HAVYARD GROUP - FIRST QUARTER REPORT 2014

Contents

ABOUT HAVYARD GROUP

Havyard Group is based in the heart of the strong maritime cluster in the north-west of Norway.

A desire to travel and utilization of natural resources in a harsh environment have developed this maritime cluster into one of the strongest and most innovative cluster in the world, especially within offshore and fishing. The strength of the cluster lies within the many participants in all parts of the value chain – from shipowners to ship equipment suppliers.

Havyard Group ASA is a fully integrated Ship Technology company and delivers products and services within the complete value chain from vessel design to construction and support of vessels in operation. We focus on having the best competence within all the vital parts of the value chain.

We deliver ship designs, ship equipment and construction of advanced vessels for offshore oil production, fishing and fish farming for shipyards and shipowners worldwide.

Havyard Group is divided into four business areas:

- Havyard Design & Solutions, providing designs and system packages for external and internal vessel construction
- Havyard Ship Technology, providing construction, conversion and repair of vessels, with focus on advanced offshore support vessels and vessels for use in fisheries and aquaculture
- Havyard Power & Systems, providing a broad range of advanced ship technologies for monitoring and control of the ship systems
- Havyard Fish Handling and Refrigeration, providing equipment and systems for the safe and efficient handling of fish in fishing vessels, live fish carriers and onshore seafood plants

IMPROVING LIFE AT SEA

Havyard Group has emerged from being a local shipyard in Leirvik, Norway to have become an internationally recognized brand and corporation, delivering shipbuilding technology to customers around the world.

Our vision of Improving Life at Sea motivates us to improve everyday life of all people involved in the operation of a vessel of Havyard Design™ or vessels that have Havyard`s equipment on-board. It is ambitious, demanding and motivating. With everyone working towards this vision we will create values for our customers, which will give Havyard a great advantage in an industry with strong competition.

RESULT FOR FIRST QUARTER 2014 – SUMMARY

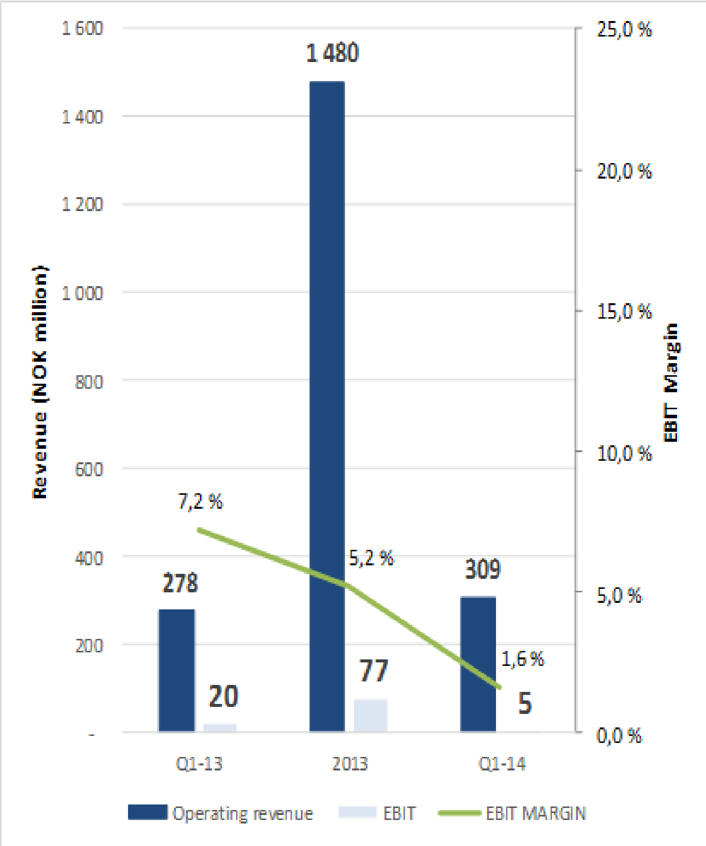
Havyard Group achieved a profit before tax of NOK 28.1 million in first quarter of 2014, compared with NOK 41.4 million in first quarter of 2013. The operating profit (EBIT) was NOK 27.8 in first quarter of 2014 compared to NOK 40.1 in the corresponding period in 2013. Total operating revenue was NOK 429.7 million in the first quarter of 2014, compared with NOK 372.7 million in the first quarter of 2013.

