



# 1H 2022 RESULTS

July 27, 2022

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**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.



- ▶ Executive Summary
- ▶ Business Update
- ▶ Financial Results
- ▶ Outlook
- ▶ Concluding Remarks
- ▶ Appendix

# EXECUTIVE SUMMARY

# Observations and early strategic priorities



Strategic review of infrastructure projects and other non core businesses



Enhanced collaboration with Leonardo on defence business, envisioning a fully fledged prime contractorship model and key international alliances



Continuous engagement on modernization and digitalization of shipyards operations up to excellence



Firm focus on the core business of cruise and defence shipbuilding and increased entrepreneurial approach on green propulsion systems (e.g. LNG, methanol, ammonia, hydrogen) and on digital solutions (e.g. digital twins, simulators, energy management, predictive maintenance) leveraging Fincantieri global and undisputed leadership



Maximum attention to financial discipline and deleveraging



Utmost focus on Fincantieri human capital at any organizational level



# Opening remarks



Positive operating performance affected by:

- the results of a strategic review in Infrastructure
- raw materials prices impact on shipbuilding projects' whole life costs
- write-off of some financial assets
- goodwill impairment related to the Norwegian subsidiary Vard and US subsidiary Fincantieri Marine Group



Revenues at € 3,510 mln, up 16% YoY, in line with expectations



Net loss at € 234 mln due to 1H 2022 extraordinary items (€ 156 mln)

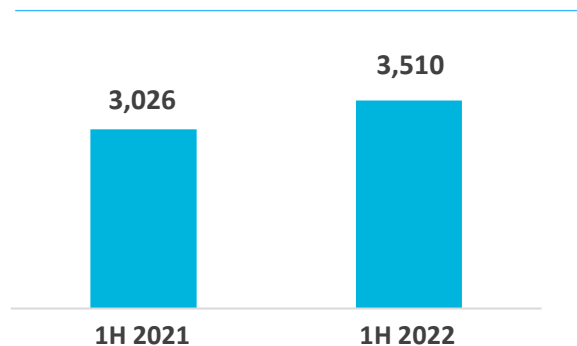


First signs of resumption in cruise orders

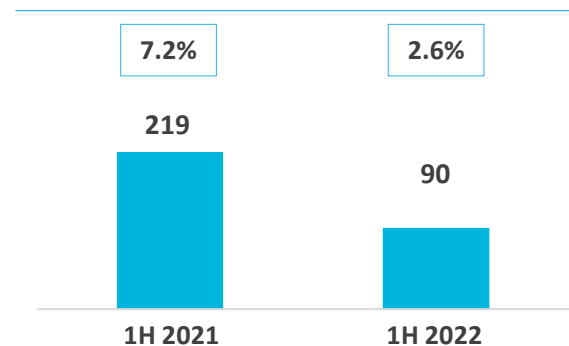
# Financial and operating highlights

(€ mln)

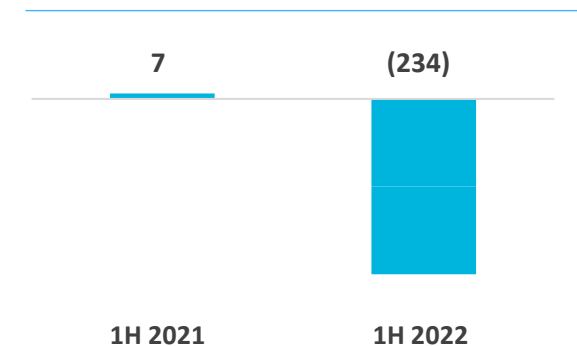
## Revenues



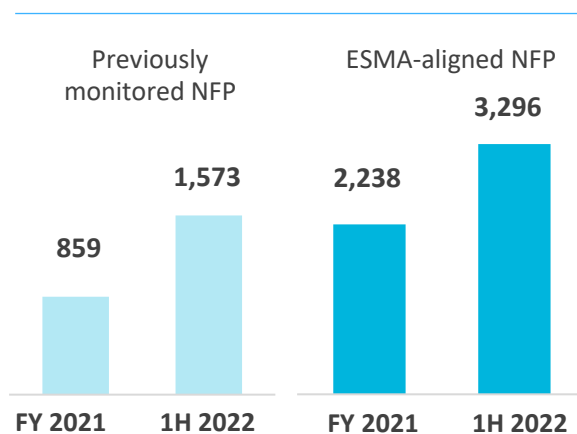
## EBITDA



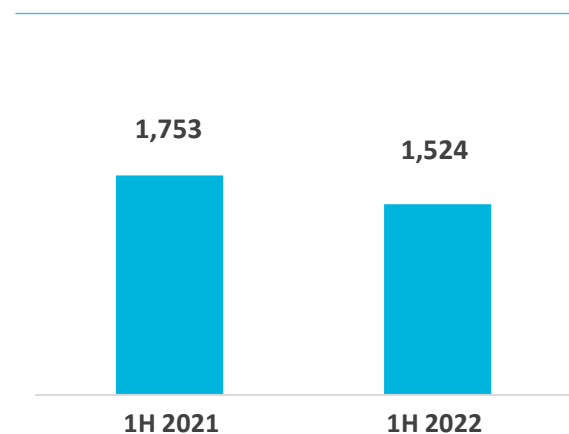
## Net profit/(loss)



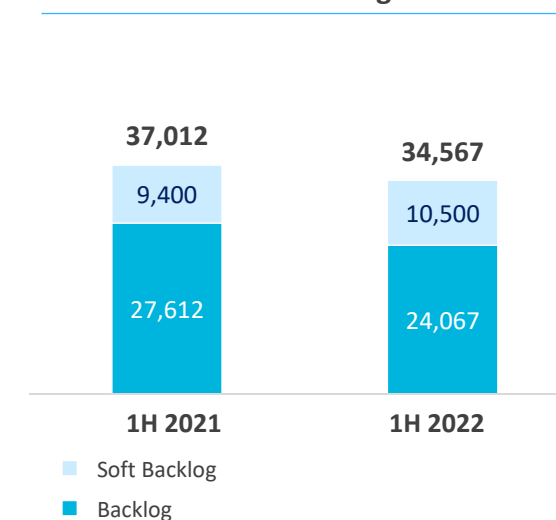
## Net Financial Position<sup>1</sup>



## Order intake



## Total backlog



Please note that throughout the entire presentation:

- 1H 2021 and 1H 2022 data are reported excluding the effect of pass-through activities

