

Full year results 2019; Gradual Recovery, investments in new services and industry scale- up

Operational highlights:

- > LTIF¹ of 2.39 (0.97 in 2018), TRIF² of 19.1 (15.59 in 2018) too high despite increased safety awareness;
- > Contracts won for Akita- Noshiro, Borssele 5, Hollandse Kust Zuid 1-4, Saint Nazaire and Sverdrup;
- > In time and budget completed investment of € 6 million in new build of 2 coating halls;
- > Haliade 12 MW wind turbine at Maasvlakte 2 successfully produced first power;
- > DEME first client for new marshalling services offered by Sif at additionally leased Maasvlakte 2 site;
- > Despite 3 months delay on Borssele 3-4, timely delivery of monopiles and transition pieces for Borssele 1-4, Seamade and Triton Knoll offshore wind farms and Sverdrup parts;
- > Total throughput of approximately 185 Kton of steel (2018: 138 Kton) or 190 monopiles and primary steel for 130 transition pieces
 - o 174 Kton (or 94%) for offshore wind
 - o 9 Kton (or 5%) for oil & gas
 - o 2 Kton (or 1%) for other industries.

Key figures 2019:

First reporting under IFRS 16; all 2019 numbers presented are IFRS 16 unless stated otherwise. No previously reported numbers are for reasons of comparison corrected for IFRS 16

- > FY 2019 contribution of € 101.5 million (FY 2018 € 74.3 million);
- > FY 2019 EBITDA of € 26.4 million (FY 2018 € 13.3 million). Pre IFRS 16 EBITDA is € 22.1 million;
- > FY 2019 profit attributable to the shareholder € 5.5 million (FY 2018 -€ 2.1 million);
- > Earnings per share 2019 € 0.22 (-€ 0.08 in 2018);
- > Year-end 2019 net working capital € 4.3 million (YE 2018 € 14.2 million);
- > Year-end 2019 net debt pre IFRS 16 is € 21.3 million (YE 2018 € 30.4 million);
- > Order book as of today approx. 170 Kton for 2020; approx. 100 Kton for 2021 and beyond (Vineyard excluded).

In € million	FY 2019	FY 2018	6 YOY
Contribution	101.5	74.3	36.6%
EBITDA	26.4	13.3	98.5%
Earnings after tax	5.5	-2.1	nm
Kton production	185	138	34.1%
EPS	0.22	-0.08	nm

Order book at 13 March 2020	For 2020	For 2021 & beyond
Contracted	170	100
Exclusive	0	0

¹ Lost Time Injury Frequency: number of lost time injuries per million working hours

² Total Recordable Injury Frequency: number of injuries per million working hours (first aid treatment excluded)

CEO Fred van Beers: 'In recent years our focus has been on realizing our new facilities and on changes to the production lay-out. Now focus is more geared towards further improving the production processes. Changing demand, but also low efficiency resulted in, among other things, bottlenecks in coating and logistics in 2019. Once additional investments and internal changes had been completed, we gained more control over both our internal processes and the changing demand. This is reflected by the results for the last quarter of 2019. At 45 kilotons, output was in line with expectations, while the €34.9 million contribution partially offsets the lower-than-expected contribution for previous 2019 quarters.

The impact of process-focus and more qualified staff was reflected in Q4 in terms of both volume and first-time-right deliveries. Although pleased with the improved safety performance in the second half of Q4 – we are by no means satisfied with the safety and operational performance results for the full year 2019. Efficiency levels were too low, while the number of internal errors was too high. The causes thereof have been identified and mitigating measures have been implemented, which have resulted in significant organizational and procedural changes in Q1 2020.

The offshore wind energy industry continues to mature, with steep learning curves in Europe, Asia and the USA. In particular in Europe, robust demand is expected for the medium term. This is resulting in more efficient and reliable project planning, and we therefore expect to see a decrease in volatility in our project stream. The industry is currently challenged by the question where the trend towards progressively larger units will end. Sif believes that, taking the pre-condition of serial economically sound manufacturing processes as a basis, the industry is approaching its limits with turbines (and foundations for turbines) of 12 to 15 MW. Finding an answer to this challenge is a key priority for our company, along with the ability to efficiently meet the increased demand for offshore wind monopile foundations for the upcoming years. In-house developments in recent months and the efficiency improvement measures scheduled to be implemented the first half of 2020 in our operational organization and processes give us the confidence that we are well prepared to meet these exciting challenges ahead of us.'

