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Oggetto	:	FINCANTIERI The BoD approves Q1 2018 results

Testo del comunicato

Vedi allegato.

THE BOD APPROVES Q1 2018 RESULTS: INCREASING REVENUES AND EBITDA, TOTAL BACKLOG AT EURO 27.7 BILLION

- **Results in line with the Business Plan 2018-2022 targets**: revenues at March 31, 2018 up 11% compared to the same period of 2017, EBITDA margin at 7.3%, up 22% from the 6.0% margin of the first three months of 2017
- **Total backlog[1] at over euro 27.7 billion, covering approximately 5.5 years of work if compared to 2017 revenues**: backlog as of March 31, 2018 was euro 21.8 billion (euro 20.8 billion at March 31, 2017) with 104 ships in the order book; the soft backlog at the same date was approximately euro 5.9 billion (approximately euro 5.8 billion at March 31, 2017)
- **Further commercial developments in cruise business:** agreement with Viking for the construction of additional six units which will be developed based on the successful characteristics of the previous ships. VARD signed a contract for the design and construction of two additional luxury expedition cruise vessels for French cruise company PONANT. VARD also signed a Letter of Intent for the design and construction of two special cruise vessels for Viking, with an option for two more vessels.
- Fincantieri, through the Ship Repair and Conversion unit of the Services division, and Grimaldi Group signed a contract for the lengthening and refurbishing of the cruise ferries “Cruise Roma” and “Cruise Barcelona”, built by Fincantieri in the Castellammare di Stabia yard.
- **Sound operational performance** with the delivery of Carnival Horizon
- **Net debt[2] at euro 446 million** (euro 314 million at December 31, 2017). The change is mainly due to financial flows of the Cruise business, characterized by significant growth of volumes, as well as by the cash-in of final payments for the cruise ship delivered in the period.

* * *

Rome, May 7, 2018 - 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, 2018[3].

During the Board meeting **Giuseppe Bono, Fincantieri's Chief Executive Officer,** said: “*The First Quarter 2018 results are a confirmation of the strategic lines of development set forth in the Business Plan we presented at the end of March, and are in line with the growth trends registered in the past two years. With production volumes and margins yet again growing, our company continues to prove its ability to create value in an extremely complex sector.”*

Bono concluded: “*Bolstered by this important first step, we will continue along the growth path that will see us taking center stage in the world shipbuilding industry in the coming years”.*

[1] *Sum of backlog and soft backlog*
[2] *Excluding Construction loans*
[3] *Prepared in accordance with international financial reporting and accounting standards (IAS/IFRS) and unaudited*

ECONOMIC DATA

31.12.2017	(euro/million)	31.03.2018	31.03.2017
5,020	**Revenue**	1,226	1,104
341	**EBITDA**	89	67
6.8%	***EBITDA margin***	*7.3%*	*6.0%*

In the first three months of 2018 revenues increased by 11% compared to the same period of 2017, in line with the growth expectations for 2018.

EBITDA as of March 31, 2018 stood at € 89 million (up 33% year-on-year) with EBITDA margin of 7.3%, improved from the 6.0% of the first three months of 2017; such trend is substantially due to the positive performance of the Shipbuilding segment.

Shipbuilding

31.12. 2017	(euro/million)	31.03.2018	31.03.2017
3,883	Revenue(*)	916	857
2,649	*Cruise ships*	*619*	*596*
1,212	*Naval vessels*	*292*	*260*
22	*Other activities*	*5*	*1*
269	EBITDA (*)	74	55
6.9%	*EBITDA margin* (*) (**)	*8.0%*	*6.4%*

(*)Before eliminations between operating segments
(**) Ratio between segment EBITDA and Revenue and income

The year-on-year growth is mainly attributable to the increase in the volumes of the cruise ships business due to the larger size of the vessels under construction (with cruise ship revenues now accounting for approximately 47% of the Group's revenues before consolidation adjustments). Revenues increase was also influenced by the progress in the Italian Navy's fleet renewal program and the starting of design activities for the Qatari Ministry of Defense contract.

Shipbuilding margins confirm the positive trend, reporting further improvements due to the construction of more profitable cruise ships and to the positive contribution of the advancement of the activities related to Italian Navy's fleet renewal program.

Offshore

31.12.2017	(euro/million)	31.03.2018	31.03.2017
943	Revenue(*)	245	210
42	EBITDA (*)	9	9
4.4%	*EBITDA margin* (*) (**)	*3.5%*	*4.4%*

(*) Before eliminations between operating segments
(**) Ratio between segment EBITDA and Revenue and income

Offshore revenues recorded an increase of around 17% compared with the first three months of 2017, despite the negative impact of changes in the Norwegian Krone/Euro exchange rate (euro 18 million). This performance is largely due to the continuation of diversification strategy operated by VARD, which has generated an increase of production volumes, especially in Romanian shipyards.

In a context of gradual recovery of revenues growth, the segment's profitability reflects the continuing process of adjustment of the production structure to the challenges of the portfolio diversification efforts.

Equipment, Systems and Services

31.12.2017	(euro/million)	31.03.2018	31.03.2017
558	Revenue(*)	167	97
64	EBITDA (*)	15	11
11.5%	*EBITDA margin (*) (**)*	*9.2%*	*11.0%*

(*) Before eliminations between operating segments
(**) Ratio between segment EBITDA and Revenue and income

The revenues of the Equipment, Systems and Services segment, which increased above those of the corresponding period of 2017 (+72%), benefitted from growth in volumes related to after sales activities, life-cycle management services (especially related to Qatari contract) and in the cabins and public areas business, made internally of the Group to support cruise ships business.

