HAVYARD GROUP ASA

IR summary Q3 2018 - 29.11.18

Headlines/Milestones Q3 2018

HAVYARD
CHANGE OUR INDUSTRY

- The Group's operating result (EBIT) in third quarter was lower than expected. The main reasons is agreed postponed activity on a major ship building project and postponed delivery of charging equipment. There has also been non-recurring expenses associated with closing down the activity at MMC FP Tromsø.

- EBIT of NOK 0.7 million and EBIT-margin of 0.13% in third quarter of 2018 and EBIT of NOK 1.4 million year to date in 2018 and EBIT-margin of 0.09 %
- Loss for the period for Q3 of NOK -2,1 million and margin -0,41% and loss of period of first half of NOK -29,3 million and margin -1,88%.

- Through the ferry projects that have been delivered, we have received verified calculus assumptions that support expectations of good profitability and activity for 2019.

- **Considerable new contracts in third quarter**

  - Shipbuilding Technologies
    - Newbuild of live fish carrier to Norsk Fisketransport with repeat-design from Ship Design & Solutions and equipment from our companies in the Fish Handling and Power & Control business segments.
    - Newbuild of two windfarm service vessels to Esvagt with design from Ship Design & Solutions.
  - Ship Design & Solutions
    - Design and equipment for four ships including a comprehensive delivery from Power & Control to Havila Kystruten.

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.

- 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 5.1 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 third quarter figures showes improvment.

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

The order bool for 2019 and 2020 provides a good foundation for activity and profitability. Activity within new building will increase during the year with approximately full utilization for 2018 and through 2019.

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

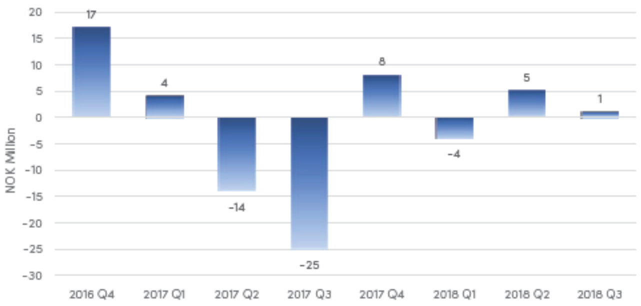
The order backlog has grown significantly and focus is on profitability in addition to ensuring increased competitiveness for the other business areas in Havyard as an important subcontractor. Figures from third quarter show that the actions to increased profitability works and the increased activity within shipyard and offshore sector increase the need for good control within the supply chain.

Group Key Figures

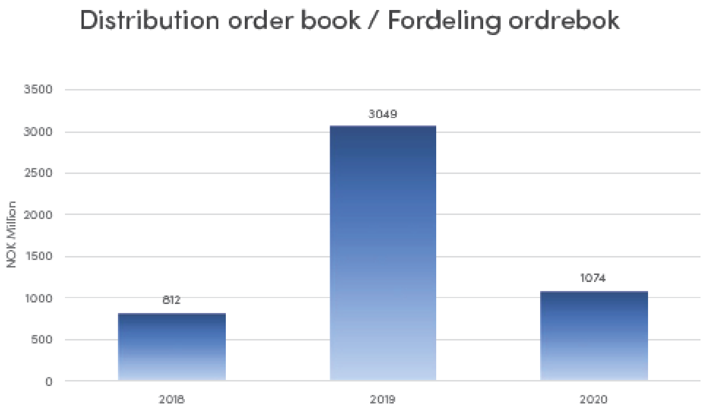
	2018 YTD	2017 YTD	2018 Q3	2017 Q3	2017
EBIT-margin	0,09 %	-3,61 %	0,13 %	-7,07 %	-2,05 %
Resultat pr aksje	-1,18	-1,90	-0,09	-1,66	-2,10
Netto rentebærende gjeld	160	28	160	28	92
Arbeidskapital	127	106	127	106	102
Eiendeler	2 011	1 270	1 488	1 270	1 337
Egenkapital	453	439	453	439	481
Egenkapitalandel	22,5 %	34,5 %	22,5 %	34,5 %	36,0 %

Operating revenue / Driftsinntekter

EBIT / Driftsresultat



Order backlog



- External order backlog of approx. MNOK 5.062 (Q4 2017: 2.845)
  - 2018 - MNOK 812
  - 2019 - MNOK 3.049
  - 2020 - MNOK 1.074

