



# HAVYARD GROUP ASA

THIRD QUARTER RESULTS 2015

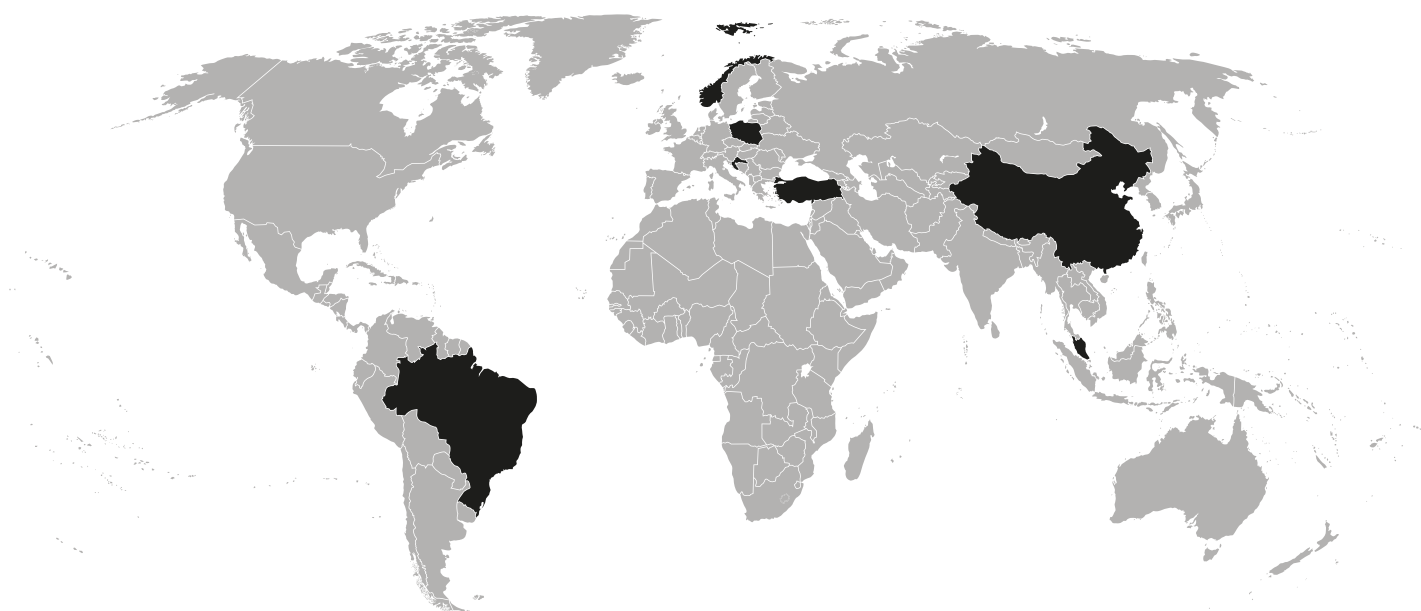




HAVYARD GROUP ASA is a fully integrated Ship Technology company and delivers products and services within the complete value chain from vessel design to support of vessels in operation. We focus on having the best competence within all the vital segments of the value chain.

Our vision is Improving Life At Sea and the motivation for our employees is to add value to and improve the situation for all who use our products.

Havyard Group delivers ship designs, ship equipment and construction of advanced vessels for offshore oil production, renewable energy production, fishing and fish farming for shipyards and shipowners worldwide.

**HAVYARD GROUP ASA**

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**DESIGN & SOLUTIONS**

HAVYARD DESIGN & SOLUTIONS AS, dep. Fosnavåg  
HAVYARD POWER & SYSTEMS AS, dep. Ålesund  
HAVYARD DESIGN & SOLUTIONS AS, dep. Stavanger  
HAVYARD DESIGN & ENGINEERING Poland  
HAVYARD DESIGN & ENGINEERING Rijeka d.o.o  
HAVYARD South America Ltda.  
HAVYARD China  
HAVYARD Far East

**SHIP TECHNOLOGY**

HAVYARD SHIP TECHNOLOGY AS, dep. Fosnavåg  
HAVYARD SHIP TECHNOLOGY AS, dep. Leirvik  
HAVYARD SHIP TECHNOLOGY AS, dep. Turkey  
HAVYARD PRODUCTION & SERVICE Sp. z o.o.

**NES POWER & SYSTEMS**

NORWEGIAN ELECTRIC SYSTEMS AS

**MMC FISH HANDLING & REFRIGERATION**

HAVYARD MMC AS, dep. Fosnavåg  
HAVYARD MMC AS dep. Vigra  
HAVYARD MMC AS dep. Tromsø  
HAVYARD MMC AS dep. Haugesund  
MMC GREEN TECHNOLOGY AS



## HIGHLIGHTS

- EBIT of NOK - 2.1 million and EBIT-margin of -0.4 % in third quarter of 2015. EBIT of NOK - 7.1 million in first three quarters of 2015 with an EBIT-margin of - 0.5%
- Lower EBIT margin strongly affected by lower activity than planned and therefore lower capacity utilization in the most segments.
- Major new contracts
  - o Design and building an offshore construction ship to Marine Platforms Ltd.
  - o Good order intake in all business areas.

