

# HAVYARD GROUP ASA

IR summary Q3 2017 - 23.11.17





# Headlines/Milestones Q3 2017

- EBIT of NOK -24.8 million and EBIT-margin of -7.7 % in third quarter of 2017.
- EBIT of NOK -35.0 million and EBIT-margin of -3.6 % so far in 2017.
- 2017 will be, as previously announced, a year of low activity on the shipyard, and new contracts signed recently and in the future will to a small extent be completed in 2017. The Group's operating profit so far in 2017 is slightly weaker than expected and the target of positive operating profit for the Group in 2017 will not be met. The main reason why the target is not reached is lower activity than expected in several of the segments.
- New contracts in third quarter
  - Havyard Design & Solutions AS has signed a supply agreement for delivery of design and equipment for construction of a Havyard 831 windmill-support vessel to ESVAGT. The vessel shall be built at an external shipyard in Europe, and the contract value is in excess of NOK 70 million.
  - MMC First Process AS has signed a supply agreement for delivery of marine freezing plants to four freezer-trawlers to. The vessels are under construction at Russian shipyard, and the contract value is close to NOK 100 million.



# Outlook

- Havyard's strategy is to continue to develop the company as a maritime technology group with unique expertise and products throughout the value chain. Our focus areas are Energy, Fish and Transport, where we have established a strong market position in segments with good activity. In particular, the contracts for design, construction and equipment to five ferries to Fjord 1, show that we are successful in our efforts and the prospects for new contracts are good.
- After restructuring, the organization is more scalable and market-oriented, where we can quickly focus on areas where we are experiencing increasing needs. All business areas balance their activity between internal and external deliveries, where the goal is healthy growth with competitiveness and profitability at all levels.
- Of the group's companies there will be good activity in MMC FP in 2017, and increasing activity in HDS and NES. For HST, however, it will be low activity in 2017. The order backlog is increasing with profitable activity for the coming years and has good expectations for 2018 and especially 2019.



# Outlook - segments

## MMC First Process (MMC FP)

There is still high activity in the market for wellboats, but we expect a flat development in demand in the coming years. The merger with First Process has been made to increase our activity within pelagic factories and other areas of fish handling both at sea and onshore. The focus is on improving profitability through efficiency and outsourcing.

## Norwegian Electric Systems (NES)

The drop in offshore activity led the company to increase its focus on hybrid-electric propulsion systems. The focus on environment-efficient solutions, especially in transport, results in high demand for such systems. The company has received several orders that will provide good profitability in the long run. The company has got a breakthrough in the ferry, farming and fishing boat segment and is experiencing great interest and success with its new Odin's Eye® DC grid system as well as its battery / hybrid solutions.

## Havyard Ship Technology (HST)

It is low activity in 2017, but the order backlog for 2018 and 2019 provides a good foundation for activity and profitability. Repairs and rebuilding will be the main activity in the second half of 2017, until increased activity levels towards the end of the year, as a result of previously signed contracts.

## Havyard Design & Solutions (HDS)

Low activity in the first quarter of 2017, but activity will increase significantly due to new orders. HDS is working actively in new segments for delivery of design and equipment packages for both own and external shipyards. The company has sold its first design on ferries after proven commitment to new areas after the downturn in offshore.

## Havyard Production (HPR)

There is a great deal of activity in this area with expansion in Denmark and France in 2017. The order backlog has grown significantly and focus is on profitability in addition to ensuring increased competitiveness for the other business areas in Havyard as an important subcontractor.



# Group Key Figures

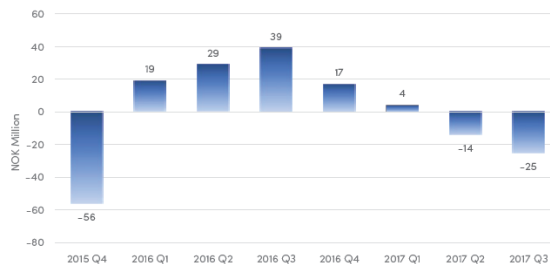
## Group Key Figures

	2017 YTD	2016 YTD	2017 Q3	2016 Q3	2016
Operating revenue	968	1 471	350	463	2 003
EBITDA	-14	109	-18	46	132
EBIT	-35	87	-25	39	104
EBIT-margin	-3.61%	5.91 %	-7.07 %	8.37	5.17 %
Profit before tax	-59	88	-49	42	-30
Earnings per share	-1.80	2.99	-1.66	1.42	-1.58
NIBD	28	50	28	50	15
Working Capital	106	184	106	184	174

