Conference Title: **SIF Group Half Year 2017 Earnings Call**

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Operator: Good morning and welcome to the Sif Group Half Year 2017 Earnings Call. At this time, all participants are in a listen-only mode. Today's conference is being recorded. Jan Bruggenthijs, CEO; and Leon Verweij, CFO, will start today's call with a short statement after which there will be time for questions. At this time, I would like to turn the conference over to Jan Bruggenthijs. Please go ahead, sir.

Jan Bruggenthijs: Thank you, operator. Good morning, everyone, and welcome to the webcast audio presentation of Sif Holdings 2017 Interim Results. A press release explaining results was published this morning at 7.00 AM. It is available on our website, www.sif-group.com. The site also includes a link to the slides that provide details with the published results. A transcript of this call, including the Q&A, our session after the presentation, will be posted shortly on our website. I'm being joined today by Leon Verweij, CFO of Sif. He will explain how our operations are reflected in the financial presentation presented this morning, later in this call.

Please turn to slide 3. We are including two slides from the company's transitional history and Sif Group profile for those of you who are not yet fully familiar with Sif. This is to provide you with insights into our company history and where we come from, and to explain who are our clients and for which industries we provide our products and services.

A new milestone in the history of our company will be reached in the course of the third quarter of this year with the completion of the commissioning, the second production line in Rotterdam. In addition, we have renewed and realigned our facilities in Roermond in order to be able to handle larger quantities and diameters of cans and cones. Moving on there will be an assembly and by operating plants for cans and cones produced in Roermond. This will increase our total capacity

to 300 cubic tonnes on an annual basis. More than half of the production capacity is utilised for XL monopiles.

If we then can go to the next slide, please. This slide shows Sif's business mix. Our current largest business is offshore wind for Northwest European wind farms which accounts for over 90% of our total production. Oil and gas does, however, still represent an important market for Sif. Besides further shares to product range we offer and the tier one clients we work for on a regular basis, we produce monopiles and primary steel for transition pieces for offshore wind, components for such as legs, pin piles, pile sleeves and bracings for oil and gas.

Let's now look at the highlights of the first six months of 2017 and we will first explain the operational highlights and then look at the figures presented by Leon Verweij. This will be followed by a discussion of our longer term view, the developments we see in our markets and our expectations for the rest of this year and 2018. Please go to the next slide.

The general business environment for offshore wind has improved. This is primarily attributable to the decrease in the cost of offshore wind energy resulting in the first unsubsidised contract wins in Germany. Dong was awarded two projects, the 230-megawatt OWP West and the 240-megawatt Borkum Riffgrund West II at a present bid price of zero subsidy per megawatt hour. In addition, E&W one had no subsidy bid for the 900-megawatt He Dreiht project. Analysts at MAKE Consultants even expect the so-called levelised cost of energy in Germany, the UK and the Netherlands to drop below €60 per megawatt hour by 2022 at the latest. This means offshore wind will become cheaper than onshore wind, solar energy, nuclear and coal. I'll remind you that offshore wind was still the most expensive energy source in Germany and the UK in 2015.

As reported in our quarterly trading update in May, the first quarter caught off to a slow start. Production was low due to the maintenance and setup times of our new facilities. Monopiles were nevertheless delivered on time and according to specifications for Galloper, Rentel and

Blyth. Components for jacket foundations for Sverdrup and Beatrice were also delivered on time and according to specifications. The commissioning of the second production line in Rotterdam is on track to meet delivery dates in the first – in the end of the third quarter of 2017 as part of the 2016-2017 investment programme of approximately €90 million. Qualifications to facilities in Roermond that will enable Sverdrup to manufacture more cans and cones for monopiles are also on schedule for completion in 2017.