The general activity level in the Group has been high in first quarter, and the increase in revenue reflects this. The EBIT margin is declining mainly due to the production of prototype vessels. The development in the segments Ship Technology, Design & Solutions, Power & Systems and Fish Handling & Refrigeration are shown in the section below, and reference is also made to note 3, Segment information.

MNOK	Q1-14	%	Q1-13	%	2013	%
Operating revenues	**430**		**373**		**1 987**	
Cost of sales	265	62 %	226	61 %	1 352	68 %
Payroll expences	102	24 %	77	21 %	312	16 %
Depreciation	5	1 %	4	1 %	18	1 %
Other operating exp.	30	7 %	26	7 %	124	6 %
Operating expences	**402**	93 %	**333**	89 %	**1 806**	91 %
EBIT	**28**	7 %	**40**	11 %	**181**	9 %
Net financial	0	0 %	1	0 %	9	0 %
Profit before tax	**28**	7 %	**41**	11 %	**190**	10 %

Ship Technology

The operating revenue was NOK 309.2 million in the first quarter of 2014, compared to NOK 277.7 in the corresponding period of 2013. The operating profit for first quarter of 2014 was NOK 5.0 million, a significant decline from NOK 19.9 million in the first quarter of 2013. The EBIT margin has been reduced from 7.2 % in first quarter 2013 to 1.6 % in first quarter of 2014.

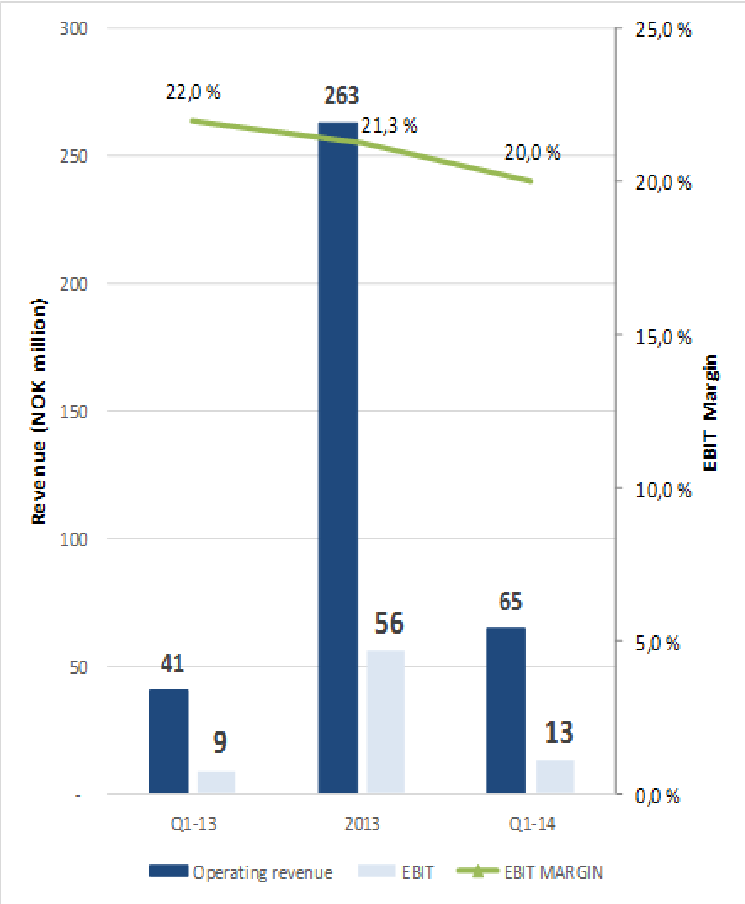


Hull no. 117, a live fish carrier of Havyard 587 design has been docked in Leirvik for the final outfitting during first quarter 2014. Hull no. 115, a Havyard 857 Subsea vessel, Hull no. 116, a Havyard 832 Platform Support Vessel, Hull no. 120, a prototype vessel of Havyard 832 Wave Edition design, and the rebuild of Havila Phoenix has also contributed to the revenue in the first quarter 2014. Havyard 587 and the 832 Wave Edition are both prototype vessels, and the production of these prototypes has contributed to a significant part of the EBIT margin decline in the first quarter of 2014 compared to 2013. In first quarter 2013 more conventional vessels were produced. Prototype vessels are produced at lower margins to introduce the design to both existing and new markets, and this must be considered an investment in the future competitiveness of the Group.