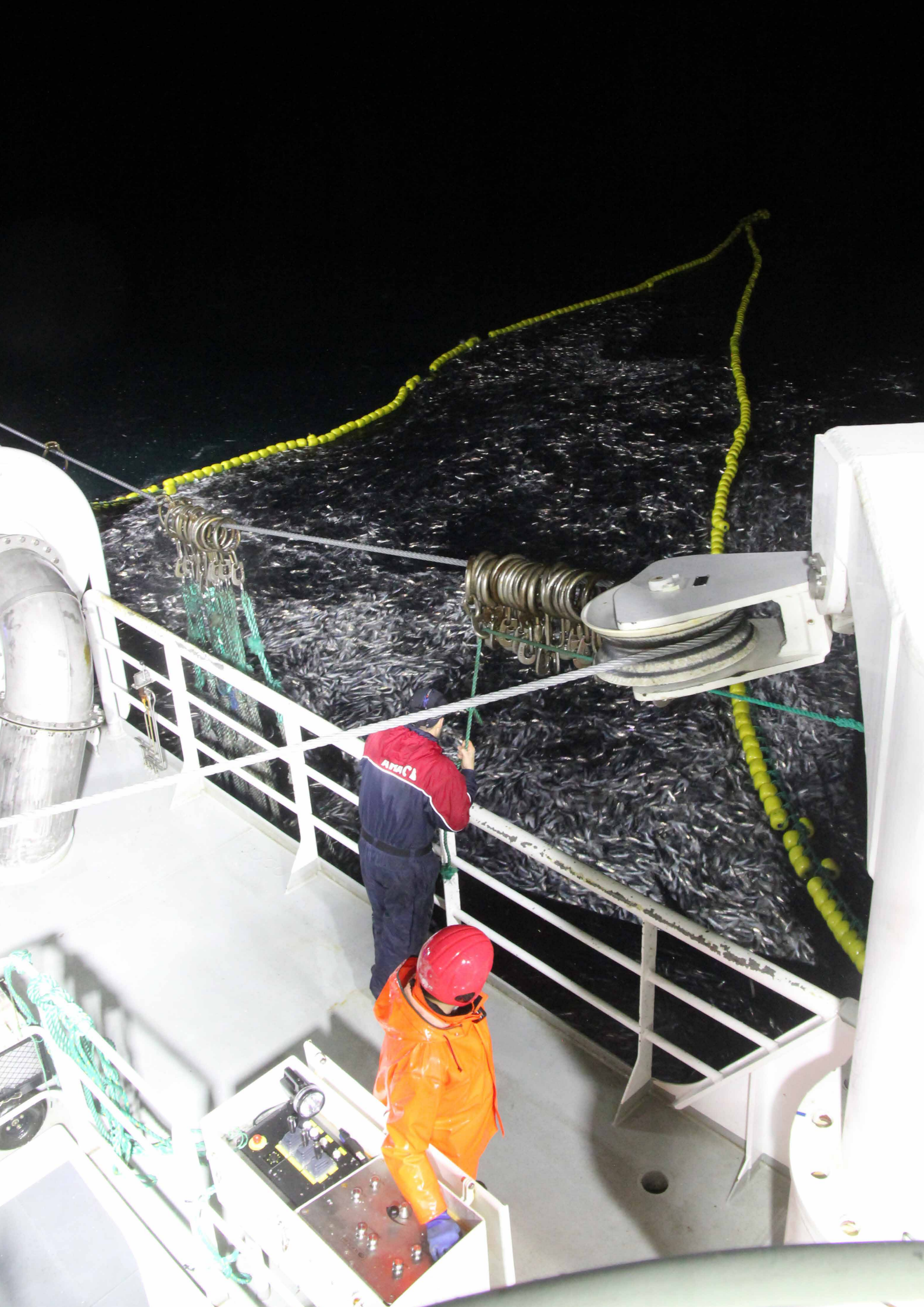
### POSTPONED DELIVERY

- Postponement of delivery NB 123 to Marine Platforms Ltd from June 2017 to June 2018. The customer has the right to cancel the contract in March 2016, provided the customer in advance has paid an agreed amount. The postponement will not affect the result for third quarter 2015.

## OUTLOOK

- Havyard has over time had a diversification strategy, where we have developed and delivered products for fisheries, aquaculture as well as the renewable energy sector. We experience good activity and many new projects in these segments.
- We will continue to strengthen our competitiveness through restructuring, rationalization and downsizing for adapting the capacity and this will give positive effects from the start of 2016.
- Cooperate with our customers to develop new competitive products.







## HAVYARD 535 - SMARAGD







# FINANCIAL SUMMARY

## Financial result Havyard Group ASA

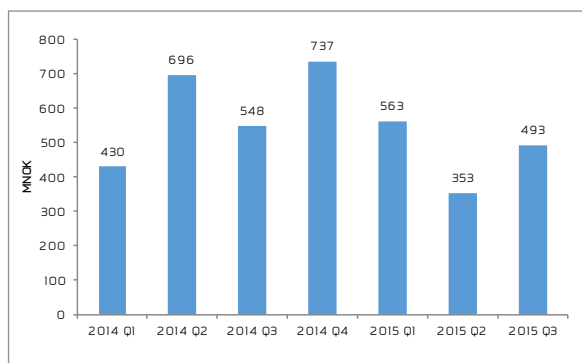
MNOK	2015 YTD	2014 YTD	Q3 15	Q3 14	2014
Operating revenues	1 410	1 673	493	548	2 411
Cost of sales	983	1 172	356	383	1 764
Payroll expences	311	298	111	100	416
Other operating exp.	103	127	22	42	165
Operating expences	1 397	1 598	488	526	2 345
<b>EBITDA</b>	<b>12</b>	<b>76</b>	<b>5</b>	<b>22</b>	<b>66</b>
Depreciation	19	17	7	6	21
<b>EBIT</b>	<b>-7</b>	<b>59</b>	<b>-2</b>	<b>16</b>	<b>45</b>
Net financial	26	1	7	1	-6
<b>Profit before tax</b>	<b>19</b>	<b>60</b>	<b>5</b>	<b>17</b>	<b>39</b>



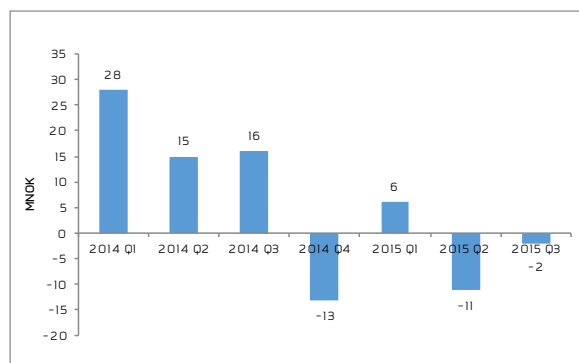
## Group Key Figures

	2015 YTD	2014 YTD	Q3 15	Q3 14	2014
Operating revenue	1410	1673	493	548	2 411
EBITDA	12	76	5	22	66
EBIT	-7	59	-2	16	45
EBIT-margin	-0.5%	3.5%	-0.4%	3.0%	1.9%
Profit before tax	19	60	5	17	39
Earnings per share	0.94	1.9	0.3	0.63	1.24
NIBD	198	64	197	64	167
Working Capital	189	164	189	164	164

## Operating revenue



## EBIT





## INCOME STATEMENT

The operating revenue for the Group in the third quarter of 2015 was NOK 492.7 million, compared to NOK 548.0 million in the corresponding period of 2014. The decrease is mainly due to lower activity at the yard in Leirvik. There have been two vessels for outfitting in the third quarter 2015. The operating revenue for the first three quarters of 2015 was NOK 1,409.5 million, compared to NOK 1,673.4 million in the corresponding period in 2014.