Please go to slide number six. The improving business environment can be substantiated. We use primarily MAKE Consultants as source for this. Analysts at MAKE expect that the top 2017 markets for offshore wind energy to add nearly 66 gigawatts to existing capacity in the period 2017 to 2026. The total growth for Europe during this 11-year period is forecasted to be 34[?] gigawatts which equates to an average of more than three gigawatts annually. This is confirmed by the analysts of WindEurope, expecting the current existing installed offshore wind capacity for the north-western Europe premium market of nearly 13 gigawatts to almost double in the period to 2020.

The North Sea countries will need to jointly achieve 230 gigawatts of onshore and offshore capacity by 2045 to meet targets set by the Paris Climate Agreement. To achieve this, the annual addition to capacity would be – have to be more than seven gigawatts. Given the trends, cheaper offshore wind based on large scale offshore wind farms, it is likely that the majority of the required additional capacity will come from onshore winds. This ambition combined with affordable prices set for electricity will make the offshore wind market healthy in the years ahead.

The market for oil and gas requires higher pricing levels for oil to develop new production fields and subsequently for higher demands from our clients for offshore foundation components. While activity seems to be increasing, we have not yet seen this in our marketing and sales activity. Sif is transforming from an order-driven manufacturer into a project-driven company, offering serial production of customised products. This requires a different attitude and different production

management. Initiatives such as the introduction of a process production system and the implementation of LEAN principles will support maintaining our cost leadership and enable us to counter-pricing pressure as a result of rapidly lowering bid prices offered by our clients. Furthermore, Sif is actively involved in cost reductions in the entire value chain of building offshore wind farms.

Please go to slide number seven. We will now demonstrate some of the projects we delivered this year. More than 80% of the foundations in offshore wind are monopiles. Investments by monopile manufacturers enables development of the offshore wind wind farm based on large turbine capacities in deeper water. The remaining foundation sites are jackets and gravity-based foundations. Blyth is an example of the latter. Sif supplied the piles for the five gravity-based foundations and Sif supplied also pin piles for the jackets that are used as foundation for the Beatrice farm. The first monopiles for Rentel, see it's shown here on the lower picture, were delivered to our client DUC in July 2017. Rentel is a wind farm just off the Belgian coast, 45 kilometres off Zeebrugge and a water depth of 22 to 36 meters. This is being developed by the Otary Group. It will supply energy to about 300,000 Belgian households for the capacity of 309 megawatts.

Please turn now to the next slide. The Galloper wind farm is a 336-megawatt offshore wind farm currently being constructed 30 kilometres off the coast of Suffolk. The project will be fully operational in 2018, generating enough power for up to 336,000 homes. Development and construction is being led by the innogy SE on behalf of the other project partners including UK Green Investment Bank, Macquarie Capital and Seamus Financial Service. The last 57 – sorry, the last of 56 monopiles and precision pieces for the Galloper project was delivered to our client DUC in the first half of 2017 and we finished all deliveries to date. Next slide, please.

In oil and gas, the Aegir jacket foundation for the Sverdrup oil field was delivered in June by [inaudible] out of Statoil. Sif supplied the legs and pin piles for the largest ever built in western

Europe jacket with a footprint larger than Johan Cruyff Arena in Amsterdam. The first jacket foundation for the Beatrice wind farm are ready for installation and are listed here at the fabrication chart. Sif supplied more than 40% of all pin piles for this project.

If we turn on to the next slide, please. We began the construction of our new brand at Maasvlakte 2 Rotterdam in the first half of 2016. Cans and cones are assembled and painted in the plant to make them ready to install monopiles. The plant is also set up to store, handle and deliver monopiles and transition pieces for our clients before these are being installed offshore. The new deep-sea quay enables installation companies to load in the monopiles at the shortest possible turnaround times. In combination with the central location of Maasvlakte 2 in relation to the European wind farm locations, this will provide contracts in wind farm owners with advantages concerning timing and costs. The new Rotterdam plant and the rearrangement of the Roermond production facility are part of an investment programme totalling approximately €90 million. Completion of Maasvlakte 2 and Roermond works is expected in Q3 2017.