The declining EBIT margin is consistent with the expected development stated in the Group´s budget. Lower activity in the first quarter than in Q2-Q4 is also a trend that is consistent with the historical development.

Design & Solutions

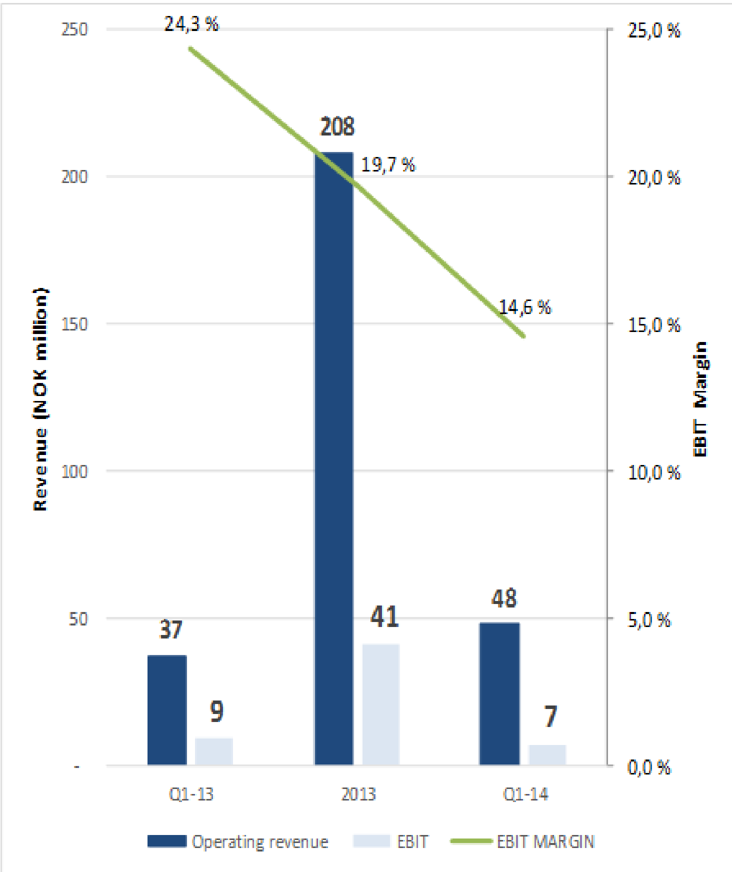
For Design & Solutions, first quarter was characterized by full capacity utilization on both internal and external projects. Compared to first quarter 2013 the revenue has increased by NOK 25 million to NOK 65.4 million. The reason for this is mainly a strategy of expanding the capacity in the branches in Croatia and Poland. This expansion increases the competitiveness of the Group and gives the possibility to increase the revenue the Design & Solutions segment. In addition, the sale of equipment packages increases the revenue compared to the corresponding period in 2013. The operating profit (EBIT) has increased by NOK 4 million to NOK 13 million from first quarter 2013.



The EBIT margin shows a relatively stable development from the financial year of 2013, and also from first quarter 2013. The margin is declining somewhat due to a larger extent of deliveries of equipment packages that have lower margin than design packages.