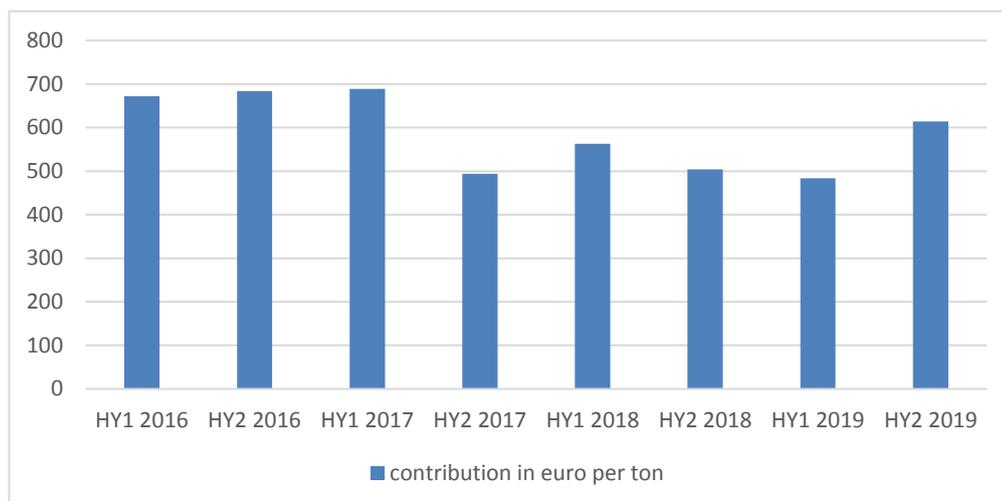
FY 2019 results development

All amounts and numbers in this results press release are based on the Company's annual accounts that will be published in draft today and that will be presented to the Annual General Meeting of Shareholders for approval on 14 May 2020. All numbers are IFRS 16, unless expressly stated otherwise. Numbers from previous reporting periods have not been corrected for IFRS 16 effects.

Contribution

Contribution³ in 2019 was € 101.5 million, some 36.6% higher than in 2018. This brought the 2019 contribution per ton to € 548 compared to € 538 per ton for 2018. The graph below indicates the development of contribution per ton since early 2016.

³ We define contribution as revenue minus cost of sale. Cost of sale includes the costs of raw materials, subcontracted work and other external charges, logistics and other project-related expenses.



Total production was 185 Kton (190 monopiles and black steel for 130 transition pieces) compared to 138 Kton in 2018. Production in 2019 was equally spread over the quarters. Contribution in the first quarter however suffered from the push from 2018 into 2019 of the delayed Borssele 3-4 project. This also impacted other projects that were initially (partly) planned for production in Q1 2019. As a consequence, contribution in Q2 was moderate on a relatively high production output. Timing of project deliveries may result in a certain volatility in contribution and earnings over the quarters. This is reflected in the above graph. In the last quarter of 2019, a few large projects were approaching delivery or were actually delivered.

Year on year revenues increased by 38.5% to € 325.6 million (€ 235.1 million in 2018).

EBITDA

EBITDA⁴ was € 26.4 million in 2019 compared to € 13.3 million in 2018. At a higher production level than in 2018 and a slightly better contribution margin per ton, EBITDA improved by 98.5%. Gross profit increased by 40%. After the scale-down of our workforce in 2018, the increased activity level required a re-hire of flexible staff. Combined with the tightness of the labor-market for skilled craftsmen, and the lacking productivity, this put pressure on margins for the full year. Earnings attributable to the shareholder were € 5.5 million in 2019 compared to a € 2.1 million loss in 2018. Earnings per share were € 0.22 compared to a € 0.08 per share loss in 2018.

At the end of 2019 our workforce was composed of 319 permanent and 339 flexible staff (658 Fte total) compared to 272 permanent and 157 flexible staff (429 Fte total) at the end of 2018. An increase of 53%.

Net debt

The IFRS16 effect on net debt is approximately € 59 million and mainly results from the inclusion of the land lease at Maasvlakte 2 (existing 42 hectares and newly leased 20 hectares). On a pre-IFRS16 basis net debt is approximately € 21.3 million (end of 2018: € 30.4 million). Reported net debt at the end of 2019 therefore amounts to € 80.3 million. CAPEX in 2019 was € 21.2 million with annual depreciation at a level of € 12.8 million (pre-IFRS16). The 2019 CAPEX includes, among others, maintenance CAPEX, new built coating facilities and, on consolidation basis, the Haliade Wind Power installation on Maasvlakte 2.