Operating revenue / Driftsinntekter



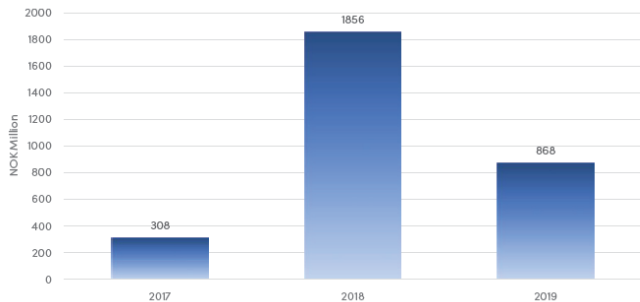
EBIT / Driftsresultat



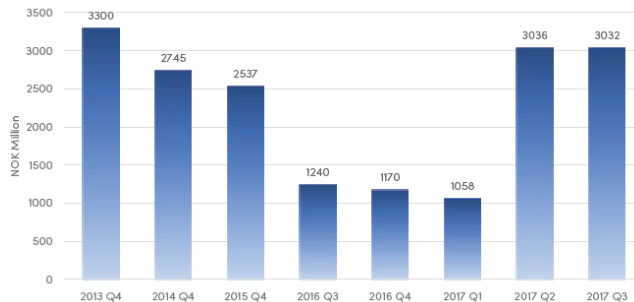


# Order backlog

Distribution order book / Fordeling ordrebok




Order book / Ordrebok



- External order backlog of approx. MNOK 3,032 (Q4 2016: 1,170)
  - MNOK 308 in 2017
  - MNOK 1,856 in 2018
  - MNOK 868 in 2019



# Figures per segment

2017 YTD 

(NOK million)

	Ship Technology	Design & Solutions	Power & Systems	MMC	Havyard Production	Other	Havyard Group
Operating revenues, External	343.6	177.6	41.3	276.9	40.0	88.4	967.8
Operating revenues, Internal	1.5	21.9	81.2	26.6	59.1	-190.3	0
Total operating revenue	345.1	199.5	122.5	303.5	99.1	-101.9	967.8
Operating profit /loss EBITDA	-24.0	15.9	-0.2	19.2	-21.1	-3.4	-13.6
Depreciation	9.3	2.9	3.3	4.8	0.7	0.3	21.3
Operating profit/(loss) (EBIT)	-33.2	13.0	-3.5	14.4	-21.8	-3.8	-35.0
Net financial items	-7.2	1.7	0.3	-3.3	0.2	-5.6	-13.9
Share of profit/(loss) from associate	-	-	-	-	-	-9.7	-9.7
Profit/(Loss) before tax	-40.5	14.7	-3.2	11.1	-21.6	-19.1	-58.6
Income tax expense	-9.7	3.5	-0.8	2.4	-4.8	-2.1	-11.5
Profit/(Loss)	-30.8	11.2	-2.4	8.6	-16.8	-16.8	-47.0



# Balance sheet

## ASSETS

	2017 Q3 unaudited urevidert	2016 Q3	2016
<b>Non current assets</b>			
Goodwill	103 045	100 527	103 045
Licenses, patents and R&D	95 138	84 244	89 236
Property, plant and equipment	235 273	236 327	234 615
Investment in associates	15 345	73 349	25 084
Loan to associates	27 721	21 181	22 090
Investment in financial assets	27 091	66 376	19 191
Other non current receivable	9 743	62 970	25 613
<b>Total non current assets</b>	<b>513 356</b>	<b>644 974</b>	<b>518 873</b>
<b>Current Assets</b>			
Inventory	118 056	52 343	114 903
Accounts receivables	123 266	147 181	157 296
Other receivables	105 235	70 959	53 919
Construction WIP	136 502	321 075	224 029
Cash and cash equivalents	273 967	254 142	266 057
<b>Total current assets</b>	<b>757 026</b>	<b>845 700</b>	<b>816 204</b>
<b>TOTAL ASSETS</b>	<b>1 270 382</b>	<b>1 490 674</b>	<b>1 335 077</b>

## EQUITY AND LIABILITIES

	2017 Q3 unaudited urevidert	2016 Q3	2016
<b>Equity</b>			
Share capital	1 239	1 239	1 239
Share premium reserve	22 535	22 535	22 535
Treasury shares	-5	-5	-5
Retained earnings	362 920	512 953	407 921
Non-controlling interest	52 008	55 677	54 502
<b>Total equity</b>	<b>438 698</b>	<b>592 399</b>	<b>486 192</b>
<b>Non-current liabilities</b>			
Deferred tax liability	24 900	54 827	36 645
Bond loan	89 042	111 524	103 728
Loans and borrowings, non-current	64 041	67 485	63 246
Other long-term liabilities	2 435	2 794	3 434
<b>Total non-current liabilities</b>	<b>180 418</b>	<b>236 630</b>	<b>207 052</b>
<b>Current liabilities</b>			
Accounts payables	151 485	173 571	121 487
Taxes payable	3 812	1 291	5 919
Public duties payables	18 088	20 714	49 759
Construction loans	-	120 412	149 163
Bond loan (installments next period)	7 500	16 427	24 640
Loans and borrowings, current	11 223	27 865	6 993
Prepayments in excess of construction WIP	253 750	139 349	116 467
Other current liabilities	205 409	162 016	167 406
<b>Total current liabilities</b>	<b>651 267</b>	<b>661 645</b>	<b>641 833</b>
<b>Total liabilities</b>	<b>831 684</b>	<b>898 275</b>	<b>848 886</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 270 382</b>	<b>1 490 674</b>	<b>1 335 077</b>