- 1H 2021 data have been restated following the reallocation of VARD Electro and Seonics respectively from the Shipbuilding and the Offshore & Specialized Vessels segment to the Equipment, Systems & Services segment

1. Group Net financial position has been aligned with ESMA guidelines and it includes (i) construction loans, (ii) non-current financial liabilities on hedging instruments and (iii) liabilities for fair-value options investments that were previously excluded, furthermore it excludes non-current financial receivables

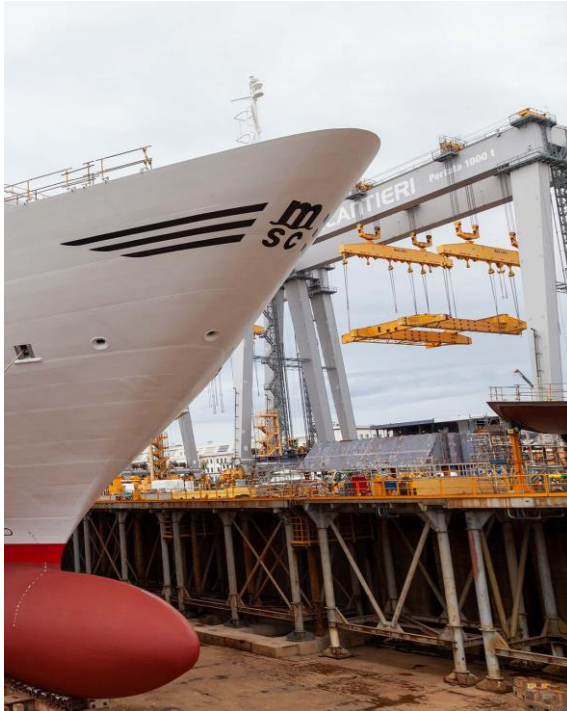
# BUSINESS UPDATE



# Positive business operating performance across all segments

	1H	July
Cruise	<ul style="list-style-type: none"> <li>Delivered <b>Discovery Princess</b>, the sixth unit of the Royal class, for Princess Cruises, a Carnival Group brand</li> <li>Delivered <b>Viking Mars</b>, eighth unit of the fleet for shipowner Viking</li> <li>Steel cutting of the first two new concept <b>LNG cruise ships</b> for <b>Tui Cruises</b></li> </ul>	<ul style="list-style-type: none"> <li><b>MoA with MSC</b> for the construction of two next generation <b>hydrogen-powered</b> cruise ships to be delivered by 2028</li> <li><b>New order</b> for an ultra luxury cruise ship to be delivered by 2025</li> </ul>
Naval	<ul style="list-style-type: none"> <li><b>Qatari Ministry of Defence</b>: delivery of the first Offshore Patrol Vessel (OPV) «Musherib»</li> <li><b>Italian Navy</b>: delivery of the first PPA «Thaon di Revel» and production kick off for the first new generation submarine</li> </ul>	<ul style="list-style-type: none"> <li><b>US Navy</b>: award for the construction of the third frigate of the Constellation program</li> <li><b>Qatari Ministry of Defence</b>: delivery of the second Corvette «Damsah»</li> <li><b>Qatari Ministry of Defence</b>: delivery of the second Offshore Patrol Vessel (OPV) «Sheraouh»</li> </ul>
Offshore	<ul style="list-style-type: none"> <li>Delivered the first <b>Service Operation Vessel</b> (SOV) for Ta San Shang Marine</li> <li>Contract for the design and construction of 6 <b>marine robotic vessels</b> for Ocean Infinity</li> </ul>	<ul style="list-style-type: none"> <li>Order for additional two <b>Commissioning Service Operation Vessels</b> (CSOV) for Norwind Offshore</li> </ul>

# Implementing cutting-edge technologies to improve environmental performance







## FIRST MAJOR AGREEMENT FOR NEW CONSTRUCTION AFTER THE PANDEMIC

- Long term partnership with MSC Cruises strengthened with a total of six Explora Journeys luxury cruise ships equipped with industry top-notch features
- Four cruise ships powered by **liquefied natural gas (LNG)**, the cleanest marine fuel currently available, reducing CO<sub>2</sub> emissions by up to 25% vs standard marine fuels
- MoA signed in July 2022 for two additional cruise ships featuring **new generation hydrogen powered engines**, that will tackle the issue of methane slip
- Hydrogen to power a 6 MW fuel cell allowing **emissions-free hotel operations** and **zero emissions in ports**, with engines turned off




# Key ESG initiatives signed in 2022

## GREEN

-  R&I program on **energy efficiency, renewable energy generation systems** for the production and distribution of **hydrogen, fuel cells** and **circular economy**
-  Developing synergies for **decarbonization**, with a focus on **alternative fuels, carbon capture** and **renewable energies** in the shipping sector
-  Construction of **10 MW of solar farms** at 5 Italian production sites, contributing to **reducing GHG emissions**, with Snam subsidiary
-  Part of **IPCEI<sup>1</sup> hydrogen project**, seeking to identify alternative energy sources, with **€ 5.4 bn** granted by the EU (€ 1 bn to Italy)

## DIGITAL INNOVATION

-  Integrated **digital solutions**, applied to static and dynamic monitoring, and to the **security** of Italy's **critical infrastructure**

## PEOPLE

-  Inauguration of the first **corporate nursery in Trieste**, to be followed by Monfalcone shipyard




## SUSTAINABLE FINANCE

-  Sustainability-linked **guarantees facility** for up to €700 mln connected to **efficient energy consumption** management and a **sustainable supply chain**
-  Sustainability-linked **revolving credit facility** for an amount of €500 mln connected with **ESG rating** and cruise ship **energy efficiency**

1. Initiative launched by IPCEI (Important Projects of Common European Interest) that brings together companies and research centers from different EU Member States providing significant benefits to strategic EU goals

# Tireless effort to become a model of excellence acknowledged at the international level

## Ratings and scores

	A-	(D>A)	Stable	=
S&P Global	56	(0>100)	Positive	↑
	19.7 (low risk)	(40>0)	Positive	↓
MOODY'S   ESG Solutions <sup>1</sup>	70	(0>100)	Positive	↑
	87	(0>100)	Positive	↑