Power & Systems

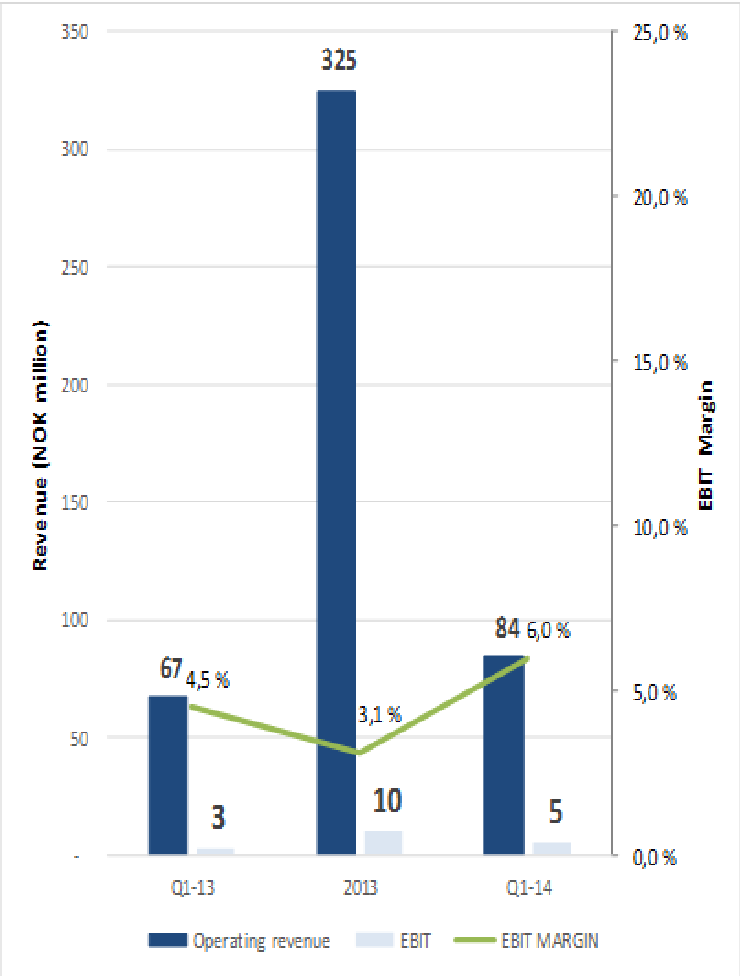
Power & Systems has increased the operating revenue by NOK 11 million to NOK 48.3 million compared with first quarter 2013. This mainly reflects the increased activity in the subsidiary Havyard Production & Service (HPR). This company supplies Ship Technology with electricians, plumbers and other types of labor needed in ship outfitting. In addition, Power & Systems have increased their external sale compared to the first quarter of 2013. The operating profit (EBIT) is NOK 6.7 million compared to NOK 8.7 million in the first quarter of 2013. This reflects the lower margins in the expanding Havyard Production & Service subsidiary compared to the other parts of the Power & Systems segment, and explains the drop in EBIT margin from 24.3 % in first quarter 2013 to 14.6 % in first quarter 2014.



Fish Handling & Refrigeration

The activity within this segment has increased compared to the corresponding period in 2013. Operating revenue is NOK 84 million in first quarter 2014, while it was NOK 67 million in first quarter 2013. This increased activity is mainly related to the live fish carrier market for the Fish Handling division. The Refrigeration division has been through a restructuring process which has given a positive effect in first quarter of 2014. Costs have been reduced and the services provided is more focused towards the parts of the market segment which has the higher margin projects.

The operating profit in first quarter 2014 is NOK 4.6 million, compared to NOK 3.2 million in first quarter 2013. The EBIT-margin has increased from 4.5 % in first quarter 2013 to 6.0 % in first quarter 2014. Both Fish Handling and Refrigeration contributes to this positive development.



The subsidiary in Peru is not included in the revenue in 2014. This is due to the lack of reliable financial reporting from the unit, and a probable controlled wind up of the subsidiary. The potential loss related to this subsidiary has mainly been recognized in the 2013 figures.

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(NOK 1,000)