⁴ EBITDA is calculated as profit before finance expense, tax, depreciation and amortization

Banking covenants are based on pre-IFRS16 numbers and result in an actual leverage ratio of 0.96 at the end of 2019 (covenant at max 2.5) and solvency of 47% at the end of 2019 (covenant at min 30%).

Operating working capital and cash flows

Cash flow from operating activities in 2019 was € 30.9 million. Net working capital stood at € 4.3 million at the end of 2019 (€ 14.2 million at the end of 2018).

Order book tonnage and outlook

The current order book for 2020 includes approx. 170 Kton production volume. We still see some opportunity to slightly increase this amount and we expect to end 2020 with a production volume in line with 2019. The order book for 2021 and beyond is at approx. 100 Kton and does not include Vineyard (103 Kton) anymore. We consider the project as a future opportunity without any certainty on the production window, given the total unclarity on the status and technical lay-out of the opportunity.

The result for the year 2019 was impacted by two difficult quarters. Along the way we got a better grip on the situation and improvements were evident when the year progressed towards the end. With production volumes now better spread over 2020 and with overall better margins on projects at hand, we expect results to be markedly better than in 2019. Meanwhile we also see strong tender activity for a healthy opportunity pipeline in Europe and startup of windfarm projects in Asia and also in USA. Demand and supply for foundations will show a better balance in the years ahead than we have seen the past 2 years. For 2020 we have maintenance capex and targeted investments to be in the range of € 10 – 12 mio related to safety and production process optimization only.

Dividend

Profit attributable to the shareholders amounted to € 5.5 million. The Executive Board, with the approval of the Supervisory Board, has decided to add the full result to the reserves of the Company. Main considerations are the less than expected result for 2019 in combination with the current global uncertainties and the investments required to keep up with the growth of turbines and foundations the industry may demand in the coming years.

Statement by the Management Board

The Executive Board declares that, to the best of its knowledge:

1. The financial statements as included in this release and the 2019 Annual Report provide a true and fair view of the assets, liabilities, financial position and profit for the financial year of Sif Holding N.V. and the Group companies included in the consolidation;
2. The report of the Executive Board as included in the 2019 Annual Report provides a true and fair view of the situation on the balance sheet date and the business development during the financial year of Sif Holding N.V. and its affiliated Group companies included in the consolidated financial statements. The report of the Executive Board describes the material risks to which Sif Holding N.V. is exposed.

Financial calendar

13 March 2020	FY 2019 Earnings
14 May 2020	AGM and Trading Update Q1 2020
28 August 2020	HY 2020 Earnings
6 November 2020	Trading Update Q3 2020

Presentation of 2019 results

In line with recommendations and company policy to restrict travelling and presence at meetings, Sif has decided to cancel the webcast analyst meeting for 13 March 2020 at 9.30 hrs. An investor- road show will be organized later in 2020.

Contact information

Investor relations

Fons van Lith

telephone	+31 (0)475 385 777
mobile	+31 (0)6 51314952
e-mail	f.vanlith@sif-group.com

Disclaimer

Some of the statements contained in this release that are not historical facts are statements of future projections and other forward-looking statements. These statements are based on the management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from the statements. Historical results are no guarantee of future performance. Forward-looking statements are subject to various risks and uncertainties, which may cause Sif's actual results and business performance to differ materially and adversely from the forward-looking statements. Certain forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "may", "will", "should", "would be", "expects", "anticipates" or similar expressions, or the negative thereof, or other variations thereof, or comparable terminology, or by discussions of strategy, plans, or intentions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this release as anticipated, believed, or expected. Sif neither intends nor assumes any obligation to update any industry information or forward-looking statements set forth in this release in order to reflect subsequent events or circumstances. The content of this trading update is for information purposes only and is not intended as investment advice, nor does it constitute an offer or solicitation for the purchase or sale of any financial instrument. Sif does not warrant or guarantee the completeness, accuracy, or fitness for any particular purposes of the information included in this release.