## Awards



AREA STUDI  
MEDIORBANCA



1. Formerly known as V.E  
2. Ranked fourth for sustainability communication

# Innovation as key for future growth



## HYDROGEN AND ALTERNATIVE FUELS

- **ZEUS**, Zero Emissions Ultimate Ship, the first experimental **fuel cell-powered** marine vessel equipped with a **lithium-ion battery**
- **LNG-powered** cruise ships for a more sustainable and energy efficient cruise industry, in line with IMO regulations
- Next generation **hydrogen-powered** cruise ships to be developed for **MSC Cruises**



## COLD IRONING AND GREEN PORTS

- **Target of zero emissions in ports by 2030**
- Development of **next generation port infrastructure** with a low environmental impact

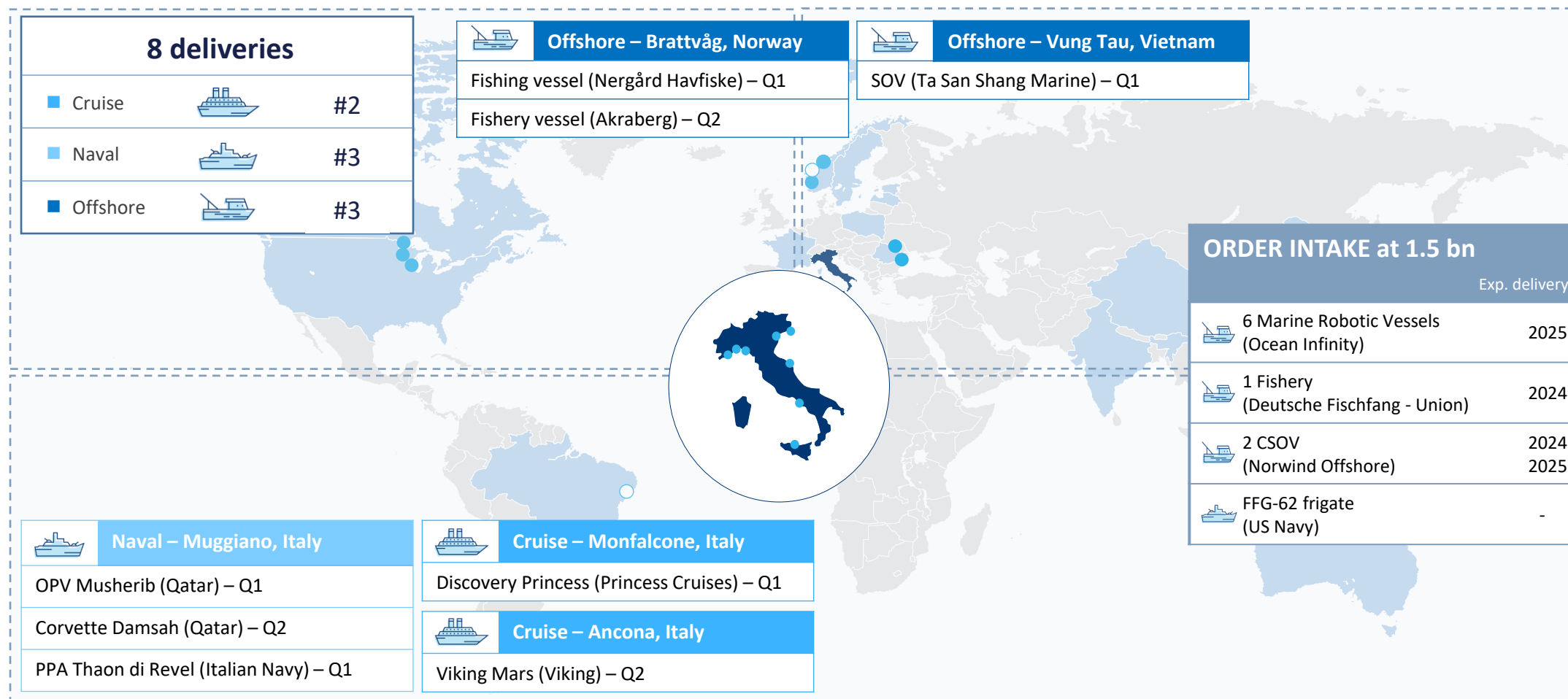


## DIGITAL INNOVATION

- **Marine robotic vessels** featuring next generation technologies such as **fuel cells** and **green ammonia fuel** systems, **onshore remote control** and unmanned operations
- **Infrastructure monitoring solutions** such as digital twins, to reproduce a structure's features using **drones** and **AI** to detect structural imperfections



# 8 vessels delivered and 10 ships ordered in 1H 2022



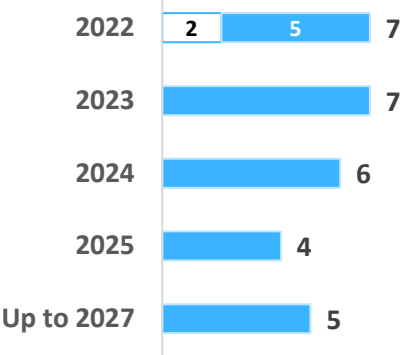
# Well-balanced visibility and deliveries up to 2029

## Shipbuilding

# ship deliveries

### CRUISE

27 VESSELS  
IN PORTFOLIO

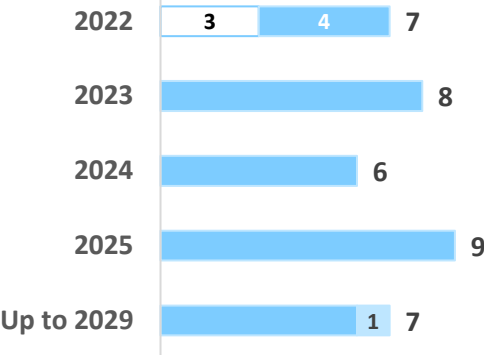


Delivered in 1H 2022 Expected deliveries

- Visibility up to 2027

### NAVAL

34 VESSELS  
IN PORTFOLIO



Delivered in 1H 2022 Expected deliveries  
New orders in 1H 2022

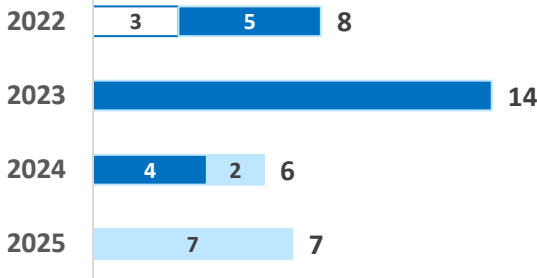
- 7 units to be delivered from 2026 to 2029