	2014 Q1 (unaudited)	2013 Q1 (unaudited)	2013	2012
Sales revenues	429 002	372 067	1 982 679	1 423 920
Other operating revenues	681	650	4 253	2 932
Operating revenues	**429 683**	**372 717**	**1 986 932**	**1 426 852**
Cost of sales	265 318	225 573	1 352 109	892 040
Payroll expenses etc.	101 654	77 066	312 077	228 481
Other operating expenses	29 812	25 493	124 230	79 479
Operating expenses	**396 784**	**328 132**	**1 788 415**	**1 200 000**
Operating profit before depreciation and amortization - EBITDA	**32 899**	**44 585**	**198 517**	**226 852**
Depreciation	5 112	4 049	17 942	11 651
Operating profit - EBIT	**27 787**	**40 536**	**180 575**	**215 201**
Financial income	3 056	2 938	21 666	6 942
Financial expenses	4 674	3 158	16 922	6 340
Share of profit/loss of associate	1 908	1 049	4 196	-1 051
Profit before tax	**28 077**	**41 365**	**189 515**	**214 752**
Income tax expense	7 251	10 707	49 055	50 262
Profit for the period	20 826	30 658	140 460	164 491
Attributable to :				
Equity holders of parent	19 889	30 886	138 100	163 509
Non-controlling interest	937	-228	2 360	983
Total	20 826	30 658	140 460	164 491
Earnings per share (NOK)	0,88	1,37	6,13	7,26

INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(NOK 1,000)

	2014 Q1 (unaudited)	2013 Q1 (unaudited)	2013	2012
Profit for the year	**20 826**	**30 658**	**140 460**	**164 491**
Other comprehensive income				
Items that will not be reclassified to income statement				
Total	-	-	-	-
Items that will be reclassified to income statement				
Translation differences	-	-	5 213	-
Fair value adjustment avaliable-for-sale financial assets	-	-	19 993	-
Total	-	-	25 206	-
Other comprehensive income	-	-	**25 206**	-
Total comprehensive income	**20 826**	**30 658**	**165 666**	**164 491**
Attributable to :				
Equity holders of parent	19 889	30 886	162 882	163 509
Non-controlling interest	937	-228	2 783	983
Total	**20 826**	**30 658**	**165 666**	**164 491**

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(NOK 1,000)

	2014 Q1 (unaudited)	2013 Q1 (unaudited)	2013	2012
ASSETS				
Non current assets				
Intangible assets	23 918	23 918	23 918	23 918
Licenses, patents and R&D	42 844	23 170	41 483	20 170
Property, plant and equipment	240 359	226 198	240 167	227 485
Investment in subsidiaries	-	456	-	456
Loan to subsidiaries	736	736	736	736
Investment in associates	86 051	82 986	84 143	75 858
Loan to associates	15 634	13 822	15 185	11 260
Investment in financial assets	171 778	137 762	205 294	134 962
Other non current receivable	119 296	85 767	118 103	84 877
Total non current assets	**700 616**	**594 815**	**729 030**	**579 723**
Current Assets				
Inventory	33 407	43 698	38 872	56 386
Accounts receivables	76 890	75 242	82 122	74 098
Other receivables	94 858	90 593	139 551	98 346
Construction WIP in excess of prepayments	473 243	442 000	261 574	459 115
Investment in financial assets	46 011	-	-	-
Cash and cash equivalents	202 893	72 004	281 381	115 235
Total Current Assets	**927 302**	**723 537**	**803 500**	**803 180**
TOTAL ASSETS	**1 627 918**	**1 318 352**	**1 532 530**	**1 382 903**

(NOK 1,000)

EQUITY AND LIABILITIES	2014 Q1 (unaudited)	2013 Q1 (unaudited)	2013	2012
Equity				
Share capital	1 126	1 126	1 126	1 126
Share premium reserve	5 462	5 462	5 462	5 462
Treasury shares	-16	-24	-16	-24
Retained earnings	635 758	531 017	640 865	500 360
Non-controlling interest	21 939	17 859	21 002	19 481
Total equity	**664 269**	**555 440**	**668 438**	**526 404**
Long term liabilities				
Deferred tax liability	50 981	71 169	45 227	57 643
Pension liabilities	-	872	-	872
Loans and borrowings, non-current	94 713	101 407	98 123	100 020
Other long-term liabilities	16 762	16 798	19 107	17 897
Total long term liabilities	**162 456**	**190 246**	**162 457**	**176 431**
Current liabilities				
Accounts payables	72 829	66 641	128 278	146 890
Taxes payable	34 269	36 357	57 903	57 081
Provision for dividend	4 163	-	-	-
Public duties payables	16 691	18 064	16 916	35 313
Construction loans	326 372	258 308	134 788	264 248
Loans and borrowings, current	33 812	46 649	43 183	44 675
Prepayments in excess of construction WIP	230 821	72 456	232 802	62 114
Other current liabilities	82 236	74 191	87 766	69 747
Total current liabilities	**801 193**	**572 666**	**701 635**	**680 068**
Total liabilities	**963 649**	**762 912**	**864 092**	**856 499**
TOTAL EQUITY AND LIABILITIES	**1 627 918**	**1 318 352**	**1 532 530**	**1 382 903**