Consolidated statement of profit or loss and other comprehensive income for year ended 31 December 2019

Amounts in EUR '000	2019	2018
Total revenue from contracts with customers	325.600	235.140
Raw materials	151.357	104.839
Subcontracted work and other external charges	47.732	44.829
Logistic and other project related expenses	24.994	11.136
Direct personnel expenses	30.332	24.165
Production and general manufacturing expenses	14.378	9.689
Indirect personnel expenses	19.275	14.808
Depreciation and amortization	17.207	13.682
Facilities, housing and maintenance	5.372	6.648
Selling expenses	994	648
General expenses	4.660	4.073
Other expenses	133	1.716
Operating profit	9.164	(1.094)
Impairment losses on financial assets	(22)	(39)
Finance costs	(2.667)	(1.677)
Finance costs and impairment losses	(2.689)	(1.716)
Share of profit of an associate and joint ventures	53	13
Profit before tax	6.528	(2.797)
Income tax expense	818	(746)
Profit after tax	5.710	(2.051)
Attributable to:		
Non-controlling interests	222	-
Equity holders of Sif Holding N.V.	5.488	(2.051)
Profit after tax	5.710	(2.051)
Earnings per share		
Number of ordinary shares outstanding	25.501.356	25.501.356
Basic earnings per share (EUR)	0,22	(0,08)
Diluted earnings per share (EUR)	0,22	(0,08)

Consolidated statement of financial position as at 31 december 2019

Amounts in EUR '000	31-dec-2019	31-dec-2018
Assets		
Intangible fixed assets	1.609	1.230
Property, plant and equipment	119.459	111.370
Right-of-use assets	56.567	-
Investment property	400	400
Investments in joint ventures	94	41
Deferred tax asset	181	-
Total non-current assets	178.310	113.040
Inventories	312	367
Contract assets	13.345	28.891
Trade receivables	45.242	47.608
Other financial assets	20	90
Prepayments	802	754
CIT receivable	2.376	543
Cash and cash equivalents	1.579	505
Total current assets	63.677	78.758
Total assets	241.986	191.799
Equity		
Share capital	5.100	5.100
Additional paid-in capital	1.059	1.059
Retained earnings	74.828	79.430
Result for the year	5.488	(2.051)
Equity attributable to shareholder	86.475	83.538
Non-controlling interests	222	-
Total equity	86.697	83.538
Liabilities		
Revolving credit facility	22.872	-
Lease Liabilities	54.255	-
Employee benefits	287	315
Deferred tax liabilities	-	80
Other non-current liabilities	1.487	2.031
Total non-current liabilities	78.901	2.426
Revolving credit facility	-	30.882
Lease Liabilities	4.743	-
Provisions	-	263
Trade payables	37.733	42.353
Contract Liabilities	17.625	21.079
Employee benefits	2.390	1.555
Wage tax and social security	317	1.471
VAT payable	1.731	4.276
Other current liabilities	11.850	3.956
Total current liabilities	76.388	105.835
Total liabilities	155.289	108.261
Total equity and liabilities	241.986	191.799

Consolidated statement of cash flows for the year ended at 31 december 2019

Amounts in EUR '000	2019	2018
Cash flows from operating activities		
Profit before tax	6.528	(2.797)
Adjustments for:		
Depreciation and amortization of Property, Plant and Equipment	12.773	13.682
Depreciation of right-of-use assets	4.434	-
Unrealised changes in joint ventures	(53)	(13)
Impairment losses on financial assets	-	(39)
Net finance costs	2.667	1.677
Changes in net working capital		
o Inventories	55	(65)
o Contract assets and liabilities	12.092	1.074
o Trade receivables	2.366	540
o Prepayments	431	1.014
o Trade payables	(721)	(11.811)
	<u>34.043</u>	<u>6.059</u>
VAT payable and receivable	(2.545)	2.772
Employee benefits	807	206
Provisions	(263)	263
Wage tax and social security	(1.154)	118
Other current liabilities	(984)	2.181
	<u>(4.139)</u>	<u>5.540</u>
Income taxes paid	(2.913)	(1.815)
Interest paid	(2.667)	(1.439)
Net cash from operating activities	<u>30.853</u>	<u>5.548</u>
Cash flows from investing activities		
Purchase of intangible fixed assets	(417)	(1.191)
Purchase of property, plant and equipment	(14.138)	(1.952)
Loans and borrowings to joint ventures	70	(75)
Net cash from (used in) investing activities	<u>(14.485)</u>	<u>(3.218)</u>
Cash flows from financing activities		
Movements in revolving credit facility	(8.490)	4.899
Proceeds from new borrowing	80	50
Payment of lease liabilities	(4.334)	-
Dividends	(2.550)	(7.650)
Net cash from (used in) financing activities	<u>(15.294)</u>	<u>(2.701)</u>
Net increase / (decrease) in cash and cash equivalents	<u>1.074</u>	<u>(372)</u>
Cash and cash equivalents at 1 January	<u>505</u>	<u>877</u>
Cash and cash equivalents at 31 December	<u>1.579</u>	<u>505</u>