

HAVYARD GROUP ASA

IR summary Q1 2018 - 29.05.18





Headlines/Milestones Q1 2018

Project execution for main projects according plan, but result is lagging due to lower total activity in Q1.

- EBIT of NOK -4.4 million and EBIT-margin of - 0.94 % in first quarter of 2018.
 - The Group's operating profit in Q1 was slightly weaker than expected and the target of positive operating profit for the Group was not achieved. The main reason is lower activity than expected in several of the segments, especially in NES and MMCFP. First ferry from HST is due for delivery on time, cost and quality, which is a good guideline for the next 12 ferries in the order backlog.
 - Based on the merger last year between MMC and First Process, Q1 figures are motivated by the results of a turn-around to new segments and with new products in other business areas.
- New contracts in first quarter
 - Shipbuilding Technology:
 - 5 x 50 car ferries to Fjord 1 including Electro/Hybrid
 - Ship Design & Solutions:
 - Design for 5 x 50 car ferries to Fjord 1 build at Havyard Ship Technology
 - Design for 2 x 80 car ferries to Fjord 1 build at Cemre Shipyard (Turkey)
 - Fish Handling:
 - Freezing system to 5 trawlers for the Russian Market





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.
- Focus is to take synergies out for the 100% ownership in NES, continue the positive development on time, quality and cost in all projects and successful turn around in MMC FP
- We experience increased market activity in all focus areas Energy, Fish and Transport. New orders expected in Q2 with margins reflecting the improved market.
- Historical high order backlog with profitable activity for the coming years.



Status and Outlook per Segments

Generally

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 deliveries 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.

The order backlog is record high NOK 3.5 billions and will give profitable activity for 2018 and 2019. It will be, especially, the segment Ship Design & Solutions and Power & Control who will be the largest contributors.

Fish Handling

There is still high activity in the market for well-boats, 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 development of unique overall solutions, efficiency and outsourcing, and the first quarter figures show the need for action.

Power & Control

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. The acquisition of 100 % in Norwegian Electric Systems AS are based on an increased co-operation within the segment and with a goal of a merger between the company in the segments in 2019.

Shipbuilding Technology

It is low activity in 2017, but the order backlog for 2018 and 2019 provides a good foundation for activity and profitability. Activity within new building will increase during the year with approximately full utilization in second half of 2018.

Ship Design & Solutions

HDS is working actively in new segments for delivery of design and equipment packages for both own and external shipyards. Having sold designs to the first environmentally friendly ferry projects, there is good expectation in new orders and a positive development in the transport segment.

Production & Services

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. Figures from first quarter show that the actions to increased profitability works and the increased activity within shipyard and offshore sector increase the need for good control within the supply chain.



Group Key Figures

MNOK	2018 Q1	2017 Q1	2017
EBIT-margin	-0.94 %	1.17 %	-2.05 %
Earnings per share	-0.17	0.21	-2.41
Net interest bearing debt	143	111	92
Working Capital	107	161	102
Assets	1,610	1,343	1,337
Equity	491	490	481
Equity ratio	30.5 %	36.5 %	36.0 %

