



Trading update Q3 2017

Expansion program completed, efficiency improved

Roermond, The Netherlands – 10 November 2017



Sif

Highlights and Key Figures for Q3 2017

Highlights:

- > Official opening of the new production plant at Maasvlakte 2 in Rotterdam
- > Contract awards for Tritan Knoll (offshore wind) and Peregrino (oil & gas)
- > Timely delivery of monopiles and transition pieces for Hohe See and Rentel offshore wind parks
- > Timely delivery of pin-piles for Oseberg and Sverdrup oil & gas jacket foundation

Key figures:

- > Contribution Year to Date increased by 6.2% to € 104.7 million (€ 98.6 million YTD 2016)
- > Normalized EBITDA Year to Date decreased by 18.2% to € 44.9 million (€ 54.9 million YTD 2016)
- > Operating Working Capital at end of Q3 2017 € 6,5 million (€ 18.1 million at end of Q2 2017)
- > Net Debt at end of Q3 2017 € 32.1 million (€ 47.7 million at end of Q2 2017)
- > Throughput of 59 Kton brings Year to Date production to 167 Kton (142 Kton YTD Q3 2016)
 - o 90% for offshore wind
 - o 10% for offshore oil & gas
- > Orderbook 53 Kton for Q4 2017, 122 Kton for 2018 and 60 Kton for 2019

In € million	YTD 2017	YTD 2016	Change YoY	Q3 2017	Q3 2016	Change QoQ
Contribution	104.7	98.6	+6.2%	30.3	33.3	-9.0%
EBITDA (normalized)	44.9	54.9	-18.2%	11.2	18.0	-37.8%
Kton production	167	142	+17.6%	59	45	+31.1%
Orderbook in Kton end of Q3 2017	For 2017		For 2018		For 2019 and beyond	
Contracted	53		122		60	
Exclusive negotiation	0		0		0	
Total for the year	53		122		60	

Jan Bruggenhijs, CEO of Sif-group, comments:

Q3 has been a quarter with strong, timely delivery of structures for our clients; Sif is on track for a year of record production at approximately 220 Kton. Looking to the future, we have been encouraged by winning Triton Knoll, the first major offshore wind award for 2019, and Peregrino, the only significant oil & gas contract in the period.

Sif is now a significantly bigger and more capable business. Our new production plant at Maasvlakte, is Europe's premier manufacturing facility for major-scale offshore installations. After the successful start-up, both production lines are already running at maximum capacity (150 Kton pa). With group annual maximum capacity of 300 Kton, we now have the industrial capability to meet the energy industry's demand through the next decade. And at Rotterdam, it is ideally located close to customer's preferred sites in the North Sea.

While servicing clients and building strategic capacity, the management team has also focused on the sales challenge of 2018, next to our focus on efficiency improvement. Key areas of attention have been the start-up of the second production line in Rotterdam, upgrade of production capacity in Roermond for cans and cones and alignment between the Roermond and Rotterdam facilities.



I'm pleased to say that measures to increase efficiency have resulted in higher output. This will partly compensate for the pressure on EBITDA from increased labor costs. Costs associated with training and the new facility start-up are non-recurring and will be spent before the first quarter of 2018. Given the muted demand outlook for 2018, we have made contingency plans to optimize our utilization of resources.

Q3 2017 Results development

Contribution

Contribution is not impacted by fluctuations in the cost of steel and the level of subcontracted services that are passed on to the client at no or limited margins. It is therefore a more accurate performance indicator than Revenues.

Contribution in Q3 2017 amounted to € 30.3 million (€ 33.3 million in Q3 2016). In Q3 2017 Sif produced 59 Kton, compared to 45 Kton in the same period in 2016. This results in Contribution of € 627 per Kton YTD 2017 compared to € 694 per Kton for the comparable period 2016.

Contribution is calculated as revenues minus cost of raw materials, subcontracted work, logistic and other external project related charges and is a key financial indicator for Sif.

EBITDA (normalized)

EBITDA (normalized) in Q3 2017 amounted to € 11.2 million compared to € 18.0 million in Q3 2016. The essential character of Sif's business model is reflected in EBITDA- variance over the reporting periods. 2016 in that respect was a highly efficient year resulting in exceptional earnings. YTD's EBITDA suffered from increased labor costs that could only be partly compensated by better efficiency. The set-up of the new production lines in Rotterdam had both recurring (security) and non-recurring (set-up and training) cost effects that put pressure on EBITDA. In Q3 the second production line was close to completion. From Q4 the costs with a non-recurring nature will fade.

EBITDA (normalized) is calculated as profit before finance expenses, tax, depreciation, amortization and IPO related costs.

Net debt

Net debt decreased from € 47.7 million at the end of Q2 2017 to € 32.1 million at the end of Q3 2017. With the completion of the production expansion program of approximately € 90 million, Sif will return to maintenance Capex with levels of between € 6 and € 8 million on an annual basis.

Outlook

For the Full Year 2017 we anticipate total production of 220 Kton, which is approximately 5% lower than our output forecast at the release of interim results. This is due to a shift of production into 2018. The full year 2017 EBITDA effect hereof will be a shortfall of approximately 8% on our latest outlook. As previously stated, we anticipate a slower 2018, with 122 Kton currently in the order book. Accordingly, we are reviewing short-term costs aggressively, while mindful of the need to preserve critical skills capacity for what is fundamentally a growth market through the next decade.

The completion of our investment program at Maasvlakte has ramped up Sif's annual maximum manufacturing capacity from 225 Kton to 300 Kton. We can now comfortably cater for growth in modern monopiles with diameters up to 11 meters and over 120 meters in height. Sif can benefit from the anticipated growth in offshore wind activities in the North Sea from 2019 when [according to MAKE consultants] capacity additions will average more than 3 GigaWatts per annum.

Looking to 2019, the first projects have been booked from a well-filled order pipeline. Our confidence in our future positioning of Sif rests on our own visibility of the contract pipe-line, and third party projections for European offshore wind indicating compound annual growth in the mid-single digits for the period 2015- 2025.

2018 Financial Calendar

15 March 2018	Q4 and FY 2017 results
29 March 2018	2017 annual report
3 May 2018	Q1 trading update
3 May 2018	Annual General Meeting of Shareholders 2018
24 August 2018	Q2 and 2018 interim results
8 November 2018	Q3 trading update

Contact

telephone

Fons van Lith, Investor relations
+31 (0)475 331 82
+31 (0)651 314 952
f.vanlith@sif-group.com

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