Figures per segment

2018 YTD

(NOK million)	Ship building Technology	Ship Design & Solutions	Power & Control	Fish Handling	Production & Services	Other	Havyard Group
Operating revenues, External	911,2	125,3	70,00	256,7	79,5	118,6	1 561,3
Operating revenues, Internal	0,79	73,0	214,89	20,8	76,3	-385,9	0,0
Total operating revenue	911,97	198,3	284,89	277,5	155,8	-267,2	1 561,3
Operating profit /loss EBITDA	**-13,78**	**59,3**	**-8,74**	**-2,6**	**-3,5**	**-8,6**	**21,9**
Depreciation	9,06	3,5	1,05	5,6	1,1	0,3	20,5
Operating profit/(loss) (EBIT)	-22,84	55,8	-9,78	-8,2	-4,6	-8,9	1,4
Net financial items	-5,36	2,2	2,46	-3,1	-0,9	-14,9	-38,2
Profit/(loss) from associate	0,00	0,0	0,00	0,0	0,0	-5,3	-5,3
Profit/(Loss) before tax	-28,20	58,0	-7,32	-11,2	-5,5	**-23,8**	**-36,8**
Income tax expense	-6,49	13,2	-1,59	-3,3	-1,3	-4,2	-7,4
Profit/(Loss)	**-21,72**	**44,8**	**-5,73**	**-8,0**	**-4,2**	**-19,6**	**-29,3**

Balance sheet

ASSETS

	2018 Q3 unaudited urevidert	2017 Q3	2017
Non-current assets			
Goodwill	141 003	103 045	141 003
Licenses, patents and R&D	114 355	95 138	107 144
Property, plant and equipment	200 638	235 273	233 440
Investment in associates	16 989	15 345	22 407
Loan to associates	0	27 721	12 746
Investment in financial assets	27 187	27 091	27 603
Other non-current receivable	22 575	9 744	22 370
Total non-current assets	**522 747**	**513 356**	**566 713**
Current Assets			
Inventory	136 144	118 056	115 184
Accounts receivables	168 374	123 266	136 077
Other receivables	144 822	105 235	104 923
Customer contracts, assets	831 323	136 502	208 355
Cash and cash equivalents	207 447	273 967	206 068
Total current assets	**1 488 110**	**757 026**	**770 608**
TOTAL ASSETS	**2 010 857**	**1 270 382**	**1 337 321**

- Net interest bearing debt: MNOK 160
- Working capital: MNOK 127
- Equity ratio: 22.5 %

EQUITY AND LIABILITIES

	2018 Q3 unaudited urevidert	2017 Q3	2017
Equity			
Share capital	1 239	1 239	1 239
Share premium reserve	22 535	22 535	22 535
Treasury shares	-3	-5	-5
Retained earnings	347 545	362 920	356 930
Non-controlling interest	81 830	52 008	100 246
Total equity	**453 146**	**438 698**	**480 945**
Non-current liabilities			
Deferred tax liability	9 208	24 900	10 999
Derivatives	0	0	667
Bond loan	80 440	89 042	86 885
Loans and borrowings, non-current	102 666	64 041	63 366
Liabilities to parent company	0	0	23 419
Other long-term liabilities	4 572	2 435	2 250
Total non-current liabilities	**196 885**	**180 418**	**187 585**
Current liabilities			
Accounts payables	248 180	151 485	143 466
Taxes payable	8 213	3 812	8 196
Public duties payables	42 846	18 088	34 643
Construction loans	547 338	0	0
Bond loan (installments next period)	10 000	7 500	10 000
Loans and borrowings, current	91 191	11 223	23 196
Customer contracts, liabilities	211 314	253 750	175 943
Other current liabilities	201 744	205 409	273 346
Total current liabilities	**1 360 826**	**651 267**	**668 790**
Total liabilities	**1 557 711**	**831 684**	**856 375**
TOTAL EQUITY AND LIABILITIES	**2 010 857**	**1 270 382**	**1 337 321**

