



Operational Highlights and Key Figures Q1 2020

Operational highlights

- > Continuation of safety performance with zero Lost Time Injuries
- > Production of transition pieces and monopiles for Triton Knoll and Borssele 1, 2, 3, 4 & 5;
- > Production of jacket- components for Sverdrup P2 and Hod-field;
- > Start-up production Akita-Noshiro and Saint Nazaire;
- > Marshalling services contract with Siemens Gamesa for 2021-2023 timeframe
- > Mitigation measures in relation to COVID 19 outbreak;
- > Workforce at end of Q1 at 236 flexible and 312 permanent FTE (End of Q1 2019; 220 flexible and 292 permanent)
- > Total throughput of approximately 35 Kton steel (42 Kton in Q1 2019);
- > Post quarter event: Exclusive negotiations for undisclosed offshore wind project of 130 Kton

Key figures

- > Contribution €20.8m (€18.8m Q1 2019)
- > EBITDA €2.7m (€4.1m Q1 2019)
- > Net Working Capital at end of Q1 2020 - €41.8m (- €21.8m at end Q1 2019)
- > Net debt at the end of Q1 2020 - €21m (net cash) (€ 21.3m at end 2019)¹
- > Order book approximately 135 Kton for remainder 2020 and 230 Kton for 2021 and beyond

Fred van Beers, CEO of Sif Group, comments:

“In the first quarter of 2020 we delivered monopiles and transition pieces to the Triton Knoll and Borssele 1, 2, 3, 4 and 5 projects. In parallel, we started production for Akita-Noshiro and Saint Nazaire, both scheduled for completion in 2020. The throughput of 35 Kton reflects both the effects the set-up activities for these projects and the impact the COVID 19 outbreak had on our production process during the last month of the quarter. The first reflex to this outbreak was a relatively high absence because of people cautiously staying home for illness or returning to their homeland, in combination with an active precautionary policy initiated by SIF-management. Over the course of April, the absence rate normalized and our COVID 19 policy is now working well. We have seen no delays at the supply and acceptance side of the business and cash flow has proven very steady.

Activity levels in tendering were high and resulted in a marshalling contract with Siemens Gamesa for their Hollandse Kust Zuid project. The contract runs from December 2021 through to July 2023. After closing of Q1 we furthermore started exclusive negotiations for an undisclosed project of 130 Kton. Projects for offshore oil and gas are on hold in the current market environment. Our total production in 2020 will therefore end slightly lower than the approximately 185 Kton we guided when releasing FY 2019 results on 13 March last. We see contribution margins returning to low €600 per ton. The COVID-19 impact and the expected production tonnage of 170 Kton will result in EBITDA for 2020, which is at the level we realized in 2019. We have not seen a material impact from COVID 19 on offshore wind market tenders and are happy to see that projected activities beyond 2020 are materializing in our orderbook. We are however constantly adjusting to the new reality due to and as an effect of COVID 19, which comes with challenges for our employees. It is therefore that I explicitly want to thank employees and partners of Sif for their constructive attitude and cooperation in these challenging times.”

¹ Net debt corrected for IFRS16 effects.

In € (millions)	Q1 2020	Q1 2019
Contribution	20.8	18.8
EBITDA	2.7	4.1
Production (in Kton)	35	42

Order book (Kton) as at 14 May 2020	For remainder 2020	For 2021 and beyond
Contracted	135	100
Exclusive negotiation	0	130
Total	135	230

Q1 2020 Results development

Contribution

Production in Q1 2020 mainly consisted of the Borssele 1, 2, 3, 4 and 5 and Triton Knoll projects. Total production of 35 Kton resulted in contribution of €20.8 million or €594 per ton (€18.8m or €448 per ton in Q1 2019; €34.8 million or €773 per ton in Q4 2019). Contribution margins may vary quarter-to-quarter and depend upon progress and completion of projects.

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

EBITDA

EBITDA in Q1 2020 amounted to €2.7m compared to €4.1m in Q1 2019. EBITDA per ton was €77 in Q1 2020 compared to €98 per ton in Q1 2019. The contribution-per-ton to EBITDA-per-ton comparison indicates a low level of productivity. This was caused by the start-up of new projects (Akita and Saint Nazaire), which, consequently, had low output in the first 3 months of 2020. In addition, the outbreak of COVID 19 affected progress, especially in the last month of the quarter. With 135 Kton scheduled for production in the remainder of 2020, our EBITDA is now expected to be equal to the EBITDA we realized in 2019. Production output with 170 Kton will be lower than the 185 Kton initially guided.

Sif has implemented a day-to-day monitored COVID 19 policy that includes amongst other safety measures for those present at production facilities (distancing and cleaning) and limitation of presence for the employees that can work from home. Sif implemented a proactive, restrictive policy to avoid employees with the slightest signs of COVID 19 symptoms, including their nearest colleagues, to come to work.

EBITDA is calculated as profit before finance expenses, tax, depreciation, amortization.

Net debt and Working capital

Pre IFRS16 Net debt improved from approximately €21.3m (€80.3m reported IFRS16) at the end of 2019 to approximately €21m net cash (€36.8m reported IFRS16) at the end of Q1 2020. Net working capital was -€41.8m at the end of Q1 2020 compared to €4.3m at the end of 2019. Changes in net working capital reflect, among others, the prepayments received from clients.

With solvency at 44% at the end of Q1 2020 and leverage of 0, Sif stayed comfortably within covenants of 35% and 2.5 respectively.

Outlook and Order book

Utilization of capacity is based on steel throughput and on the number of finished products. It is important to combine these two indicators, since foundations may become larger (longer and with greater diameters) and foundation wall thicknesses may become smaller. This will affect both monopile weight and production methods. Sif's theoretical production capacity is between 200 and 250 Kton (on standard 24/5 factory hours). Based on these hours, Sif manufactures approximately four to five monopiles a week. This assumes a smooth production process with few obstructions or bottlenecks.

The order book for the remainder of 2020 (1 April- 31 December) currently stands at approximately 135 Kton in terms of signed contracts and implies our production capacity for 2020 is not fully used. In the current COVID 19 environment and with oil prices at historic lows, some offshore projects are shelved. We therefore assume that 170 Kton will be the production level for the full year 2020. Due to the lower than earlier assumed production output and the impact of COVID 19, EBITDA for 2020 is now expected to be equal to the 2019 EBITDA. For 2021 and beyond, the orderbook is filling up with recently awarded projects for Siemens Gamesa and an undisclosed project in addition to the earlier booked Hollandse Kust Zuid projects. Total orderbook for 2021 and beyond currently stands at 230 Kton.

Financial Calendar 2020

14 May 2020	Annual General Meeting (AGM) of shareholders 2019
28 August 2020	Publication of 2020 interim results
6 November 2020	Publication of Q3 2020 results

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