- Net interest bearing debt: MNOK 28
- Working capital: MNOK 106
- Equity ratio: 34.5 %





# Cash Flow

Positive CF from operations in Q3:

- Changes in construction WIP
- Prepayments from customers

Negative CF from Investments Q3:

- New minor investments

Negative CF from financing Q3:

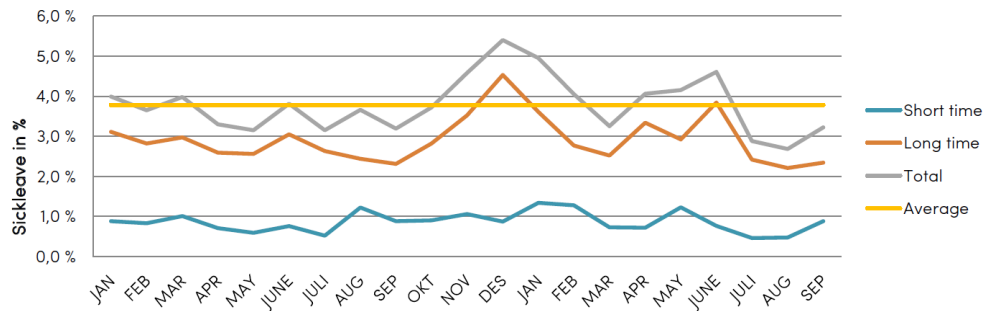
- Instalments on debt  
31 MNOK instalment paid on Bond loan
- Interest costs

(NOK 1,000)	2017 YTD	2016 YTD	2016
	unaudited		
	unevident		
<b>CASH FLOW FROM OPERATIONS</b>			
Profit/(loss) before tax	-58 585	87 858	-30 103
Taxes paid	-2 106	-1 442	-3 173
Depreciation	21 339	22 229	28 425
Net interest income	7 006	7 610	8 299
Profit/loss disposals property, plant and equipment	-	484	484
Change in bond loan (amortization)	1 230	249	667
Impairment	-	-	77 356
Share of (profit)/loss from associates	9 739	2 348	50 614
Changes in inventory	-3 152	-2 268	-2 124
Net changes in construction loans	-149 163	33 126	61 876
Changes in accounts receivables/construction WIP	121 557	-150 160	-125 934
Changes in accounts payable	29 998	16 962	-35 122
Changes in prepayments from customers	137 282	38 565	15 684
Changes in other current receivables/liabilities	-41 619	18 595	46 607
<b>Net cash flow from/(to) operating activities</b>	<b>73 527</b>	<b>74 154</b>	<b>93 556</b>
<b>CASH FLOW FROM INVESTMENTS</b>			
Investments in property, plant and equipment	-14 758	-5 286	-5 534
Disposal of property, plant and equipment	-	2 900	2 900
Investment in intangible assets	-13 141	-9 915	-19 143
Investment in financial assets	-11 579	-3 351	-3 522
Disposal of financial assets	3 619	-	-
Interest income	4 122	5 130	7 750
Changes in long term receivables	10 238	-6 329	119
<b>Net cash flow used in investing activities</b>	<b>-21 499</b>	<b>-16 851</b>	<b>-17 431</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
New long term debt	11 023	-	-
Repayment non-current debt	-42 640	-10 788	-14 388
Cost renegotiation bond loan	-1 643	-2 610	-2 610
Cost conversion of bond loan	-	-1 401	-1 401
Interest payment	-11 128	-12 740	-16 049
Purchase/sale of treasury shares	270	-	-
Dividends	-	-251	-251
<b>Net cash flow from/ (used in) financing activities</b>	<b>-44 119</b>	<b>-27 790</b>	<b>-34 699</b>
<b>Net change in cash and cash equivalents</b>	<b>7 909</b>	<b>29 513</b>	<b>41 427</b>
<b>Cash and cash equivalents at start of the year</b>	<b>266 057</b>	<b>224 629</b>	<b>224 629</b>
<b>Cash and cash equivalents at end of the period</b>	<b>273 967</b>	<b>254 142</b>	<b>266 057</b>
<b>Restricted bank deposits at the end of the period</b>	<b>127 902</b>	<b>77 969</b>	<b>79 135</b>
<b>Available cash and cash equivalents at the end of the period</b>	<b>146 065</b>	<b>176 174</b>	<b>186 922</b>



## HSE / QA

SICK LEAVE GROUP 2016 AND 2017 / SYKEFRAVÆR KONERN 2016 OG 2017



An extensive plan is implemented to reduce injuries and absence including subcontractors

Average sick leave

Last 21 months sick leave on 3.78 %

So far in 2017 sick leave on 3.76 %



## HSE / QA

- Strong focus on Quality in the Group
- Quality deviations are measured, documented in action lists and handled effectively
- Internal audits in accordance with ISO 9001 and ISO 14001
- Supplier audits
- Audits from customers