Operating revenue / Driftsinntekter



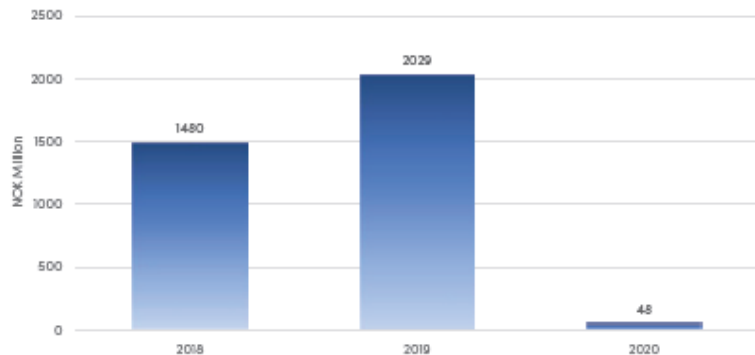
EBIT / Driftsresultat



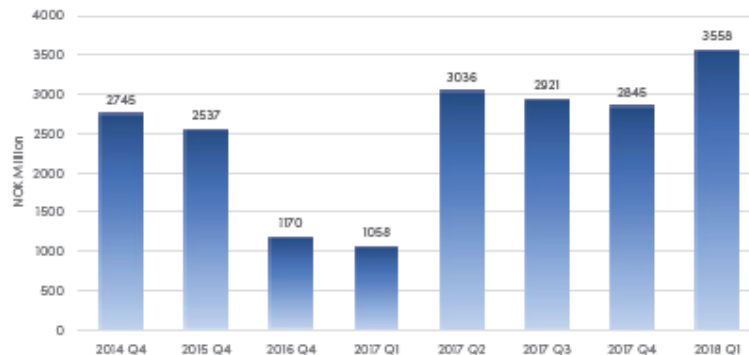


Order backlog

Distribution order book / Fordeling ordrebok



Order book / Ordrebok



- External order backlog of approx. MNOK 3,558 (Q4 2017: 2,845)
 - 2018 - MNOK 1,480
 - 2019 - MNOK 2,029
 - 2020 - MNOK 48



Figures per segment

2018 Q1

(NOK million)

	Ship building Technology	Ship Design & Solutions	Power & Control	Fish Handling	Production & Services	Other	Havyard Group
Operating revenues, External	248.5	15.9	36.1	91.2	29.0	46.4	467.2
Operating revenues, Internal	0.0	27.9	51.8	8.6	17.3	-105.6	0.0
Total operating revenue	248.5	43.8	87.9	99.8	46.3	-59.2	467.2
Operating profit /loss EBITDA	-4.1	16.2	1.3	-3.8	-1.4	-6.8	1.3
Depreciation	1.7	1.1	0.4	2.0	0.4	0.1	5.7
Operating profit/(loss) (EBIT)	-5.8	15.1	0.8	-5.9	-1.7	-6.9	-4.4
Net financial items	0.7	1.8	0.2	-1.4	-0.3	-2.6	-1.7
Profit/(loss) from associate	-	-	-	-	-	-2.3	-4.1
Profit/(Loss) before tax	-5.1	16.8	1.0	-7.3	-2.1	-11.9	-8.4
Income tax expense	-1.2	3.8	0.2	-1.7	-0.4	-2.2	-1.4
Profit/(Loss)	-3.9	13.0	0.8	-5.6	1.6	-9.7	-7.0



Balance sheet

(NOK 1,000)

ASSETS

	Note	2018 Q1 unaudited urevidert	2017 Q1	2017
Non-current assets				
Goodwill	4	141 003	103 045	141 003
Licenses, patents and R&D		110 519	91 205	107 144
Property, plant and equipment		231 273	239 140	233 440
Investment in associates		20 058	27 557	22 407
Loan to associates		18 645	23 080	12 746
Investment in financial assets	6	27 597	19 129	27 603
Other non-current receivable		22 507	25 760	22 370
Total non-current assets		571 602	528 916	566 713
Current Assets				
Inventory		189 619	114 911	115 184
Accounts receivables		169 258	159 274	136 077
Other receivables	5	114 200	48 289	104 923
Customer contracts, assets	10	408 066	307 355	208 355
Cash and cash equivalents		157 614	184 533	206 068
Total current assets		1 038 757	814 362	770 608
TOTAL ASSETS	3	1 610 360	1 343 277	1 337 321

(NOK 1,000)

EQUITY AND LIABILITIES

	Note	2018 Q1 unaudited urevidert	2017 Q1	2017
Equity				
Share capital	8	1 239	1 239	1 239
Share premium reserve		22 535	22 535	22 535
Treasury shares		-5	-5	-5
Retained earnings		370 446	413 396	356 930
Non-controlling interest	11	97 226	52 961	100 246
Total equity	3	491 442	490 126	480 945
Non-current liabilities				
Deferred tax liability	7	15 021	36 779	10 999
Derivatives	5	38	0	667
Bond loan	9	84 738	93 248	86 885
Loans and borrowings, non-current	9	62 014	67 144	63 366
Liabilities to parent company	9,10	23 715	0	23 419
Other long-term liabilities	9	1 882	2 777	2 250
Total non-current liabilities		187 408	199 948	187 585
Current liabilities				
Accounts payables		156 056	103 742	143 466
Taxes payable	7	8 196	4 949	8 196
Public duties payables		30 885	19 145	34 643
Construction loans	9	210 600	149 163	0
Bond loan (installments next period)	9	10 000	33 914	10 000
Loans and borrowings, current	9	38 535	24 201	23 196
Customer contracts, liabilities	10	150 502	105 286	175 943
Other current liabilities	5	326 734	165 804	273 346
Total current liabilities		931 509	653 204	668 790
Total liabilities	3	1 118 917	853 152	856 375
TOTAL EQUITY AND LIABILITIES		1 610 360	1 343 277	1 337 321

