line with the same quarter 2019 (+1.3%), suffering from the Italian production downtime.

Group **EBITDA** at March 31, 2020 stood at euro 72 million (euro 92 million at March 31, 2019) with an **EBITDA margin** of 5.5%, compared to the 6.7% of the first three months of 2019. Such trend is attributable to the production downtime of the Italian sites of the Shipbuilding segment since March 16, 2020 and to the lower contribution of products and services of the Equipment, System and Services segment. Following a restructuring plan, launched in 2019, that entailed a review of estimated costs at completion of the projects, the subsidiary Vard EBITDA substantially reached break-even.

**Shipbuilding**

31.12.2019	(euro/million)	31.03.2020	31.03.2019 restated (***)	31.03.2019 published
5,088	Revenue and income (*)	1,133	1,118	1,113
3,574	Cruise ship	830	826	821
1,503	Naval vessel	303	291	291
11	Other activities	-	1	1
375	EBITDA (*)	72	82	83
7.4%	EBITDA margin (*) (**)	6.3%	7.3%	7.4%

(\*) Before elimination between operating segments

(\*\*) Ratio between segment EBITDA and Revenue and income

(\*\*\*) The 2019 comparative figures have been restated following the reallocation of VARD Electro from the Offshore and Specialized Vessels segment to the Shipbuilding's.

**Revenues in the Shipbuilding segment** at March 31, 2020 were equal to euro 1,133 million, in line with the results of the first quarter 2019 (+1.3%) despite the Italian production activities downtime. Cruise ship business area revenues, up by 0.5%, account for 57% of the Group's revenues (55% at March 31, 2019), while the naval vessels business area recorded an increase in revenues of 4.1%, accounting for 21% of the Group's revenues (20% at March 31, 2019).

**Cruise business area revenues** mirror on one hand a speed up in production – led by the heavy workload and by the deliveries in the Italian shipyards, and, on the other hand an increase of production volumes of Vard cruise business unit (+27.8%). These trends counterbalance the reduction of volumes caused by the interruption of production activities as of March 16<sup>th</sup> in the Group's Italian shipyards. Vard cruise business unit revenues include the negative impact of changes in the Euro/Norwegian Krone exchange rate (approx. euro 11 million), due to the conversion of Norwegian subsidiaries financial statements.

**Naval business area** records higher revenues, linked to construction progress of the projects for the Qatari Ministry of Defence and to the Italian Navy fleet renewal program – even though both projects suffered from the production downtime. The contribution of the subsidiary FMG, committed to LCS program and Foreign Military Sales program between United States and Kingdom of Saudi Arabia, was also relevant.

**EBITDA** of the segment, at March 31, 2020 amounts to euro 72 million (euro 82 million at March 31, 2019); it suffers the reduction of production volumes due to the Italian production downtime, showing an EBITDA margin of 6.3% (7.3% at March 31, 2019). The segment profitability is negatively affected by the slowdown of cruise and naval shipbuilding.

### **Offshore and Specialized Vessels**

31.12.2019	(euro/million)	31.03.2020	31.03.2019 restated (***)	31.03.2019 published
440	Revenue and income (*)	126	203	224
(107)	EBITDA (*)	(1)	1	(2)
-24.2%	EBITDA margin (*) (**)	-0.8%	0.4%	-0.9%

(\*) Before elimination between operating segments

(\*\*) Ratio between segment EBITDA and Revenue and income

(\*\*\*) The 2019 comparative figures have been restated to mirror discontinued operations of the business of small fishery and fishery farms support vessels and the dismissal of Aukra shipyard besides the reallocation of VARD Electro from the Offshore and Specialized Vessels segment to the Shipbuilding's.

**Offshore and Specialized Vessels revenues** at March 31, 2020 stood at euro 126 million, down by 37.9% compared to the same period of 2019, reflecting the slowdown in production volumes linked to the almost total absence of new orders in the core legacy business. The conversion from Norwegian Krone to Euro of Norwegian subsidiaries financial statement had a negative impact of euro 8 million. It is worth noting that Vard finalized two important contracts that fall within the diversification strategy envisaged by Fincantieri: a sophisticated unit for the fishing sector, signed at the end of March 2020, and a Service Operation Vessel (SOV) conceived to perform maintenance operations at offshore wind farms, announced April 17, 2020. The two orders reaffirm the diversification strategy for the subsidiary Vard and mark the entrance of the company into the promising renewable energy sector.

**EBITDA** of the segment at March 31, 2020 presents a negative figure of euro 1 million (positive figures of euro 1 million at March 31, 2019), with an **EBITDA margin** of -0.8%. EBITDA at break-even for the first quarter 2020 points out the results of the restructuring plan, launched by the management in 2019. The execution of the plan also implicated the review of projects estimated costs at completion.