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(NOK 1,000)

	31.03.2014	31.12.2013	31.12.2012
Equity at the end of previous period	668 438	526 404	417 716
Net profit for the period	20 826	140 460	164 491
Dividends	-24 996	-24 792	-59 942
Other changes	-	26 366	4 139
Changes in equity through the year	**-4 170**	**142 034**	**108 688**
Equity per end of period	**664 269**	**665 438**	**526 404**

INTERIM CONSOLIDATED STATEMENT OF CASHFLOW

(NOK 1,000)	2014 Q1	2013 Q1	2013	2012
CASH FLOW FROM OPERATIONS				
Profit/(loss) before tax	28 077	41 365	189 515	214 752
Taxes paid	-22 824	-20 724	-55 890	-94 433
Depreciation	5 112	4 049	17 942	11 651
Loss from disposal of assets	-	-	4	-
Share of (profit)/loss from associates	-1 908	-1 049	-4 196	1 051
Currency differences	-	-	-1 062	-
Difference between pension costs and payments	-	-	-871	-521
Changes in inventory	5 465	12 688	17 514	-279
Net changes in construction loans	182 213	-3 966	-129 297	-52 724
Changes in accounts receivables/construction WIP	-206 437	15 971	184 018	117 489
Changes in accounts payable	-55 449	-80 249	-18 612	5 750
Changes in other current receivables/liabilities	22 158	-6 052	121 222	-41 969
Net cash flow from/(to) operating activities	**-43 593**	**-37 966**	**320 287**	**160 767**
CASH FLOW FROM INVESTMENTS				
Investments in property, plant and equipment	-4 898	-2 762	-30 369	-11 162
Investment in intangible assets	-1 767	-3 000	-22 994	-5 583
Investment in/disposal of financial assets	-	-	-49 421	-234 352
Investment in associates	-	-	11 083	25 280
Changes in long term receivables	-1 642	-890	-37 740	-66 012
Net cash flow used in investing activities	**-8 307**	**-6 652**	**-129 441**	**-291 829**
CASH FLOW FROM FINANCING ACTIVITIES				
New long term debt	-	6 076	16 845	45 000
Repayment long term debt	-5 755	-4 689	-18 754	-7 146
Purchase of treasury shares	-	-	2 000	-1 633
Dividends	-20 833	-	-24 792	-59 942
Net cash flow from/ (used in) financing activities	**-26 588**	**1 387**	**-24 701**	**-23 721**
Net change in cash and cash equivalents	**-78 488**	**-43 231**	**166 145**	**-154 783**
Cash and cash equivalents at start of the period	**281 381**	**115 235**	**115 235**	**257 564**
Cash and cash equivalents from purchase of subsidiaries				
Cash and cash equivalents at end of the period	202 893	72 004	281 381	115 235
Restricted bank deposits at the end of the period	147 235	11 456	148 206	9 568
Available cash and cash equivalents at the end of the period	**55 658**	**60 548**	**133 175**	**105 667**

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENT

1. Corporate information

The interim condensed consolidated financial statements of Havyard and its subsidiaries (collectively, the Group) for the three months ended 31 March 2014. The group in total employs 766 people as of March 31, 2014.

Havyard Group ASA is a limited company based in Norway, and its head office is located in Fosnavåg, Herøy.

2. Basis of preparation and changes to the Group's accounting policies

The interim condensed consolidated financial statements for the three months ended 31 March 2014 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013**.**

3. Segment information

The Group's main activities are 1) Ship Technology, i.e. delivering vessels from own shipyard and support construction of Havyard design at shipyards worldwide; 2) Design & Solution, i.e. provide ship design and system packages for offshore and fishing vessels; 3) Power & Systems, i.e. specializing in design, engineering and installation of electric systems and delivery of control and automation systems for ships; 4) Fish handling and refrigeration, i.e. deliver innovative solutions for handling and cooling of seafood on board fishing vessels, live fish carriers and on-shore plants. The activities are located in four separated subsidiaries; Havyard Ship Technology AS, Havyard Design & Solutions AS, Havyard Power & Systems AS and Havyard Fish Handling and Refrigeration AS.