## Offshore & Specialized Vessels

# ship deliveries

### OSV

32 VESSELS<sup>1</sup>  
IN PORTFOLIO



Delivered in 1H 2022 Expected deliveries  
New orders in 1H 2022

- Visibility up to 2025

8 units delivered, 10 units ordered, 93 ships in backlog and 20 ships in soft backlog

1. The Offshore & Specialized Vessels business generally has shorter production times and, as a consequence, shorter backlog and quicker order turnaround than Cruise and Naval

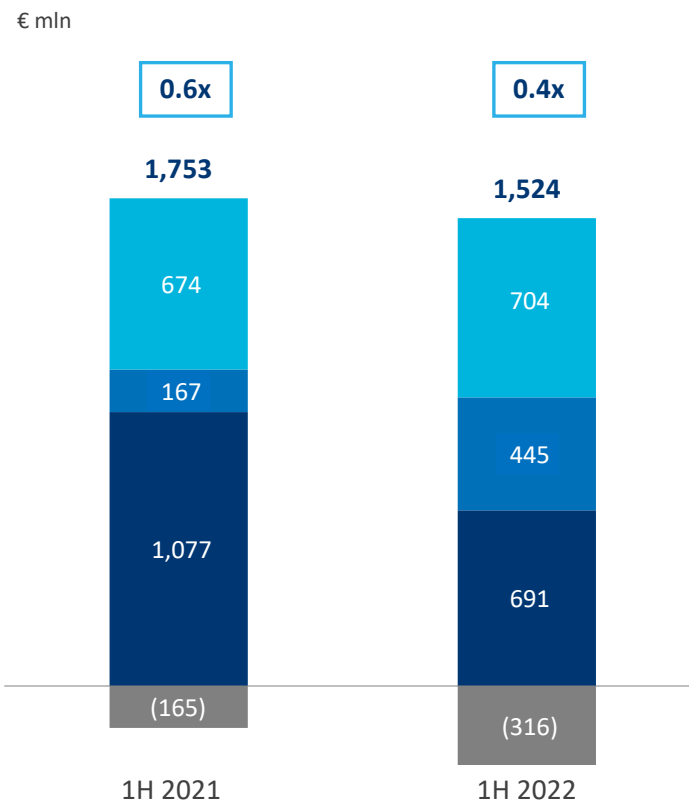


# FINANCIAL RESULTS

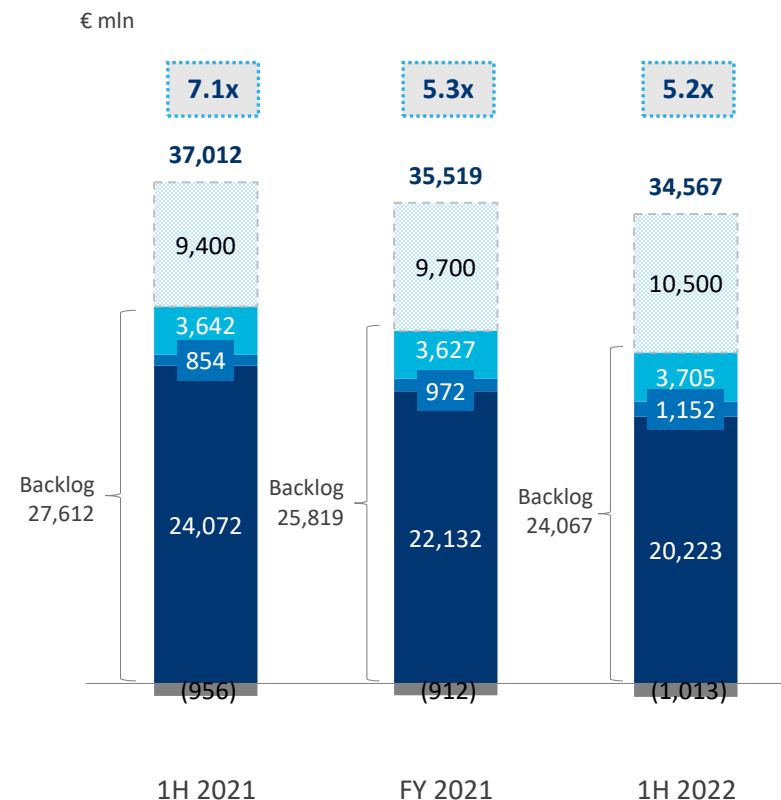


# Solid backlog despite lower order intake impacted by COVID-related sector slowdown

## Order intake breakdown by segment



## Total backlog breakdown by segment<sup>1</sup>



- **Order intake** at €1.5 bn, impacted by shipbuilding slowdown, partially offset by offshore positive momentum
- First signs of **resumption in cruise orders** registered already in July 2022
- **Total backlog** representing 5.2x 2021 revenues

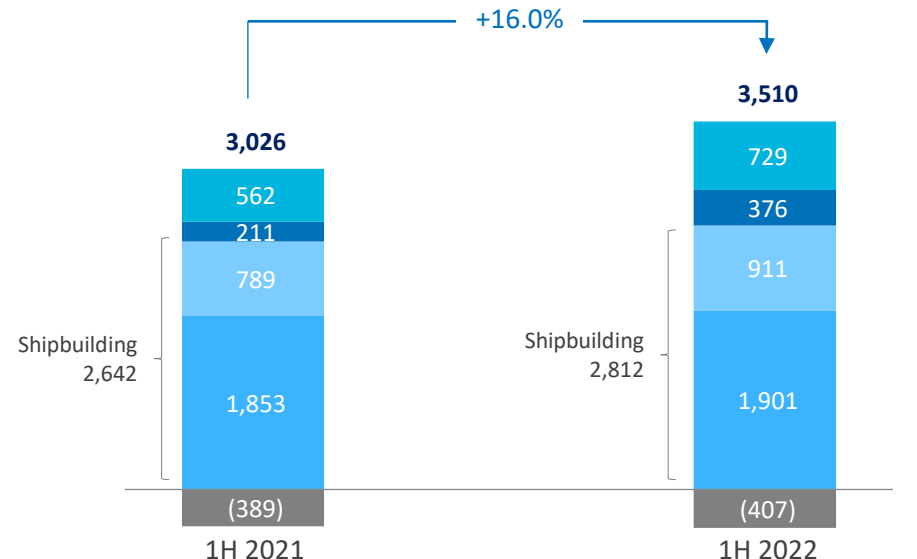
■ Book-to-bill<sup>2</sup>   
 ■ Total backlog / Revenues ex pass-through<sup>1</sup>  
■ Shipbuilding   
 ■ Offshore & Specialized Vessels   
 ■ Equipment, Systems & Services   
 ■ Eliminations   
 ■ Soft backlog<sup>3</sup>