### **Equipment, Systems and Services**

31.12.2019	(euro/million)	31.03.2020	31.03.2019
899	Revenue and income (*)	205	170
90	EBITDA (*)	12	18
10.0%	EBITDA margin (*) (**)	6.0%	10.3%

(\*) Before elimination between operating segments

(\*\*) Ratio between segment EBITDA and Revenue and income

Revenues from **Equipment, Systems and Services** segment, which amounted to euro 205 million, up by 20.6% compared to the first quarter 2019, confirm a growth trend linked to the significant contribution of the

operations of Fincantieri Infrastructure, currently committed in the reconstruction of the new bridge over the Polcevera river in Genoa.

**EBITDA** of the segment at March 31, 2020, was equal to euro 12 million (euro 18 million at March 31, 2019) with and **EBITDA margin** of 6.0%. The result matches the higher contribution of infrastructure projects and of ship conversions and refurbishment activities, both characterized by a reduced profitability profile if compared to the other activities within the same segment. These projects, however, have a strategic relevance as they allow the development and maintenance of commercial relationships and contribute to the increase the employment in some of the Group's Italian shipyards and production sites.

## FINANCIAL DATA

31.03.2019	(euro/million)	31.03.2020	31.12.2019
<b>1,801</b>	<b>Net fixed capital</b>	<b>1,818</b>	<b>1,905</b>
813	Inventories and advances	831	828
1,064	Construction contracts and clients advances	467	1,415
(545)	Construction loans	(693)	(811)
520	Trade receivables	978	677
(1,856)	Trade payables	(2,105)	(2,270)
(135)	Provisions for risks and charges	(89)	(89)
92	Other current assets and liabilities	194	125
<b>(47)</b>	<b>Net working capital</b>	<b>(417)</b>	<b>(125)</b>
-	<b>Net assets/(liabilities) to be sold and discontinued operations</b>	<b>5</b>	<b>6</b>
<b>1,249</b>	<b>Equity</b>	<b>962</b>	<b>1,050</b>
<b>505</b>	<b>Net financial position</b>	<b>444</b>	<b>736</b>

**Net fixed capital**, equal to euro 1,818 million (euro 1,905 million at December 31, 2019), decreased by euro 87 million. **Net working capital** was negative for euro 417 million (negative for euro 125 million at December 31, 2019). The main effects include: i) the reduction in Construction contracts and client advances (euro 948 million) due to the deliveries of cruise ships during the quarter and to a lower production activities in all Italian sites, ii) the increase in Trade receivables (euro 301 million) due to the invoicing of the final instalment of a cruise vessel to be delivered in 2020 and iii) the reduction in Trade payables (euro 165 million) mainly due to the reduction of production volumes in the quarter.

**Construction loans**, specially dedicated credit instruments used for the exclusive financing of the project to which they are referred, amounted to 693 million at March 31, 2020, recording a reduction of euro 118 million compared to December 31, 2019; of these, euro 600 million were related to the Parent Company and euro 93 million to the subsidiary VARD.

**Net financial position** reports a net debt balance of euro 444 million (euro 736 million in net debt at December 31, 2019), which is consistent with production volumes and with the cruise ships deliveries schedule.

**OTHER INDICATORS**

(euro/million)	Orders		Backlog		Capital Expenditure	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019	31.03.2020	31.03.2019
Shipbuilding	83	6,312	25,857	28,974	35	30
Offshore and Specialized Vessels	116	39	813	920	-	1
Equipment, Systems and Services	157	168	2,008	1,607	7	6
Consolidation adjustments/Other activities	(62)	(64)	(1,000)	(759)	13	5
<b>Total</b>	<b>294</b>	<b>6,455</b>	<b>27,678</b>	<b>30,742</b>	<b>55</b>	<b>42</b>

**DELIVERIES**

(number)	31.03.2020 completed	2020	2021	2022	2023	2024	Beyond 2024
Cruise ships	4	8	9	10	6	4	9
Naval	1	6	8	8	5	5	5
Offshore and Specialized Vessels	3	9	3	3	1	1	

It should be noted that, in order to safeguard its backlog, Fincantieri is reassessing, in accordance with shipowners, the delivery dates of the units in portfolio - taking into account subcontractors conditions and the plan to fully resume production activities.

**BUSINESS OUTLOOK**

As of today, the repercussions of COVID-19 outbreak at the macroeconomic scale are not yet clearly appraisable and therefore a reliable economic and financial forecast is not feasible.

The full year results will be impacted by the costs attributable to the lower productivity of shipyards and production sites and, consequently, to a lower fixed costs absorption, to the unanticipated expenses for personnel health and safety and to the extra costs linked to supply chain disruption and to the reassessment of ships delivery dates.

As of April 20, 2020, production activities were gradually resumed in compliance with the instructions of the government authorities. Fincantieri has implemented all the necessary measures to ensure the health and safety of its employees and those of the related industries, such as staggered shift-start times, temperature checks at the entrances and enforcement use of personal protective equipment.