For the third quarter of 2015, the Group recorded earnings before interest and tax (EBIT) of NOK -2.1 million, while the EBIT for the third quarter of 2014 was NOK 16.3 million. This corresponded to an EBIT margin of -0.4 % in the third quarter of 2015 compared to 3.0 % in the third quarter of 2014. The EBIT for the three first quarters of 2015 was NOK -7.1 million compared to NOK 59.1 million in the first three quarters of 2014. The corresponding margins were -0.5 % in 2015 and 3.0 % in 2014.

The margins for the first three quarters of 2015 are affected by three loss projects in the Ship Technology segment. Additionally, there was lower capacity utilization for all areas and extraordinary warranty costs beyond provisions for Havyard Ship Technology.

## FINANCIAL POSITION

The total assets in the Group have increased from NOK 1,736.4 million to NOK 1,880.4 million from the year end 2014 to the third quarter in 2015.

The total equity has increased from NOK 596.3 million to NOK 624.5 million from the year end 2014 to the third quarter in 2015. The equity ratio has decreased from 34 % in the end of 2014 to 33 % in the third quarter of 2015. The main reason for the increased equity is due to profit from acquisition of a subsidiary in 2015.

Investments in financial assets and investments in associates decreased from NOK 343.8 million at year-end 2014 to NOK 329.5 million at the end of second quarter 2015. The reason for the reduction is acquisitions in subsidiaries previously classified as an associate and sale of shares in Fosnavåg Vekst.

Current assets have increased from NOK 1,045.1 million in the end of 2014 to NOK 1,168.2 million in the third quarter of 2015.

Total liabilities are NOK 1,255.9 million in the third quarter of 2015, compared to NOK 1,140.0 million in 2014.

## CASH FLOW

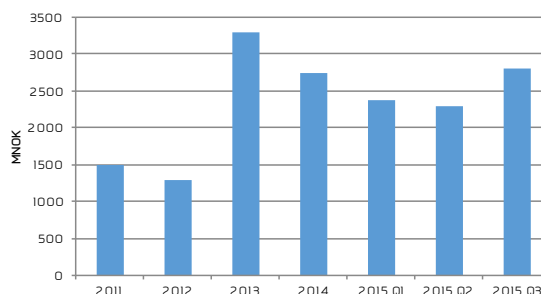
Aggregate cash flow from operating activities is negative with NOK 66.1 million in the first three quarters of 2015, compared to a negative cash flow of NOK 87.7 million in the corresponding period of 2014. The reason for the reduction is mainly because of increased accounts receivables, construction work in progress and reduction of accounts payables. Increased prepayments from customers have reduced the negative cash flow.

Aggregate cash flow from investing activities was negative with NOK 13.9 million the first three quarters of 2015, compared to a positive cash flow NOK 44.5 million in the corresponding period of 2014. The cash flow from investments in 2015 is mainly a result of the following factors:

- Negative effect of investment in a new equipment of approximately NOK 3.3 million
- Negative effect of investment in none current assets of approximately NOK 7.1 million
- Positive effect of the sale of the investment in Fosnavåg vekst AS at cost price of approx. NOK 12.2 million
- Negative effect of the acquisition in subsidiary Norwegian Electric Systems AS of approx. NOK 18.3 million

Aggregate cash flow from financing activities is negative with NOK 10.5 million in the first three quarters of 2015, compared to a positive cash flow of NOK 47.8 million in the corresponding period of 2014. The negative cash flow is mainly a result of payment of dividend and interest costs.

## ORDER STATUS, DELIVERIES AND BACKLOG



## Order backlog

The order book is approximately NOK 2,812 million as of the third quarter of 2015. All segments in the Group need new order intake to fill capacity in 2016.

In third quarter 2015 the Group has signed one new contract for delivery of design and building of an offshore construction ship to Marine Platforms Ltd for delivery in 2017. (Postponed to 2018 reported oktober)

For the remaining quarter of 2015 and 2016, the order backlog includes one PSV, one Offshore windfarm Service Operation Vessel (SOV), three AHTS Icebreakers and one live fish carrier.

In addition to this, the order backlog includes design contracts and equipment packages, both to domestic and foreign costumers for vessels built at yards worldwide.

More information regarding the order backlog and status is specified under each segment.

## SEGMENTS SHIP TECHNOLOGY

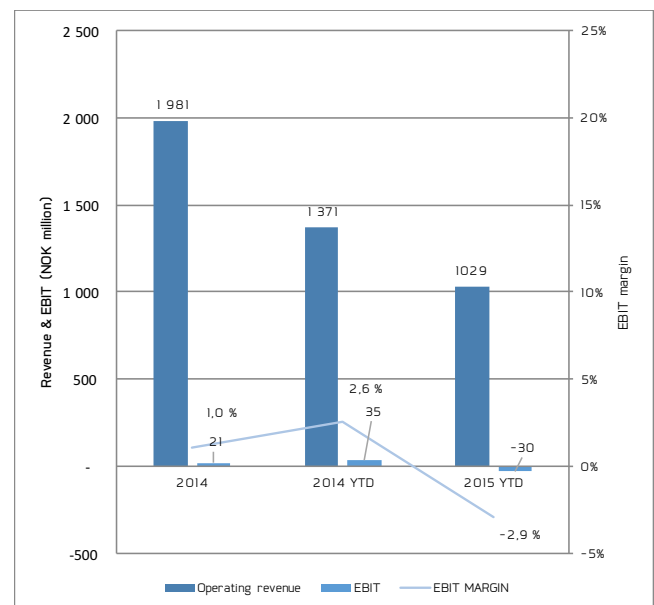
The operating revenue was NOK 1,029 million in the first three quarters of 2015, compared to NOK 1,371 million in the corresponding period of 2014. The operating profit (EBIT) in the first three quarters of 2015 was NOK -30 million, compared to NOK 35 million in the corresponding period of 2014. The corresponding margins were -3% in the first three quarters of 2015, compared to 2.6 % in the first three quarters of 2014.