1. Total backlog is the sum of backlog and soft backlog. Backlog coverage calculated as Total Backlog/ previous year revenues ex pass through activities  
 2. Order intake/revenues ex pass-through  
 3. 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

# Revenues up 16.0% with positive contribution across all segments

## Revenues breakdown by segment<sup>1</sup>

€ mln



% of Total revenues



■ Cruise   
 ■ Naval   
 ■ Offshore & Specialized Vessels   
 ■ Equipment, Systems & Services  
■ Other activities and Eliminations

## Revenues up 16.0% YoY at €3,510 mln

- Shipbuilding up 6.5% YoY, with record production volumes at the Group's Italian shipyards. Cruise accounts for 48.5% of total revenues and Naval for 23.3%
- Offshore & Specialized Vessels up 78.8% YoY, thanks to the effective repositioning strategy
- Equipment, Systems & Services up 29.6% YoY mainly related to the Mechatronics, Complete Accommodation and Infrastructure business areas

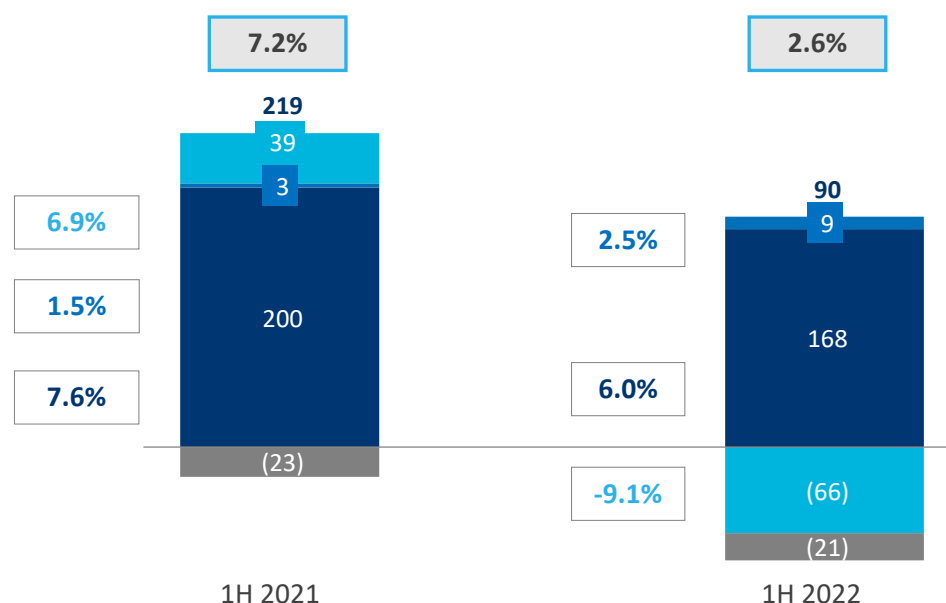
## 88% of revenues from international clients

1. Breakdown calculated before eliminations

# Positive operating performance over 7% margin, net of 1H 2022 one offs

## EBITDA breakdown by segment

€ mln



**EBITDA margin at 2.6%** impacted by lower marginality in Infrastructure, increased raw materials' prices and 1H 2022 non-recurring items in Shipbuilding

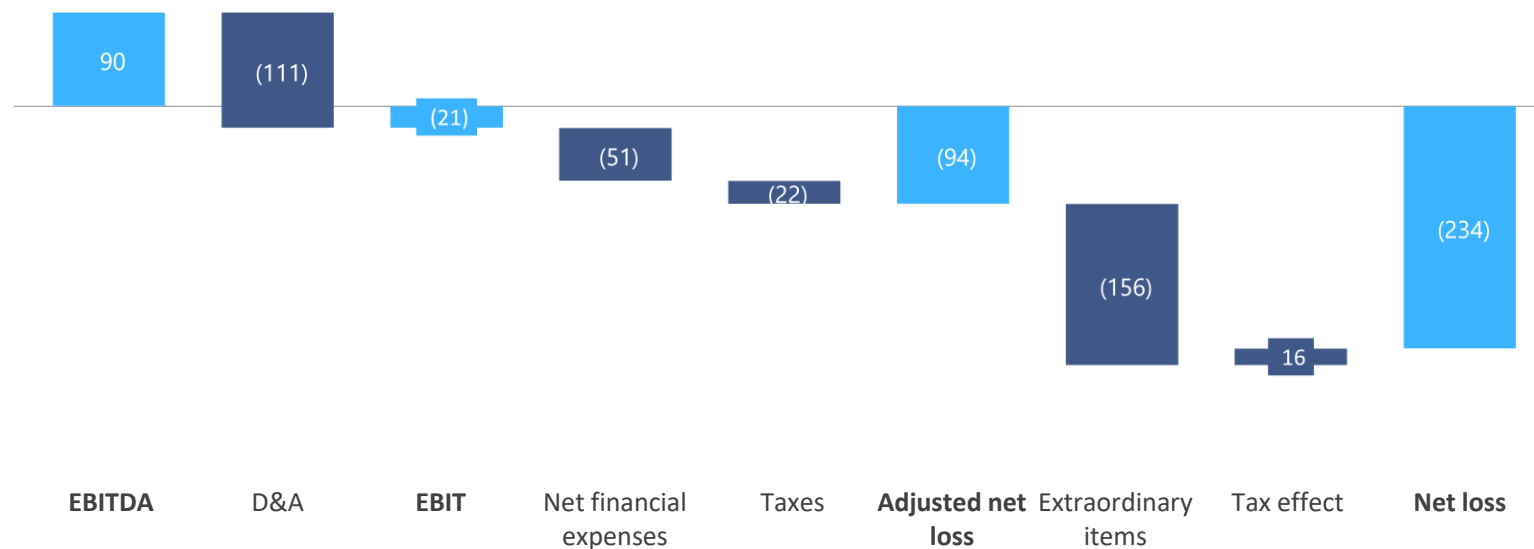
- **Shipbuilding:** EBITDA mainly affected by a write-down (according to IFRS9) of work in progress due reassessment of a client credit rating for a ship to be initially delivered in July 2022, now delayed in 2H 2022. Net of this one off, EBITDA margin at over 8%
- **Offshore:** increased EBITDA thanks to the repositioning strategy towards more promising sectors
- **ESS:** EBITDA impacted by the reduction in marginality of the Infrastructure business area, raw materials inflation and FX rates effects