It should be noted that, in order to safeguard its backlog, Fincantieri is reassessing, in accordance with shipowners, the delivery dates of the units in portfolio - taking into account subcontractors conditions and the plan to fully resume production activities - and the consequent delays of the installments for units about to be delivered and for those under construction.

The 2020-2024 Business Plan will be disclosed as soon as the developments of the emergency allow a clearer evaluation of its possible impacts.

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

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For the significant events occurring during the period and after the reporting period, please refer to the press releases available on the Company's website ([www.fincantieri.com](http://www.fincantieri.com)).

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This press release is available to the public at the Company's registered office and on its website ([www.fincantieri.com](http://www.fincantieri.com)) under "Investor Relations – Financial Statements" and on the centralized storage of regulated information denominated eMarket STORAGE, available at the website [www.emarketstorage.com](http://www.emarketstorage.com).

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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. reserves the right to communicate any changes in its forward-looking data and information within the time and in the manner required by law.

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The financial results for the first three months of 2020 will be presented to the financial community during a conference call scheduled for Friday, May 15, 2020 at 9:00 CEST.

To take part in the conference call, it is necessary to call one of the following 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 10 minutes before the start of the conference in the Investor Relations section of the website [www.fincantieri.com](http://www.fincantieri.com)

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**Fincantieri** is one of the world's largest shipbuilding groups and number one for diversification and innovation. It is leader in cruise ship design and construction and a reference player in all high-tech shipbuilding industry sectors, from naval to offshore vessels, from high-complexity special vessels and ferries to mega yachts, as well as in ship repairs and conversions, production of systems and mechanical and electrical component equipment, cruise ship interiors solutions, electronic systems and software, infrastructures and maritime constructions as well as after-sales services. With over 230 years of history and more than 7,000 vessels built, Fincantieri has always kept its management offices, as well as all the engineering and production skills, in Italy.

With over 8,900 employees in Italy and a supplier network that employs nearly 50,000 people, Fincantieri has enhanced a fragmented production capacity over several shipyards into strength, acquiring the widest portfolio of clients and products in the cruise segment. To hold its own in relation to competition and assert itself at global level, Fincantieri has broadened its product portfolio becoming world leader in the sectors in which it operates.

The Group has today 20 shipyards in 4 continents, nearly 20,000 employees and is the leading Western shipbuilder. It has among its clients the world's major cruise operators, the Italian and the US Navy, in addition to several foreign navies, and it is partner of some of the main European defence companies within supranational programs. Fincantieri's business is widely diversified by end markets, geographical exposure and by client base, with revenue mainly generated from cruise



ship, naval and Offshore and Specialized vessel construction. Compared with less diversified players, such diversification allows it to mitigate the effects of any fluctuations in demand on the end markets served.

[www.fincantieri.com](http://www.fincantieri.com)

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#### **ALTERNATIVE PERFORMANCE MEASURES**

Fincantieri's management reviews the performance of the Group and its business segments also using certain non-GAAP measures not defined under IFRS. In particular, EBITDA is used as the main earnings indicator, as it enables the Group's underlying profitability to be assessed, by eliminating the impact of volatility associated with non-recurring items or extraordinary items outside the ordinary course of business.

As required by Consob Communication no. 0092543 of December 3, 2015 which implements the ESMA Guidelines on Alternative Performance Measures (document no. ESMA/2015/1415), the components of each of these measures are described below:

- *EBITDA: this is equal to earnings before taxes, before finance income and costs, before income and expenses from investments and before depreciation, amortization and impairment, as reported in the financial statements, adjusted to exclude the following items:*
  - *provisions for costs and legal expenses associated with lawsuits brought by employees for asbestos-related damages;*
  - *charges connected to the impacts of COVID-19 outbreak;*
  - *costs relating to reorganization plans and non-recurring other personnel costs;*
  - *other expenses or income outside the ordinary course of business due to particularly significant non-recurring events.*
- *EBITDA margin: EBITDA expressed as a percentage of Revenue and income.*
- *Net fixed capital: this reports the fixed assets used in the business and includes the following items: Intangible assets, Property, plant and equipment, Investments and Other non-current assets (including the fair value of derivatives classified in non-current Financial assets and non-current Financial liabilities) net of Employee benefits.*
- *Net working capital: this is equal to capital employed in ordinary operations which includes Inventories and advances, Construction contracts and client advances, Construction loans, Trade receivables, Trade payables, Provisions for risks and charges, and Other current assets and liabilities (including Income tax assets, Income tax liabilities, Deferred tax assets and Deferred tax liabilities, as well as the fair value of derivatives classified in current Financial assets and current Financial liabilities)*

For a more detailed description of the alternative performance measures, please refer to the specific note within the Fincantieri Group's report on operations forming part of the Group Annual Report 2019.

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