Main reason for the negative result is lower capacity utilization. For 2015 there have been extraordinary warranty costs, mainly for prototype-design.

The following vessels have been docked at the shipyard in Leirvik for the outfitting phase during 2015:

- Newbuild no. 118, a prototype Havyard 832 SOV windmill service vessel to ESVAGT, delivered in February 2015
- Newbuild no. 119, a sistership of 18, also for ESVAGT, delivered in March 2015
- Newbuild no. 121, a fishing vessel of the Havyard 535 design, delivered July 2015
- Newbuild no. 122, a AHTS Icebreaker, planned delivery November 2015
- Newbuild no. 124, a live fish carrier, planned delivery desember 2015

The order backlog as of the third quarter of 2015 is NOK 2 302 million. The order backlog includes one PSV, one Service Operation Vessel (SOV), three AHTS Icebreakers and one live fish carrier.





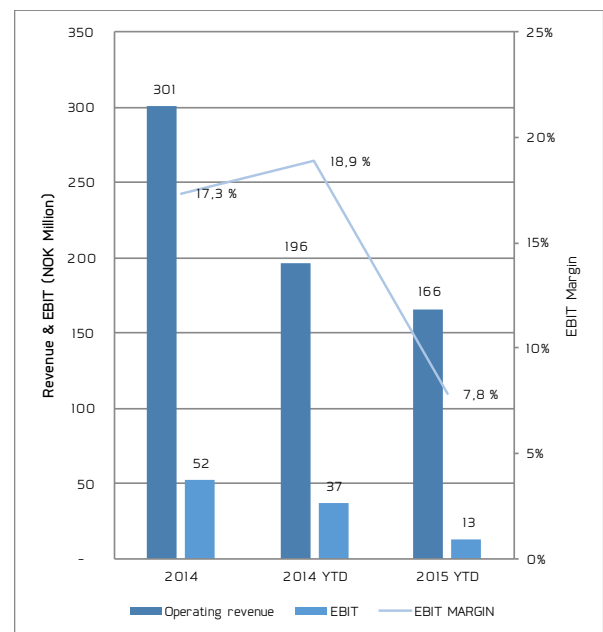
## **SEGMENTS** **DESIGN & SOLUTIONS**

For the first three quarters of 2015, the operating revenue is NOK 166 million. This is a decline of NOK 30 million from the corresponding period in 2014. The reason for this is mainly lower activity on projects than in the corresponding period in 2014.

The operating result (EBIT) for the first three quarters of 2015 is NOK 13 compared to NOK 37 in the first three quarters of 2014. The EBIT-margin has declined from 18.9 % in the first three quarters of 2014 to 7.8% in the first three quarters of 2015. The main reason for the decline in EBIT and EBIT-margin is lower capacity utilization than in the first three quarters of 2014.

Total order backlog for this segment is approximately NOK 397 million, where approximately NOK 99 million is internal deliveries. Total external order backlog is NOK 298 million.

Havyard Power & Systems (HPS) are now under the Havyard Design & Solution segment. HPS where earlier reported under the Power and Systems segment. Comparable numbers are adjusted for the change in segments.



## SEGMENTS

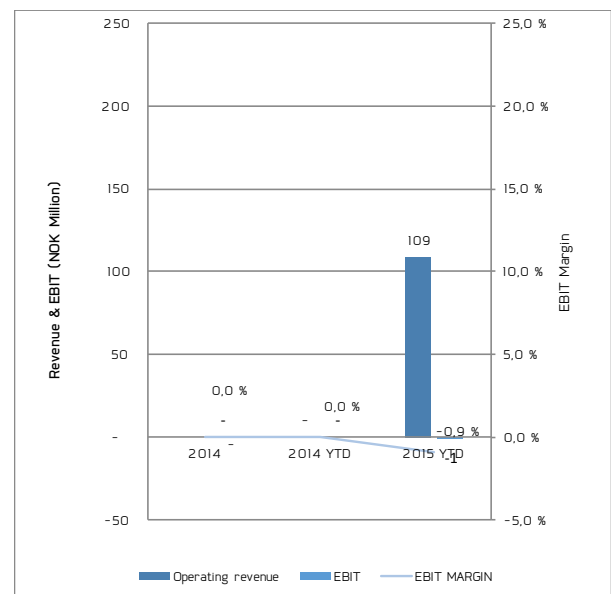
### NES POWER & SYSTEMS

NES Power & systems segment has NOK 109 million in operating revenue for the first three quarters of 2015. The operating profit (EBIT) is NOK -0.67 million for the first three quarters of 2015.

Total order backlog for this segment is approximately NOK 123 million, where approximately NOK 54 million is internal deliveries. Total external order backlog is NOK 69 million.

Havyard Power & Systems (HPS) is now in the Design & Solutions segment. HPS was earlier in the Power & Systems segment together with Norwegian Electric Systems AS (NES) (from acquisition of NES in Q1 2015). This also reflect the missing comparable numbers as NES was classified as financial assets in 2014.

Havyard bought 12.6 % of the share in NES January 2015, increasing the ownership from 37.9 % to 50.5 %. The price for the 12.6 % was NOK 18.3 million. NES is included in the Power & Systems segment from february 2015. Earlier Havyard's ownership in NES was presented under financial income. See note 5 for more information.