Havyard Group ASA is a fully integrated shipbuilding enterprise operating in the offshore and fishing vessel industry. The Havyard Group delivers ship designs, ship equipment and construction of advanced vessels for offshore oil production, fishing and fish farming for shipyards and ship owners worldwide.

Operating revenue relates solely to design, building, repairs and maintenance of ships.

Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties. The accounting principles for the segment reporting reflect those used by the Group.

The following tables present revenue and profit information about the Group's operating segments for the three months ended 31 March 2014 and 2013 respectively:

2014 Q1

(NOK million)	Ship Technology	Design & Solution	Power & Systems	Fish handling and refrigeration	Other	Havyard Group
Total operating revenue	**309 230**	**65 372**	**48 317**	**83 561**	**(76 796)**	**429 684**
Operating profit /loss EBITDA	**7 087**	**14 086**	**6 676**	**5 711**	**(661)**	**32 899**
Depreciation	2 050	866	109	1 074	1 013	5 112
Depr./write-downs of excess values and goodwill	-	-	-	-	-	-
Operating profit/(loss) (EBIT)	**5 037**	**13 220**	**6 567**	**4 637**	**(1 674)**	**27 787**
Net financial items	(543)	(388)	(6)	(2 161)	1 480	(1 618)
Share of profit/(loss) from associate	-	-	-	-	1 908	1 908
Profit/(Loss) before tax	**4 494**	**12 832**	**6 561**	**2 476**	**1 714**	**28 077**

2013 Q1

(NOK million)	Ship Technology	Design & Solution	Power & Systems	Fish handling and refrigeration	Other	Havyard Group
Operating revenues, External						
Operating revenues, Internal						
Total operating revenue	**277 694**	**40 878**	**37 078**	**67 052**	**(49 985)**	**372 717**
Operating profit /loss EBITDA	**21 438**	**9 600**	**8 780**	**4 500**	**125**	**44 443**
Depreciation	1 500	345	105	1 300	799	4 049
Depr./write-downs of excess values and goodwill	-	-	-		-	-
Operating profit/(loss) (EBIT)	**19 938**	**9 255**	**8 675**	**3 200**	**(532)**	**40 536**
Net financial items	741	54	44	(1 200)	1 190	829
Share of profit/(loss) from associate	-	-	-		-	-
Profit/(Loss) before tax	**20 679**	**9 309**	**8 719**	**2 000**	**658**	**41 365**

2013

(NOK million)	Ship Technology	Design & Solution	Power & Systems	Fish handling and refrigeration	Other	Havyard Group
Operating revenues, External	1 479 811	197 520	20 461	289 140	-	1 986 932
Operating revenues, Internal	-	64 980	187 845	36 253	(289 078)	-
Total operating revenue	**1 479 811**	**262 500**	**208 306**	**325 393**	**(289 078)**	**1 986 932**
Operating profit /loss EBITDA	**83 651**	**57 282**	**41 340**	**15 008**	**1 236**	**198 517**
Depreciation	6 165	1 545	461	5 027	4 744	17 942
Depr./write-downs of excess values and goodwill	-	-	-	-	-	
Operating profit/(loss) (EBIT)	**77 486**	**55 737**	**40 879**	**9 981**	**(3 508)**	**180 575**
Net financial items	3 089	(313)	343	(6 212)	7 837	4 744
Share of profit/(loss) from associate	-	-	-	-	4 196	4 196
Profit/(Loss) before tax	**80 575**	**55 424**	**41 222**	**3 769**	**4 329**	**189 515**