The marginality reflects the change in the mix of products, heavily influenced by the strong growth in cruise volumes.

FINANCIAL DATA

31.03.2017	(euro/million)	31.03.2018	31.12.2017
1,613	**Net fixed capital**	**1,818**	**1,743**
604	Inventories and advances	869	835
1,108	Construction contracts and client advances	904	648
(744)	Construction loans	(684)	(624)
573	Trade receivables	658	909
(1,376)	Trade payables	(1,664)	(1,748)
(120)	Provisions for risks and charges	(143)	(141)
92	Other current assets and liabilities	20	1
137	**Net working capital**	**(40)**	**(120)**
1	**Net assets classified as held for sale**	**-**	**-**
1,211	**Equity**	**1,332**	**1,309**
540	**Net financial position**	**446**	**314**

Net fixed capital increased due to investments during the period on Intangible assets and on Property, plant and equipment, partially offset by amortization and depreciation of the period as well as the positive change in Other non-current assets and liabilities, mainly related to the positive effect of the fair value measurement of currency derivatives.

The main changes affecting **Net working capital** were: (i) an increase in Inventories, Construction contracts and client advances as well as in Work in progress and in Trade payables, primarily due to the growth in cruise ship production volumes; (ii) a reduction in Trade receivables, after collecting final payment for the cruise ship delivered in the period and iii) a reduction in Trade payables.

It should be noted that the stake in VARD Group has risen from 79.74% at December 31, 2017 to 82.73% at March 31, 2018.

Net financial position, which excludes construction loans, was negative for euro 446 million (euro 314 million in net debt at December 31, 2017). Most of the Group's debt is dedicated to finance current assets associated with cruise ship construction and is therefore directly connected with the financing of net working capital. On the other hand, net fixed capital is financed through equity and other long-term sources of funding. The change in Net financial position is mainly due to financial flows typical of the cruise ship business, characterized on one hand by significant growth of volumes and on the other hand by the cash-in of final payments for the cruise ship delivered in the period.

Construction loans, specially dedicated credit instruments used for the exclusive financing of the order to which they are referred**,** amounted to euro 684 million at March 31, 2018; of these, euro 634 million were related to the subsidiary VARD and euro 50 million to the Parent Company.

OTHER INDICATORS

(euro/million)	Order intake		Backlog		Capital expenditure	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017	31.03.2018	31.03.2017
Shipbuilding	750	3,301	20,005	18,859	12	19
Offshore	217	210	1,363	1,444	5	10
Equipment, Systems and Services	167	129	1,196	1,180	2	1
Consolidation adjustments/Other activities	(58)	(94)	(734)	(723)	2	9
Total	**1,076**	**3,546**	**21,830**	**20,760**	**21**	**39**

DELIVERIES

(number)	***31.03.18 completed***	**2018**	**2019**	**2020**	**2021**	**2022**	**Beyond**
Cruise ships	1	5	4	5	5	4	5
Naval >40 m.	1	7	4	4	5	5	7
Offshore	6	32	17	2	1		

BUSINESS OUTLOOK

Full year 2018 results are expected to be consistent with the 2018-2022 Business Plan targets. For 2018, the Group confirms a growth in revenues of 3/6% and an EBITDA margin around 7.5%, mainly related to higher profitability in Shipbuilding.

Regarding the Shipbuilding segment, in 2018 the Company expects the delivery of 10 units, of which 4 cruise ships and 6 naval units, the full operating production for the Italian Navy's fleet renewal program and the start of design activities for the Qatari Ministry of Defense contract.

In the Offshore segment, VARD is continuing with the business diversification actions already started, as well as focusing on the products with greatest potential in its reference markets. The development of synergies with Fincantieri S.p.A. will continue, specifically with regards to the cruise line of business. As previously mentioned, in a context of gradual recovery of revenues growth, the segment’s profitability reflects the continuing process of adjustment of the production structure to the challenges of the portfolio diversification efforts.

During the year, the Equipment, Systems and Services segment is expected to confirm the positive results achieved, also thanks to the deployment of the backlog associated with the Italian Navy's fleet renewal program and with the Qatari contract. Commercial and organizational actions will be implemented to ensure stronger foothold and development of the after sales business in the cruise ship segment and in the most important geographical areas.

* * *

The Manager Responsible for Preparing Financial Reports, Carlo Gainelli, 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).

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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) under "Investor Relations - Financial Statements" and on the website of the authorized storage mechanism (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.

* * *

The financial results for the first three months of 2018 will be presented to the financial community during a conference call scheduled for Tuesday, May 8, 2018 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.

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Fincantieri *is one of the world's largest shipbuilding groups and number one by 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, ship repairs and conversions, systems and equipment production and after-sales services.*

Headquartered in Trieste (Italy), the Group has built more than 7,000 vessels in over 230 years of maritime history. With more than 19,500 employees, of whom more than 8,300 in Italy, 20 shipyards in 4 continents, today Fincantieri is the leading Western shipbuilder. It has among its clients the major cruise operators, the Italian and the U.S. Navy, in addition to several foreign navies, and it is partner of some of the main European defense companies within supranational programs.

www.fincantieri.com

ALTERNATIVE PERFORMANCE MEASURES

Fincantieri's management reviews the performance of the Group and its business segments also using certain measures not envisaged by IFRS. In particular, EBITDA is used as the main earnings indicator, as it enables the Group's underlying profitability to be assessed without 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:*
  - *company costs for the Wage Guarantee Fund;*
  - *costs relating to reorganization plans and non-recurring other personnel costs;*
  - *provisions for costs and legal expenses associated with lawsuits brought by employees for asbestos-related damages;*
  - *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 2016.

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