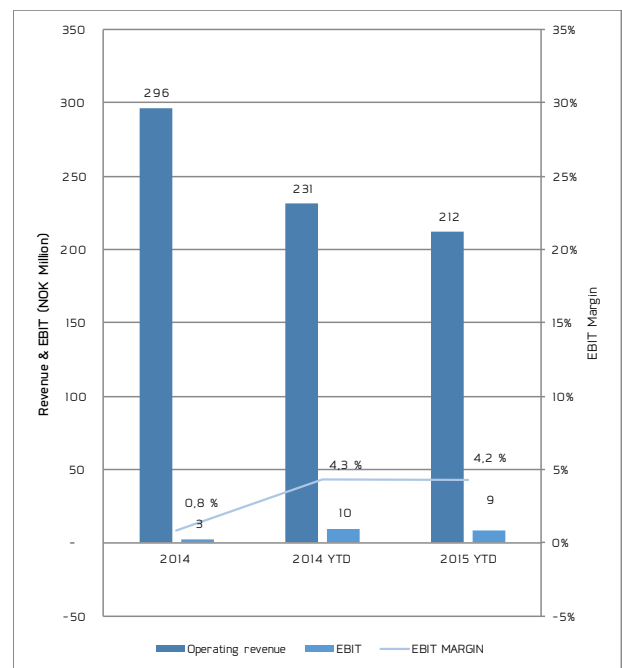
## SEGMENTS

### MMC FISH HANDLING & REFRIGERATION

The operating revenue has decreased from NOK 231 million in the first three quarters of 2014 to NOK 212 in the corresponding period of 2015. The decrease of NOK 18.7 million is mainly related to decreased capacity utilization in the first half of 2015.

The operating profit (EBIT) of NOK 9.4 million in the first three quarters of 2015 is equal to the operating profit in the corresponding period of 2014. In the first three quarters of 2015 the EBIT-margin is 4.4 %, compared to 4.2 % in the first three quarters of 2014.

The order backlog for MMC is approximately NOK 146 million, where NOK 9 million is internal deliveries to the Ship Technology segment. External order backlog is approximately NOK 137 million.





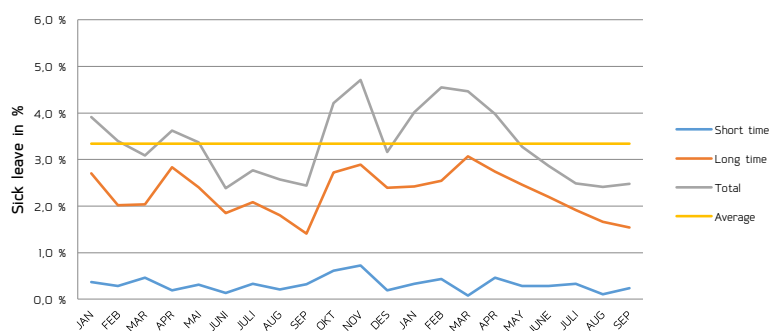
## HEALTH, SAFETY & QUALITY

The Group's average total sick leave in the 21 month period January 2014 to September 2015 is 3.34%. The average for the first nine month of 2015 is 3.39%. The sick leave has been steadily decreasing during 2013 and 2014, but has now increased somewhat in 2015. The reduction in 2013 and 2014 is a result of a long term focus on Inclusive working condition, job presence during sick leave and occupational health care. The increase in 2015 is considered to be of temporary character.

During the last 12 months the Group has had a total of 18 injuries resulting in absence from work. This figure includes the subcontractors at the shipyard in Leirvik. An extensive action plan is implemented with the target of reducing injuries both for own employees and subcontractors, and this has reduced the number of injuries.

In addition to health and safety the Group is focusing on quality. Internal audits in accordance with ISO 9001/ISO 14001, several supplier audits and audits from costumers were performed in 2014 and this process continues in 2015. Quality deviations are measured, documented in action lists and handled as quickly and effectively as possible.

Sick leave Group 2014 and 2015









## PRINCIPAL RISKS AND UNCERTANTIES

Havyard Group defines operational risk as the ability to deliver at the right time, with the right quality and at the right cost. The delivery of vessels, design packages and equipment in accordance with these parameters is a substantial risk element, and is the most significant factor that affects Havyard Group's financial results.

Other risk factors are interest rates, exchange rates and our customers' ability to meet their obligations.

Havyard Group works systematically with risk management in all its segments and subsidiaries. All managers are responsible for risk management and internal control within their business segment. Reference is made to the annual report for 2014 for a further description of risk factor and risk management.

Fosnavåg, 20 november 2015  
The Board of Directors and CEO  
Havyard Group ASA





## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Havyard Group ASA

(NOK 1,000)	2015 YTD	2014 YTD	2015 Q3	2014 Q3	2014
	(unaudited)		(unaudited)		
Sales revenues	1 404 422	1 668 602	491 290	544 727	2 401 597
Other operating revenues	5 091	4 763	1 420	3 233	9 208
<b>Operating revenues</b>	<b>1 409 513</b>	<b>1 673 365</b>	<b>492 711</b>	<b>547 960</b>	<b>2 410 805</b>
Cost of sales	982 777	1 172 241	355 769	383 421	1 763 601
Payroll expenses etc.	311 155	298 467	110 748	100 046	416 329
Other operating expenses	103 173	126 922	21 519	42 250	164 659
<b>Operating expenses</b>	<b>1 397 105</b>	<b>1 597 630</b>	<b>488 036</b>	<b>525 717</b>	<b>2 344 589</b>
<b>Operating profit before depreciation and amortization - EBITDA</b>	<b>12 408</b>	<b>75 735</b>	<b>4 675</b>	<b>22 243</b>	<b>66 215</b>
Depreciation	19 476	16 680	6 741	5 972	21 064
<b>Operating profit - EBIT</b>	<b>-7 068</b>	<b>59 055</b>	<b>-2 066</b>	<b>16 271</b>	<b>45 152</b>
Profit of purchase in associate	22 603	-	-	-	-
Financial income	20 219	8 524	9 239	2 614	20 256
Financial expenses	21 366	15 302	3 485	4 664	32 344
Share of profit/loss of associate	4 180	8 200	1 251	3 187	6 036
<b>Profit before tax</b>	<b>18 568</b>	<b>60 477</b>	<b>4 940</b>	<b>17 408</b>	<b>39 100</b>
Income tax expense	-4 106	14 108	-1 949	3 484	9 089
<b>Profit for the period</b>	<b>22 674</b>	<b>46 369</b>	<b>6 889</b>	<b>13 924</b>	<b>30 010</b>
<b>Attributable to :</b>					
Equity holders of parent	21 117	42 866	6 794	14 119	27 992
Non-controlling interest	1 557	3 503	95	-195	2 018
<b>Total</b>	<b>22 674</b>	<b>46 369</b>	<b>22 674</b>	<b>13 924</b>	<b>30 010</b>
Earnings per share (NOK)	0.94	1.90	0.30	0.63	1.24