I would now like to hand over to CFO, Leon Verweij, who will explain how this is reflected in our figures for the first half of 2017. Leon, please go ahead.

Leon Verweij: Thanks, Jan, and good morning to everybody that's listening in. Please, if you would like to turn to the next slide. Production with 108 kilotonnes was higher than in the first half 2016. It is, of course, important to note that it was and is the first reporting period in which the first production line at Rotterdam contributed fully to the production. Total capacity will have increased to 300 kilotonnes on annual basis by the end of the year. Our current estimate is that capacity currently stands at around 235 kilotonnes. This means production in the first half of 2017 represents quite decent utilisation. Contribution was around 14% higher than in the same period of 2016 while production is up 11% on comparison. This resulted in a 2.5% increase in contribution per kilotonne. The key question is, of course, whether this has also resulted in

improved profitability. It has not been the case so far. On a half-year basis and normalised for IPO costs, EBITDA has decreased by approximately 9% compared to the same period last year.

Results were impacted by a number of things but such as the setup and start-up costs related to the second production line in Rotterdam, higher than expected operating costs related to the Rotterdam plant. And specifically there, one of the things we can mention is the transfer of products from Roermond to Rotterdam which requires further fine-tuning. Investments – and also investments in our efficiency in our other remote plants to facilitate an increase in capacity from 225 kilotonnes to 300 kilotonnes production per year. And then we mean extra welding equipment which wasn't installed and rolling equipment which was repositioned and investments that we have to do to produce larger transition pieces for the Hohe See project. The higher cost, therefore, are of both a recurring and of a non-recurring nature and we will therefore face part of these in the rest of 2017 as well.

The decrease in EBITDA in comparison to 2016 is also partly caused by the exceptional good project results we saw in the first half of 2016 if compared to the same period in 2017. The revenue figures reflect the difference in contracted policy. In 2016, Sif was often the main contractor, where subcontracting out of out-setting transition pieces was done to Smulders and therefore accounted – accounting for these revenues were included in Sif's reporting. In 2017, Sif and Smulders operate on a cooperative basis with each company invoicing and accounting for its specific activities in their respective reporting. As a result, revenues decreased to 156 million, but as I already emphasised, revenues are not a performance indicator at Sif. We like to look at the contribution. So please turn to the next slide.

The graph on the left shows the development of contribution over the past four full years. At Sif, we prefer to look at contribution of revenues as performance indicator because it excludes fluctuation and steel prices, subcontracting and other raw materials which for us are just a pass through. In order to get from contributing – contribution to EBITDA, you must see the direct

personal expense, general manufacturing expense, operating expense and SG&A expense. In addition to a change in the product mix in favour of offshore wind, we posted higher operating expenses in the first half of 2017 compared to the same period of last year. The nature of these are already explained. While some of these higher operating expenses are temporary in nature, some are more permanent. Examples include for instance the security measures which we had to take at Rotterdam facility.

If you turn to the next slide, the graph on the left shows – left once again shows full year numbers. The graph on the right side shows the half-year numbers. We do not have recurring seasonal better [inaudible]. The distribution of results over the quarter is, however, mainly impacted by the timing of the larger projects we have at hand. The completion of Galloper in the first half of 2017 had an impact. Projects such as Hohe See, example, have in contrast only just started and phase higher than anticipated setup cost for production lines. This was especially the case with Hohe See. This is then also reflected in our working capital requirements as slide 14 demonstrates.

Working capital requirement is quite stable at Sif and mainly depends on the timing of projects and the level of CapEx. Maintenance CapEx will be between €6 million and €8 million on an annual basis following the completion of the production facilities at Rotterdam and Roermond. The total investment programme started in 2016 was approximately €90 million, which approximately €72 million of which including annual maintenance CapEx was realised in 2016. For 2017, we expect some €25 million CapEx including maintenance CapEx. With the completion of the €90 million investment programme, Sif will be well-positioned to participate in future investments in offshore wind and to reinforce its leadership position as a supplier off monopile foundations. Jan?