■ EBITDA Margin as % of total revenues  
■ Shipbuilding    ■ Offshore & Specialized Vessels    ■ Equipment, Systems & Services    ■ Other activities and Eliminations

# Net loss at €234 mln, due to 1H 2022 extraordinary items

## Walk EBITDA to Net Loss

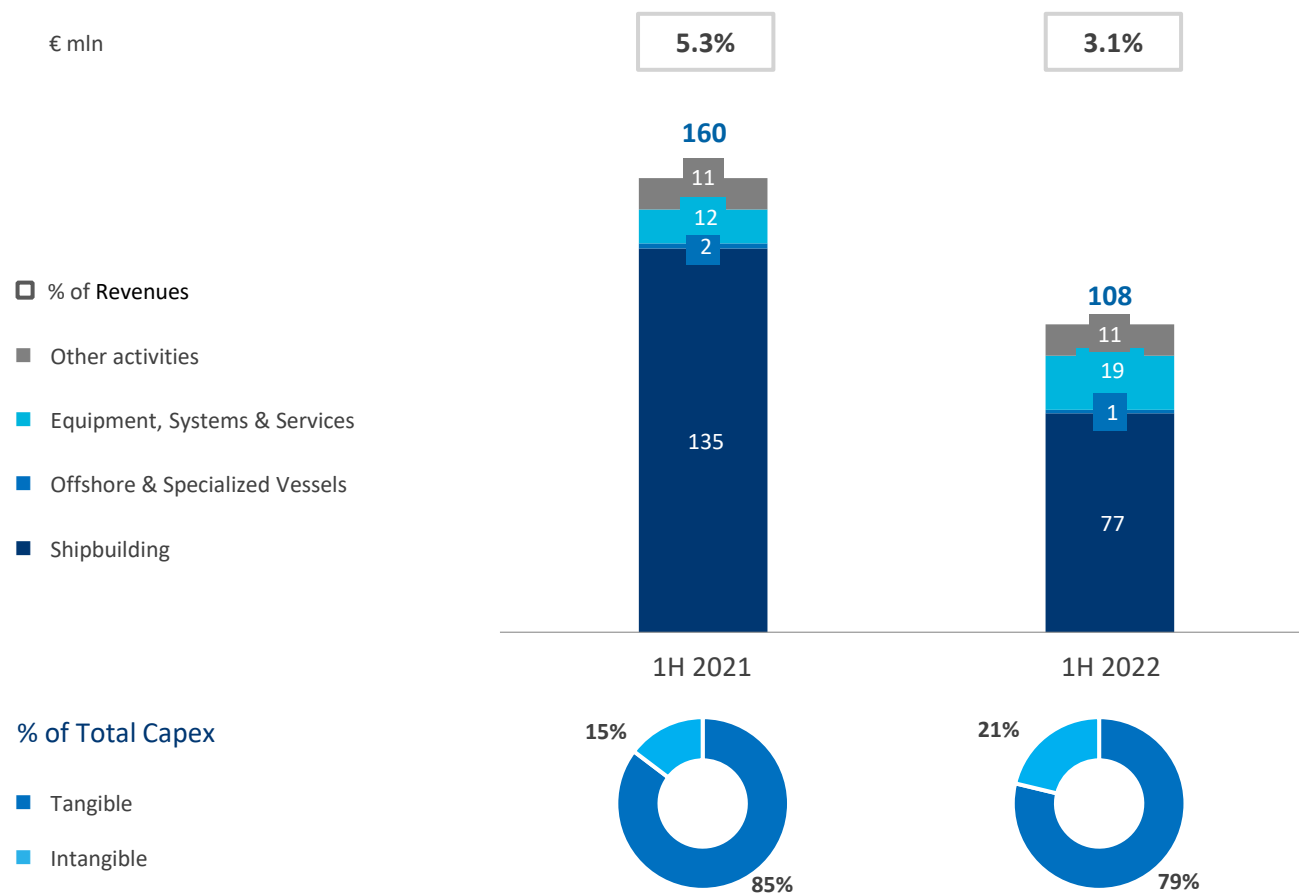
€ mln



- **Net result** for 1H 2022 negative at €234 mln, despite positive business operating performance
- Extraordinary items include:
  - €107 mln for goodwill impairments and other intangible assets
  - €29 mln for asbestos related litigations
  - €20 mln due to provisions for risks of probable non-fulfillment of obligations related to offset agreements

# Capex underpinning further efficiencies in engineering and production processes

## Capex by segment

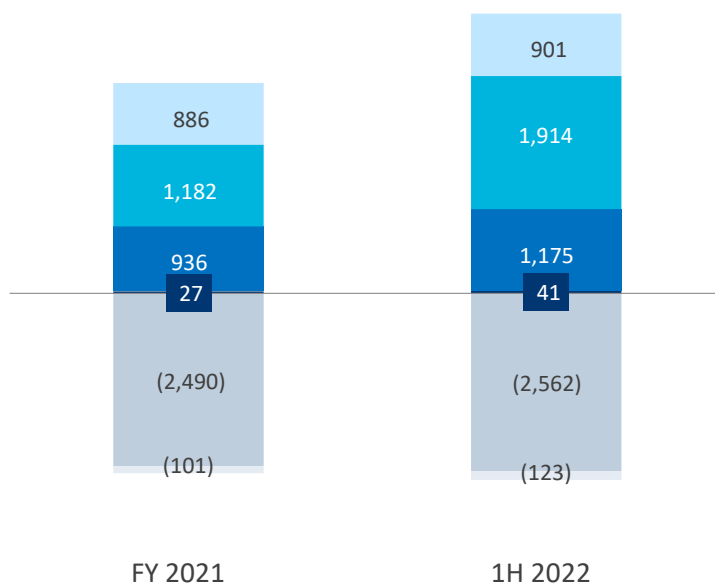


- Capex at €108 mln to support further efficiencies to address new production scenarios
- Strategic investments in Monfalcone and Marghera shipyards expected to be completed by year end
- Investments breakdown per category:
  - Capacity increase for €39 mln
  - Safety and maintenance for €34 mln
  - Efficiency improvements for €19 mln
  - IT, digitalization and advanced robotics for €16 mln
- Investments breakdown as follows:
  - Intangible activities for €23 mln
  - Tangible activities for €85 mln