- Net interest bearing debt: MNOK 143
- Working capital: MNOK 107
- Equity ratio: 30.5 %



Cash Flow

Negative CF from operations in 2018:

- Deficit
- Change in construction loans
- Changes in construction WIP
- Prepayments from customers
- Change in Inventory

Negative CF from Investments in 2018:

- New investments

Negative CF from financing 2018:

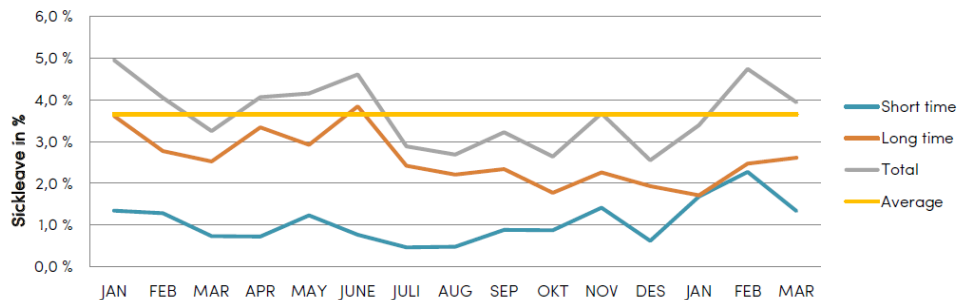
- Instalments on debt
- Interest costs

(NOK 1,000)	2018 Q1	2017 Q1	2017
	unaudited		
	unaudited		
CASH FLOW FROM OPERATIONS			
Profit/(loss) before tax	-8 440	3 765	-71 794
Taxes paid	-	-969	-6 824
Depreciation	5 725	7 149	29 178
Net interest	3 037	2 716	12 114
Change in value financial derivatives	-1 944	-548	28 806
Change in bond loan (amortization)	353	436	1 573
Impairment	-	-	5 681
Share of (profit)/loss from associates	2 348	-2 474	2 577
Changes in inventory	-74 435	-7	111
Net changes in construction loans	210 600	-	-149 163
Changes in accounts receivables	-33 181	-1 978	26 148
Changes in accounts payable	12 590	9 255	20 204
Changes in customer contracts, asset	-172 169	-83 326	15 674
Changes in customer contracts, liability	-25 440	-11 181	59 475
Changes in other current receivables/liabilities	52 352	10 533	11 571
Net cash flow from/(to) operating activities	-26 604	-66 629	-14 566
CASH FLOW FROM INVESTMENTS			
Investments in property, plant and equipment	-1 732	-9 809	-17 312
Disposal of property, plant and equipment	-	-	-
Investment in intangible assets	-5 201	-3 834	-24 670
Investment in financial assets	-	-	-18 310
Disposal of financial assets	-	-	3 111
Dividends received	-	-	507
Interest income	211	1 189	2 210
Changes in long term receivables	-6 029	-1 137	17 640
Net cash flow used in investing activities	-12 751	-13 591	-36 823
CASH FLOW FROM FINANCING ACTIVITIES			
New long term debt	-	7 036	35 596
Repayment non-current debt	-3 835	-2 795	-45 519
Cost renegotiation bond loan	-	-1 643	-1 643
Interest payment	-3 248	-3 905	-14 324
Purchase/sale of treasury shares	-	-	270
Net cash flow from/ (used in) financing activities	-7 099	-1 306	-25 619
Net change in cash and cash equivalents	-46 455	-81 525	-77 012
Cash and cash equivalents at start of the year	206 069	266 057	266 057
Cash and cash equivalents from merger in subsidiary	-	-	17 023
Cash and cash equivalents at end of the period	157 615	184 533	206 069
Restricted bank deposits at the end of the period	79 880	74 166	89 402
Available cash and cash equivalents at the end of the period	77 734	110 366	116 667



HSE / QA

SICK LEAVE GROUP 2017 AND 2018 / SYKEFRAVÆR KONSERN 2017 OG 2018



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

Average sick leave

- Last 15 months sick leave on 3.58 %
- In 2018 sick leave on 4.02 %

Injuries resulting in absence from work

- 0 injuries last 12 months



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