Jan Bruggenthijs: Yes, if I could ask you then to turn on to slide number 15. The offshore wind market continues to show momentum. The programme to slow down climate change are

ambitious but realistic. While investments in offshore wind farms will continue, the nature of the business including long lead times, permit procedures in large are relatively few projects make it for nearby future volatile. Production will vary over years, not to mention over quarters. Our order book stands at 109 kilotonnes for 2018 whereas the order book for 2017 is well filled.

Our outlook for the second half of 2017 is a shortfall in EBITDA compared to the second half of 2016 of roughly half the EBITDA shortfall in the first half 2017 if compared to the first half of 2016. For 2018, we will still see a few opportunities. We will keep the market posted for developments in this field. It is beyond doubt that monopiles will remain the foundation of preference for our customers.

On slide number 16, you'll see the market outlook. Fully stated offshore wind continues to show momentum. Expectations are that the present install base in Europe of almost 13 gigawatts will be doubled by 2020. For the period 2021 and beyond, Northwest Europe is expected to add an average of three gigawatts to offshore capacity annually. It is furthermore anticipated that the rest of the world will step up in a space as of 2021 and add up to an average of seven gigawatts to capacity per annum. Delayed projects for production in 2018 will shift into 2019 and further resulting in a strong market outlook for 2019 and onwards.

On the next page, we see also the ambitions for different governments in Europe that were not changed over the past year. The intended cancellation first treaty by the US seems to have no impact on the willingness to invest in offshore wind developments in the US. In addition to ambitious of – ambitions of the European governments, we also see other parts of the world stating offshore wind ambitions. We added the ambition of the Taiwanese government to our earlier published overview just for your information.

We will see the outlook based on the capacity on kilotonnes on the next slide. Then we see that the main competition in XL monopiles comes from EEW and Steelwind for sure. For smaller

monopiles, diameter is less than seven meters, competition also comes from amongst other companies like Ambau and Bladt. [Inaudible] that going forward, more than 80% of the offshore wind foundations will be monopiles and over 90% will be XL monopiles.

This graph may indicate the balance of the supply and demand for the period 2017 and 2019 based on the currently publicly available information of wind farms to be on stream in 2018 up to 2022 – 2020. The numbers are rounded in best estimates only but it showed you assessed under utilisation of 2018 and the under capacity for 2019.

We turn to the next page, you'll see that the order group for 2018 is still sparsely filled with more projects being used to utilise capacity. [Inaudible] projects have been added into 2017 to the order book for 2018. Available capacity for 2017 stands at 235 kilotonnes. For 2018, at 300 kilotonnes.

Due to the problems of the projects like [inaudible] also want to [inaudible], the second half of 2018 is short of projects from the markets. Sif management are still exploring opportunities to fill the order book for the second half of 2018. We have 2019 and onwards are promising and expected to be busy of course driven by the delayed projects but also by new projects. This fact is recognised by our clients leading to discussions for production scope reservations.

This takes me to the last slide, number 20. On this picture, we show you the commissioning of the second production line in Rotterdam, which is up – actually already running first production and we expect it will be efficient at the end of the month. Following completion, our [inaudible] capacity will increase by 75 kilotonnes to 300 kilotonnes annually, later on in the early stage of Q4. Ready for a lot of monopiles for offshore wind projects and ready for larger sized monopiles up to 11 meters diameter, 100 meter in length, and weighing up to 2000 tons each to support next generation offshore wind turbine of 12 megawatts and up. With that closing remark, I hand over

to the operator and invite you for questions you may have with the past half year events and this presentation. Thank you.