# NFP aligned to ESMA recommendations still affected by COVID-19 measures

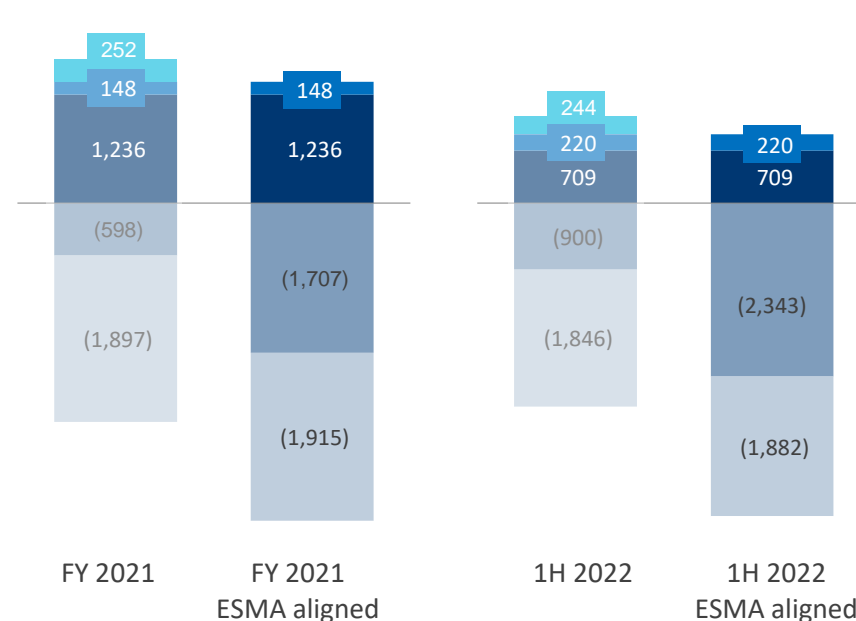
## Net Working Capital<sup>1</sup> breakdown by component

€ mln



## Net Financial Position<sup>1</sup> breakdown by component

€ mln



- **Net financial position** at €3,296 mln, consistent with 2022 deliver schedule, to be aligned to the ESMA recommendations from now onwards
- **NFP** consistent with production volumes and reflecting net working capital dynamics
- **Net financial position** still impacted by the strategy of deferrals granted to clients (€317 mln) during COVID-19 pandemic, of which €251 mln already repaid as of July 1, 2022

<b>NWC<sup>1</sup></b>	<b>440</b>	<b>1,346</b>
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<b>NFP<sup>2</sup></b>	<b>(859)</b>	<b>(2,238)</b>	<b>(1,573)</b>	<b>(3,296)</b>
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- Inventories and advances to suppliers
- Trade receivables
- Provisions for risks & charges
- Construction contracts and client advances
- Other current assets and liabilities
- Trade payables

- Non-current financial receivables
- Current financial receivables
- Cash & cash equivalents
- Short-term financial liabilities
- Long-term financial liabilities

1. Group Net Working Capital aligned with ESMA guidelines excludes (i) construction loans, (ii) current portion of derivative liabilities for non-financial items, and (iii) the current portion of the fair value of option on equity investment

2. Group Net financial position has been aligned with ESMA guidelines and it includes (i) construction loans, (ii) non-current financial liabilities on hedging instruments and (iii) liabilities for fair-value options investments that were previously excluded, furthermore it excludes non-current financial receivables

# MARKET OUTLOOK

# Cruise full recovery expected in 2023. Naval likely to benefit from higher defence budget

## Cruise

- The US **Centers for Disease Control and Prevention (CDC)** has ended its COVID-19 program for cruise ships while still recommending cautiousness
- **90% of the global fleet back in operation in July 2022<sup>1</sup>**, with load factors approaching historical levels
- **Booking trends** for 2022 and 2023 in line with 2019 levels, for some companies at **higher net yields**
- Passenger volumes expected to recover and surpass 2019 levels by the end of 2023<sup>2</sup> with a target of **30 mln pax**, pre-Covid volumes
- **Net carbon neutrality** for cruise industry by **2050<sup>3</sup>** and 40% reduction of average CO<sub>2</sub> intensity per tonne/mile required by **International Maritime Organization (IMO)** regulations by 2030 vs 2008; by 2027 **26 LNG-powered cruise ships** and **174 cruise ships with shoreside power connectivity** expected in operation<sup>3</sup>. By 2035, all cruise ships will be equipped to use shore power

## Naval

- Total **global defence spending** reached **USD 2.09 trillion** in 2021, showing a **compound annual growth rate of 2.0%** (CAGR 2013-2021), with defence budgets expected to **accelerate** in the upcoming years<sup>4</sup>, achieving + 1.3% in 2022, +2.7% in 2023 and +2.4% in 2024
- In 2021, the defence budget allocated to **navy procurement** estimated at **6.3% of global budget<sup>4</sup>**
- Increased interest from member states in the creation of a **common EU Defence framework**
- EU major defence programs include the Permanent Structured Cooperation (PESCO) for a new class of modular military ships, the European Patrol Corvette

## Offshore

- **World wind farms** operating today **delivering** nominal power of ca. **53 GW**
- **Total installed capacity** of ca. **258 GW expected by 2030** (CAGR 14.6%)<sup>5</sup>
- **Rapidly growing demand for SOVs**: 29 vessels ordered since January 2020, compared with total fleet of 29 vessels<sup>6</sup>

1. Cruise industry news – Ships in Service, July 2022

2. CLIA – State of the Cruise Industry 2022 report

3. CLIA – Cruise Industry is Sailing Back Toward a Better Future, April 2022

4. Jane's – Global Defence Budget, June 2022

5. 4C Offshore – Global Market Overview Q2 2022 Slide Deck, June, 24, 2022

6. 4C Offshore – orderbook as of June 2022, Fincantieri analysis as of July 2022; excluding Chinese shipowners



# CONCLUDING REMARKS



## Concluding remarks



Assuming no further deterioration of the current scenario, we expect:

- Operations in full swing in 2H 2022
- 2022 revenues higher than in FY 2021
- Marginality improving, but at lower levels than FY 2021
- Net financial position slightly decreasing by year end, according to delivery program



Fully committed in strengthening our core business, namely cruise and naval, by:

- Becoming a frontrunner and pioneer in green innovation, digital solutions and energy transition
- Investing and upgrading our shipyards, improving production efficiencies, product quality and H&S standards