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Havyard Group ASA

(NOK 1,000)	2015 YTD (unaudited)	2014 YTD	2015 Q3 (unaudited)	2014 Q3	2014
<b>Profit for the period</b>	<b>22 674</b>	<b>46 369</b>	<b>6 889</b>	<b>13 924</b>	<b>30 010</b>
<b>Other comprehensive income</b>					
Items that will be reclassified to income statement					
Translation differences	182				
Fair value adjustment available-for-sale financial assets					
<b>Total</b>	<b>182</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income</b>	<b>182</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>22 856</b>	<b>46 369</b>	<b>6 889</b>	<b>13 924</b>	<b>30 010</b>
Attributable to :					
Equity holders of parent	21 225	42 866	6 794	14 119	27 992
Non-controlling interest	1 631	3 503	95	-195	2 018
<b>Total</b>	<b>22 856</b>	<b>46 369</b>	<b>6 889</b>	<b>13 924</b>	<b>30 010</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Havyard Group ASA

(NOK 1,000)

## ASSETS

	2015 Q3 (unaudited)	2014
<b>Non current assets</b>		
Goodwill	60 094	23 918
Licenses, patents and R&D	69 485	59 912
Property, plant and equipment	253 067	263 549
Investment in associates	80 397	88 190
Loan to associates	17 889	14 817
Investment in financial assets	160 029	172 071
Other non current receivable	71 204	68 827
<b>Total non current assets</b>	<b>712 165</b>	<b>691 284</b>
<b>Current Assets</b>		
Inventory	55 642	40 673
Accounts receivables	142 813	79 123
Other receivables	99 348	88 274
Construction WIP in excess of prepayments	713 561	642 464
Cash and cash equivalents	156 834	194 562
<b>Total Current Assets</b>	<b>1 168 198</b>	<b>1 045 096</b>
<b>TOTAL ASSETS</b>	<b>1 880 363</b>	<b>1 736 380</b>

## EQUITY AND LIABILITIES

	2015 Q3 (unaudited)	2014
<b>Equity</b>		
Share capital	1 126	1 126
Share premium reserve	5 463	5 463
Treasury shares	-5	-7
Retained earnings	596 608	583 750
Non-controlling interest	21 275	6 009
<b>Total equity</b>	<b>624 467</b>	<b>596 340</b>
<b>Long term liabilities</b>		
Deferred tax liability	53 520	48 447
Bond loan	148 310	146 941
Loans and borrowings, non-current	73 553	61 574
Other long-term liabilities	2 133	2 191
<b>Total long term liabilities</b>	<b>277 516</b>	<b>259 153</b>
<b>Current liabilities</b>		
Accounts payables	120 151	149 267
Taxes payable	3 428	3 925
Provision for dividend	-	-
Public duties payables	19 513	19 310
Construction loans	480 381	515 540
Loans and borrowings, current	44 126	38 230
Prepayments in excess of construction WIP	136 420	53 164
Other current liabilities	174 362	101 451
<b>Total current liabilities</b>	<b>978 381</b>	<b>880 887</b>
<b>Total liabilities</b>	<b>1 255 897</b>	<b>1 140 040</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 880 363</b>	<b>1 736 380</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Havyard Group ASA

(NOK 1,000)

	Share capital	Share premium reserve	Treasury shares	Retained earnings	Total	Non- controlling interest	Total equity
<b>January 1, 2015</b>	1 126	5 463	-7	583 750	590 332	6 009	596 341
Profit & loss	0	0	0	21 117	21 117	1 557	22 674
Other comprehensive income	0	0	0	108	108	74	182
Purchase/sale of treasury shares	0	0	2	408	410	0	410
Purchase of subsidiaries	0	0	0	0	0	16 716	16 716
Other changes	0	0	0	1 296	1 296	-1 296	0
Dividends	0	0	0	-10 073	-10 073	-1 785	-11 858
<b>September 30, 2015</b>	1 126	5 463	-5	596 608	603 192	21 275	624 467

	Share capital	Share premium reserve	Treasury shares	Retained earnings	Total	Non- controlling interest	Total equity
<b>January 1, 2014</b>	1 126	5 462	-16	640 865	647 437	21 001	668 437
Profit & loss	0	0	0	42 866	42 866	3 503	46 369
Other comprehensive income	0	0	0	0	0	0	0
Purchase/sale of treasury shares	0	0	9	5 990	5 999	0	5 999
Put option minority interest	0	0	0	4 695	4 695	-17 011	-12 314
Dividends	0	0	0	-84 996	-84 996	0	-84 996
<b>September 30, 2014</b>	1 126	5 462	-7	609 421	616 001	7 494	623 495