HAVYARD
CHANGE OUR INDUSTRY

Cash Flow

(NOK 1,000)	2018 YTD	2017 YTD	2017
	unaudited urevidert		
CASH FLOW FROM OPERATIONS			
Profit/(loss) before tax	-36 781	-58 585	-71 794
Taxes paid	-	-2 106	-6 824
Depreciation	20 544	21 339	29 178
Net interest	6 035	7 006	12 114
Change in value financial derivatives	-2 473	-	28 806
Change in bond loan (amortization)	-141	1 230	1 573
Profit/loss disposals property, plant and equipment	-1 445	-	-
Impairment financial assets	18 645	-	5 681
Share of (profit)/loss from associates	5 344	9 739	2 677
Changes in inventory	-20 959	-3 152	111
Net changes in construction loans	547 338	-149 163	-149 163
Changes in accounts receivables	-32 297	121 557	26 148
Changes in accounts payable	-595 427	29 998	20 204
Changes in customer contracts, asset	104 713	137 282	15 674
Changes in customer contracts, liability	35 371	-	59 475
Changes in other current receivables/liabilities	-39 885	-41 619	11 571
Net cash flow from/(to) operating activities	**8 562**	**73 527**	**-14 568**

Positive CF from operations in 2018:

- Deficit
- Impairment of financial assets
- Accruals regarding projects

Negative CF from Investments in 2018:

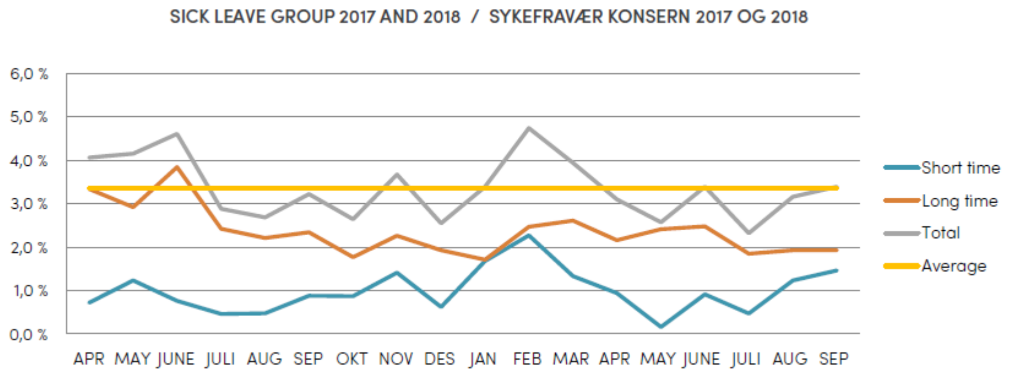
- Positive effect from sale of property
- Negative effect from purchase of shares in subsidiary

Positive CF from financing 2018:

- New long term debt
- New loan in subsidiary, presented as equity based on agreement.

	2018 YTD	2017 YTD	2017
CASH FLOW FROM INVESTMENTS			
Investments in property, plant and equipment	-4 941	-14 758	-17 312
Disposal of property, plant and equipment	24 000	-	-
Investment in intangible assets	-13 200	-13 141	-24 670
Investment in financial assets	-225	-11 579	-18 310
Disposal of financial assets	-55 000	3 619	3 111
Purchase of shares in subsidiaries (see note 4)	-	4 122	-
Dividends received	-	-	507
Interest income	-	-	2 210
Changes in long term receivables	-6 103	10 238	17 640
Net cash flow used in investing activities	**-55 469**	**-21 499**	**-36 823**
CASH FLOW FROM FINANCING ACTIVITIES			
New long term debt	55 000	11 023	35 596
Repayment non-current debt	-20 700	-42 640	-45 519
Payment of loan in subsidiary (see note 10)	20 000		-
Cost renegotiation bond loan		- 1 643	-1 643
Interest payment	-6 035	- 11 128	-14 324
Purchase/sale of treasury shares		270	270
Net cash flow from/ (used in) financing activities	**48 265**	**-44 119**	**-25 619**
Net change in cash and cash equivalents	**- 1 378**	**17 909**	**-77 012**
Cash and cash equivalents at start of the year	**206 068**	**266 057**	**266 057**
Cash and cash equivalents from merger in subsidiary	-		17 023
Cash and cash equivalents at end of the period	207 447	273 967	206 069
Restricted bank deposits at the end of the period	78 323	127 902	89 402
Available cash and cash equivalents at the end of the period	**129 123**	**146 065**	**116 667**

HSE / QA



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

Average sick leave

- Last 18 months sick leave on 3.30 %
- In 2018 sick leave on 3.26 %

Injuries resulting in absence from work

- 1 injurie 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