Defining the strategic guidelines to strengthen the Group business portfolio, reduce the risk profile and deleverage



Consolidating our strong competitive positioning as Italian industrial Champion with an extensive global footprint



Q&A



# Investor Relations contacts

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# APPENDIX



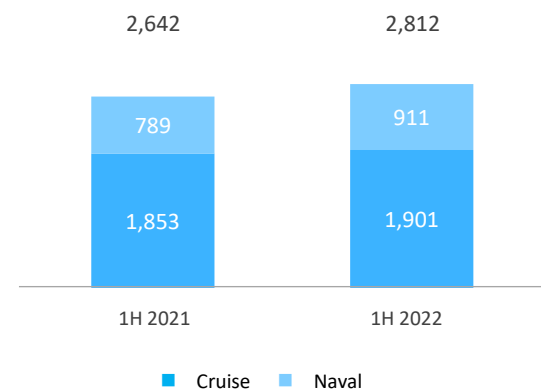
# Focus on Shipbuilding

## Orders, backlog and deliveries

- Orders: €691 mln (€1,077 mln in 1H 2021)
- Backlog: €20,223 mln (€24,072 mln in 1H 2021)
- Deliveries:
  - Discovery Princess for Princess Cruises
  - OPV Musherib for Qatari Ministry of Defence
  - PPA Thaon di Revel for Italian Navy
  - Corvette Damsah for Qatari Ministry of Defence
  - Viking Mars for Viking

## Revenues

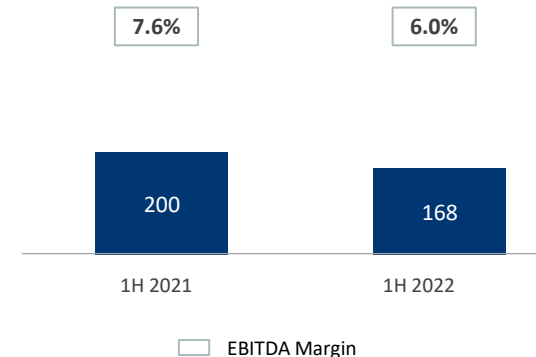
€ mln



- Revenues at €2,812 mln vs €2,642 mln in 1H 2021

## EBITDA

€ mln



- EBITDA at €168 mln (vs €200 mln in 1H 2021)
- EBITDA margin at 6.0% (vs 7.6% in 1H 2021)

## Capex

€ mln



- Capex at €77 mln

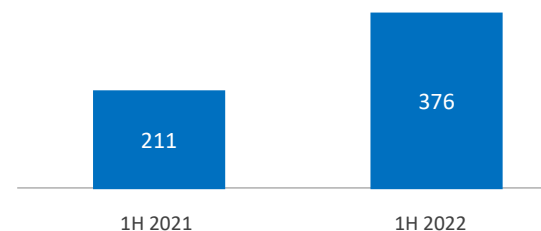
# Focus on Offshore & Specialized Vessels

## Orders, backlog and deliveries

- Orders: €445 mln (€167 mln in 1H 2021)
  - 6 marine robotic vessels for Ocean Infinity
  - 1 fishery for Deutsche Fischfang – Union
  - 2 CSOV for Norwind
- Backlog: €1,152 mln (€854 mln in 1H 2021)
- Deliveries:
  - Fishing vessel for Nergård Havfiske
  - SOV for Ta San Shang Marine
  - Fishing vessel for Akraberg

## Revenues

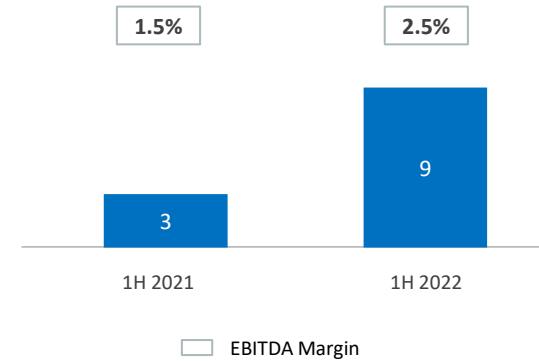
€ mln



- Revenues at €376 mln, +78.8% YoY
- Offshore & Specialized Vessels revenues represent 9.6% of total revenues excluding pass-through activities

## EBITDA

€ mln



- EBITDA at €9 mln with margin at 2.5%

## Capex

€ mln



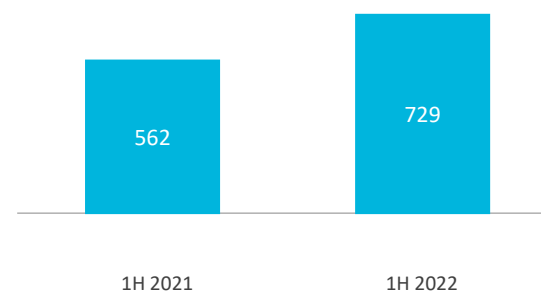
# Focus on Equipment, Systems & Services

## Orders, backlog and deliveries

- Orders: €704 mln (vs €674 in 1H 2021)
- Backlog: €3,705 mln vs €3,642 mln in 1H 2021

## Revenues

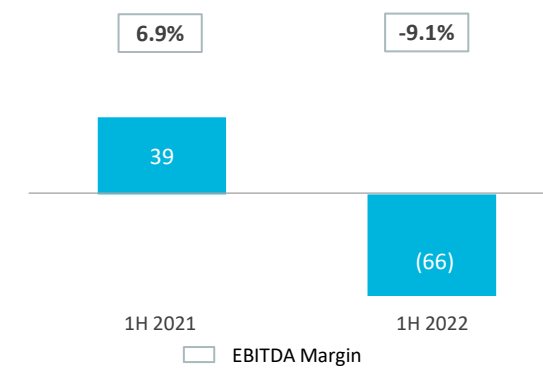
€ mln



- Revenues at €729 mln vs €562 mln in 1H 2021
- ESS revenues represent 18.6% of total revenues

## EBITDA

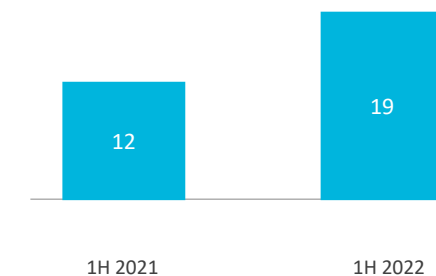
€ mln



- EBITDA at €-66 mln with margin at -9.1%

## Capex

€ mln



- Capex at €19 mln