## CONSOLIDATED STATEMENT OF CASHFLOW

Havyard Group ASA

(NOK 1,000)	2015 YTD (unaudited)	2014 YTD	2015 Q3 (unaudited)	2014 Q3	2014
<b>CASH FLOW FROM OPERATIONS</b>					
Profit/(loss) before tax	18 570	60 477	4 942	17 409	39 100
Taxes paid	-1 807	-26 921	-	-	-57 903
Depreciation	19 476	16 680	6 741	5 972	21 064
Profit of purchase in associates	-22 603	-	-	-	-
Impairment	-	-	-	-	-
Share of (profit)/loss from associates	-4 180	-8 200	-1 251	-3 187	-6 036
Changes in inventory	-9 685	3 083	-2 471	-1 196	-1 801
Net changes in construction loans	-35 159	525 285	69 407	267 802	380 752
Changes in accounts receivables/construction WIP	-65 385	-485 119	-129 585	-212 455	-377 893
Changes in accounts payable	-66 201	-17 920	-28 851	45 410	20 989
Changes in prepayments from customers	81 735	-160 946	-9 104	-71 887	-179 638
Changes in other current receivables/liabilities	19 141	5 867	88 688	269	15 233
<b>Net cash flow from/(to) operating activities</b>	<b>-66 099</b>	<b>-87 714</b>	<b>-1 485</b>	<b>48 137</b>	<b>-146 133</b>
<b>CASH FLOW FROM INVESTMENTS</b>					
Investments in property, plant and equipment	-3 292	-32 875	-1 687	-7 385	-42 585
Investment in intangible assets	-7 068	-10 672	-2 743	-4 944	-20 290
Investment in/disposal of financial assets	12 042	80 623	-108	34 612	136 824
Purchase of subsidiaries	-18 270	-	-	-	-
Interest income	8 106	8 886	889	3 740	12 626
Dividends received	-	-	-	-	1 990
Changes in long term receivables	-5 449	-1 425	-1 846	32	-4 968
<b>Net cash flow used in investing activities</b>	<b>-13 931</b>	<b>44 537</b>	<b>-5 495</b>	<b>26 055</b>	<b>83 597</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
New long term debt	17 363	146 400	1 369	-	146 400
Repayment long term debt	-4 073	-45 784	-339	-3 100	-43 020
Purchase of minority shares in Havyard MMC	-	-25 191	-	-	-25 191
Interest costs	-14 109	-8 636	-5 944	-4 839	-13 475
Purchase/sale of treasury shares	410	5 999	410	5 999	5 999
Dividends	-10 073	-24 996	-	-	-94 996
<b>Net cash flow from/ (used in) financing activities</b>	<b>-10 482</b>	<b>47 792</b>	<b>-4 504</b>	<b>-1 940</b>	<b>-24 283</b>
<b>Net change in cash and cash equivalents</b>	<b>-90 511</b>	<b>4 615</b>	<b>-11 483</b>	<b>72 252</b>	<b>-86 819</b>
<b>Cash and cash equivalents at start of the period</b>	<b>194 562</b>	<b>281 381</b>	<b>168 317</b>	<b>213 745</b>	<b>281 381</b>
Cash and cash equivalents from purchase of subsidiaries	52 783				
Cash and cash equivalents at end of the period	156 834	285 996	156 834	285 997	194 562
Restricted bank deposits at the end of the period	88 412	115 465	88 412	115 465	114 377
<b>Available cash and cash equivalents at the end of the period</b>	<b>68 421</b>	<b>170 531</b>	<b>68 421</b>	<b>170 531</b>	<b>80 185</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENT

Havyard Group ASA

## 1. General information

Havyard Group ASA is a public limited company based in Norway, and its head office is located in Fosnavåg, Herøy. The group in total employs 795 people as of 30 September 2015, of whom approximately 681 are employed in Norway.

Havyard Group ASA was incorporated as a public limited company 25 February 2014, and was listed on the Oslo Stock Exchange 1 July 2014.

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

The Interim Condensed Consolidated Financial Statements for the period ended 30 September 2015 have been prepared in accordance with IAS 34 Interim Financial Reporting. The Interim Condensed Consolidated Financial Statements are not subject to audit, and do not include all the information and disclosures required in the annual Financial Statements. It should be read in conjunction with the Group's annual Financial Statements as of 31 December 2014.

The same use of estimates has been applied as in the Financial Statements for 2014.

## 3. Segment

(NOK 1,000)	2015 Q3					
	Ship Technology	Design & Solution	NES Power & Systems	MMC	Elimination / Other	Havyard Group
Total operating revenue	345 867	57 363	28 192	64 786	(3 498)	492 711
Operating profit /loss EBITDA	(2 797)	2 359	(971)	4 172	1 914	4 676
Depreciation	3 384	921	1 334	1 046	55	6 740
<b>Operating profit/(loss) (EBIT)</b>	<b>(6 182)</b>	<b>1 438</b>	<b>(2 305)</b>	<b>3 126</b>	<b>1 858</b>	<b>(2 065)</b>
Net financial items	6 152	(432)	2 315	(1 290)	(990)	2 825
Share of profit/(loss) from associate	-	-	-	-	1 252	1 252
<b>Profit/(Loss) before tax</b>	<b>(30)</b>	<b>1 005</b>	<b>10</b>	<b>1 836</b>	<b>2 121</b>	<b>4 941</b>

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

(NOK 1,000)	2015 Q3 YTD					
	Ship Technology	Design & Solution	NES Power & Systems	MMC	Elimination / Other	Havyard Group
Total operating revenue	1 029 192	165 587	109 128	212 289	(106 683)	1 409 513
Operating profit /loss EBITDA	(20 083)	15 573	2 444	12 505	1 970	12 409
Depreciation	10 280	2 785	3 114	3 093	204	19 476
<b>Operating profit/(loss) (EBIT)</b>	<b>(30 362)</b>	<b>12 787</b>	<b>(670)</b>	<b>9 412</b>	<b>1 766</b>	<b>(7 067)</b>
Net financial items	3 754	24 186	4 162	(4 728)	(5 918)	21 456
Share of profit/(loss) from associate	-	-	-	-	4 181	4 181
<b>Profit/(Loss) before tax</b>	<b>(26 608)</b>	<b>36 973</b>	<b>3 492</b>	<b>4 684</b>	<b>29</b>	<b>18 570</b>

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

2014 Q3 YTD						
(NOK 1,000)	Ship Technology	Design & Solution	NES Power & Systems	MMC	Elimination / Other	Havyard Group
Total operating revenue	1 371 246	196 494	-	231 032	(125 406)	1 673 366
Operating profit /loss EBITDA	44 290	40 295	-	14 472	(23 322)	75 735
Depreciation	8 811	2 816	-	4 786	267	16 680
<b>Operating profit/(loss) (EBIT)</b>	<b>35 479</b>	<b>37 479</b>	<b>-</b>	<b>9 686</b>	<b>(23 589)</b>	<b>59 055</b>
Net financial items	(1 317)	(2 063)	-	(4 969)	1 573	(6 777)
Share of profit/(loss) from associate	-	-	-	-	8 200	8 200
<b>Profit/(Loss) before tax</b>	<b>34 161</b>	<b>35 416</b>	<b>-</b>	<b>4 717</b>	<b>(13 816)</b>	<b>60 477</b>