2012

(NOK million)	Ship Technology	Design & Solution	Power & Systems	Fish handling and refrigeration	Other	Havyard Group
Operating revenues, External	1 352 664	66 727	7 461	-	-	1 426 852
Operating revenues, Internal	-	59 457	171 080	-	(230 537)	-
Total operating revenue	**1 352 664**	**126 184**	**178 541**	**-**	**(230 537)**	**1 426 852**
Operating profit /loss EBITDA	**137 842**	**53 345**	**41 818**	**-**	**(6 152)**	**226 853**
Depreciation	8 585	732	396		1 938	11 651
Depr./write-downs of excess values and goodwill	-	-	-	-	-	-
Operating profit/(loss) (EBIT)	**129 257**	**52 613**	**41 422**	**-**	**(8 090)**	**215 202**
Net financial items	(1 491)	179	217	-	1 697	602
Share of profit/(loss) from associate	-	-	-	-	(1 051)	(1 051)
Profit/(Loss) before tax	**127 766**	**52 792**	**41 639**	**-**	**(6 393)**	**214 753**

"Other" contains parent company items and elimination of intra-group transactions.

There has not been a material change from the total assets and total liabilities disclosed in the last annual consolidated financial statements for the segments.

4. Non-current financial investments

As of March 31, 2014 the Group has investments in financial assets of NOK 172 million (135 million as of March 31, 2013). The investments are classified as available-for-sale assets and measured at fair value in the balance sheet. The investments are classified as non-current.

Company	Ownership share/ voting share	Business office	Equity as of last year (100%)	Result as of last year (100%)	Carrying amount
P/F 6. September 2006	11.5%	Faroe Island	328 919	-10 053	39 828
Vestland Offshore Invest AS	30.9%	Torangsvåg	316 653	-352	92 641
Other non-current financial investments					2 493
Carrying amount as of 31.03.13					**134 962**

Company	Ownership share/ voting share	Business office	Equity as of last year (100%)	Result as of last year (100%)	Carrying amount
P/F 6. September 2006	10.9%	Faroe Island	526 668	134 107	59 828
Vestland Offshore Invest AS	16.8%	Torangsvåg	482 540	-14 614	82 187
Other non-current financial investments					29 763
Carrying amount as of 31.03.14					**171 778**

All investments are unquoted equity shares and are classified as level 3 investments.

5. Issued capital and reserves

	2014 Q1	2013
Number of ordinary shares	22 528 320	1 126 416
Par value (NOK)	0.05	1.00
Share capital (NOK)	**1 126 416**	**1 126 416**

All shares have equal rights.

2014

The General meeting held 26.03.14 decided to split the shares in the ratio 1:20.
After the split, the number of shares is 22 528 320. The nominal amount is NOK 0.05.

2013

The share capital was 1 126 416 divided by the same amount of shares, at NOK 1.00.

Dividends and group contributions

The Group has paid a dividend of MNOK 24.8 in 2013.

Shareholders as of 31.03.2014	Controlled by	Number of shares	Ownership
Havila Holding AS		18 500 000	82.1 %
Geir Johan Bakke AS	Geir Johan Bakke (CEO)	1 172 520	5.2 %
Havyard Group ASA	Own shares	327 480	1.5 %
Stig M. Espeseth	CEO Havyard Design & Solutions AS	242 980	1.1 %
Arve Helsem Leine		242 980	1.1 %
Jonfinn Ulfstein		242 980	1.1 %
Lasse Svoren		242 980	1.1 %
Kjellbjørn Kopperstad		242 980	1.1 %
Other shareholders (<1%)		1 313 420	5.8 %
Number of shares		**22 528 320**	**100.0 %**

Ultimate controlling company of the Group is Havila Holding AS. Chairman of the board Per Sævik and boardmembers Hege Sævik Rabben and Vegard Sævik have indirect ownership in the group through their ownership in Havila Holding AS.

Parent company Havila Holding AS is a limited company based in Norway, and its head office is located in Fosnavåg, Herøy.

6. Events after the reporting period

The Group was converted into a public limited company (ASA) on March 21, 2014. Application for listing at the Oslo Stock Exchange for Havyard Group ASA was submitted in March 2014. The process is still not concluded as per the date of the quarterly report. Further update on this process is posted on Havyard.com under Investor Relations.

In May 2014, the Group divested the investment in Forland Subsea AS. According to shareholder agreement, the sale price was equal to carrying amount of the investment.