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

2014						
(NOK 1,000)	Ship Technology	Design & Solution	NES Power & Systems	MMC	Elimination / Other	Havyard Group
Total operating revenue	1 981 155	300 585	-	296 084	(167 019)	2 410 805
Operating profit /loss EBITDA	32 628	55 797	-	7 352	(29 561)	66 216
Depreciation	12 079	3 681	-	4 863	441	21 064
<b>Operating profit/(loss) EBIT</b>	<b>20 549</b>	<b>52 116</b>	<b>-</b>	<b>2 489</b>	<b>(30 002)</b>	<b>45 152</b>
Net financial items	(104)	(4 834)	-	(5 955)	(1 194)	(12 089)
Share of profit/(loss) from associate	-	-	-	-	6 036	6 036
<b>Profit/(Loss) before tax</b>	<b>20 445</b>	<b>47 282</b>	<b>-</b>	<b>(3 466)</b>	<b>(25 160)</b>	<b>39 099</b>

Elimination/Other includes IPO costs of NOK 15 million

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

#### 4. Non current financial investments

##### 2014

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%	Færøyene	526 668	134 107	61 818
Vestland Offshore Invest AS	16.8%	Torangsvåg	563 254	-14 614	80 187
Other non-current financial investments					30 066
<b>Carrying amount as of 31.12.14</b>					<b>172 071</b>

##### 2015 Q3

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%	Færøyene	673 975	97 112	61 818
Vestland Offshore Invest AS	16.8%	Torangsvåg	583 632	20 379	80 187
Other non-current financial investments					18 024
<b>Balanseført verdi pr. 30.09.15</b>					<b>160 029</b>

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

Changes in carrying amount from 31.12.14 to 30.09.15:

<b>Level 3 investments 31.12.14</b>	<b>172 071</b>
Sale of share in Fosnavåg Vekst	-12 150
Investment in Rhea Capital III AS	109
<b>Level 3 investments 30.09.15</b>	<b>160 029</b>



## 5. Acquisition of subsidiaries

On 26 January 2015, Havyard Group ASA ("Havyard") acquired 12.6 % of the shares in Norwegian Electric Systems AS ("NES") for NOK 18.3 million, increasing its ownership in NES to 50.5 %. The acquisition is paid in cash and is financed from existing cash balance in Havyard Group ASA.

Norwegian Electric Systems AS is a high-tech electrical company with a focus on diesel electric and hybrid electric systems for the global maritime market. The company employs 36 persons, and delivers main switchboards, generators, motors and complete systems including engineering.

Securing majority ownership in NES represents an important step in Havyard's strategic growth, and is consistent with a long term strategy in Havyard of controlling larger parts of the value chain. It also secures that the two companies will obtain synergies, especially within product development and production.

The acquisition date for accounting purposes is set to 1 February 2015. The acquisition is regarded as a business combination and has been accounted for using the purchase price method of accounting in accordance with IFRS 3. A purchase price allocation (PPA) has been performed to allocate the cash consideration to fair value of assets and liabilities from Norwegian Electric Systems AS. Fair value is determined based on guidance in IFRS 13.

### The acquisition consists of:

Book value previously owned shares	17 018
Profit on previously owned shares	22 603
Cash decreased for control premium	13 270
<b>Total acquisition for allocation</b>	<b>52 891</b>

The recognised amounts of assets and liabilities assumed as at the date of the acquisition were as follows.

Amounts in NOK 1000	01.02.15
R&D	5 505
Equipment and other fixed assets	2 701
Inventories	5 284
Trade accounts payable	49 278
Other short-term receivables	26 652
Cash and cash equivalents	52 783
<b>Total assets</b>	<b>142 205</b>

Deferred tax	8 995
Trade creditors	37 085
Tax payable	1 310
Public duties payable	2 343
Other short-term liabilities	59 955
<b>Total liabilities</b>	<b>108 688</b>

Total identifiable net assets at fair value	33 517
Group share (50,5%)	16 716
Goodwill arising on acquisition	36 175
Share of identifiable added value at net value	52 891



The goodwill arises principally because of expected synergies, especially within product development and production. The purchase price allocation is preliminary and may be adjusted during the year.

From the date of acquisition to 31 September 2015 NES contributed NOK 109.1 million to group operating revenues and NOK 2.5 million to group profit. If the acquisition had taken place at the beginning of the year, Havyard group operating revenues and profit of the year 2015 would have been NOK 126.3 million and NOK 2.8 million, respectively.

## 6. Share capital and share information

	2015 Q3	2014
Number of ordinary shares	22 528 320	22 528 320
Par value (NOK)	0,05	0,05
<b>Share capital (NOK)</b>	<b>1 126 416</b>	<b>1 126 416</b>

All shares have equal rights.

### 2015

The Group has paid a dividend of MNOK 10.1 in March 2015.

### 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.

### Dividends and group contributions

The Group has paid a dividend of MNOK 60.0 in October 2014, and MNOK 10.1 in December 2014. In addition, the Group has paid dividend of MNOK 24.8 based on the 2013 financial statement.

Shareholders as of 30.09.2015	Controlled by	Number of shares	Ownership
Havila Holding AS		14 300 000	63,5 %
Geir Johan Bakke AS	Geir Johan Bakke (CEO)	1 202 520	5,3 %
SEB Private Bank S.A. (Nom)		570 700	2,5 %
Morgan Stanley & CO. LLC (Nom)		495 131	2,2 %
Goldman Sachs & CO Equity (Nom)		489 308	2,2 %
Erle Invest AS		406 538	1,8 %
MSIP Equity		345 331	1,5 %
Goldman Sachs Int. equity (Nom)		295 234	1,3 %
Solsten Investment Funds PLC		269 500	1,2 %
Jonfinn Ulfstein		242 980	1,1 %
Arve Helsem Leine		242 980	1,1 %
Stig Magne Espeseth		242 980	1,1 %
Other shareholders (<1 %)		3 425 118	15,2 %
<b>Number of shares</b>		<b>22 528 320</b>	<b>100,0 %</b>

Ultimate controlling company of the Group is Havila Holding AS. 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.