Operator: Thank you, sir. If you would like to ask a question at this time, please press the star or asterisk key followed by the digit one on your telephone. Please make sure that the mute function on your telephone is switched off to allow your signal to reach our equipment. If you find that your question has already been answered, you may remove yourself from the queue by pressing star two. Again, please press star one to ask a question. We will pause just for a moment to allow everyone to signal.

We will take our first question from the queue. Sean McLoughlin from HSBC. Please go ahead. Your line is now open.

Sean McLoughlin: Good morning. Three questions if I may. Thank you for taking my questions. Firstly, your EBITDA guidance for the second half would apply – would imply a level somewhere around I think €27-ish million from what you're guiding. If I look at your deliveries in the second half, which will be much higher than your deliveries in the first half and I assume roughly that a stable cost base from Q2 into Q3 and Q4, I come up with a very low contribution per tonne in the second half, it's somewhere around 500. Is this correct? I mean this would imply that you're seeing substantial pricing pressure on your deliveries in the second half. Is this the new normal? Any comments there? I appreciate it.

Secondly, I just want to understand your discussions with customers given the gap in the orders. Are your customers showing any willingness to pre-produce monopiles or orders that would otherwise be delivered in 2019. And thirdly, I just want to understand a little bit more about how your role with small business is changing. So are you – are they no longer subcontracting with you? Therefore, we should expect ultimately much less outsourcing of projects and revenues going forward. Thank you.

Jan Bruggenthijs: Leon, you've -- will ask and will handle with the first part of the question.

Leon Verweij: Yeah, I can move the last one as well. Maybe the AC is wondering if we started the last one, the change of the role of Smulders. That thing -- I think something we have been communicating already for some time. Smulders is now on what we call cooperation basis in our contracts, which means that we have always temporary cooperations from a legal point of view or maybe a job where we cooperate with them which means that their – and I'll tell you their delivery is directly enforced to the customer and it's not going through our books anymore as it was in the past where they were operating just as a, let's say, normal subcontractor.

So that means in terms of the outsourcing part, which is seen in our figures, that is in comparison with previous years affected by the fact that we work on a different basis with Smulders and going forward, yeah, that will differ and fluctuate based on decisions we take where we can outsource something to third parties if necessary or not or that we can build it ourselves.

Coming back to the first part of your question, based on the guidance we try to give on half year II, your conclusion is that would mean that it would lead to a low contribution level per tonne for the second half-year and that would indicate that there would be substantial price pressure on the projects. I think that what we try to make clear in the presentation is that at the moment our problem is not so much the contribution level, so the contribution per tonne, but the problem is far more the customer we have to make and the efforts we have to make to get production on an efficient basis.

So we don't expect so much that contribution levels for the second half of the year will be lower and that there will be a lot of price pressure but we still expect that we will have additional cost and then we mean labour cost, consultancy costs, things like that, in getting that production as sufficient as possible. So I hope that answers your question, Sean.

Sean McLoughlin: Yes.

Jan Bruggenthijs: Also going back to your –

Sean McLoughlin: Should I –

Jan Bruggenthijs: Maybe also coming back to your question.

Sean McLoughlin: Yeah.

Jan Bruggenthijs: On the – some of the gap for 2018, we are still in discussion with customers but I am not going to reveal what we are discussing but, yes, we atoll see some opportunities for 2018 and of course we also discussed with customers to fill the order book for 2019.

Sean McLoughlin: Thank you. Leon, should I conclude then that you're actually looking at slightly higher cost in the second half versus the first half, the gap between contribution and EBITDA?

Leon Verweij: Well, yes, what we've indicated is that in second half we will still be facing additional costs. And of course, the production efficiency in terms of hours, et cetera, will be higher than it was in 2016. And you have to keep in mind as well that during Q3, we are still not up and running with the second line in Rotterdam so we will still be finishing and installing the second production line. So it will be only in Q4, if everything goes well, that we will be completely up and running with all production lines as well as Roermond and Rotterdam. So the problem is – the problem, if any, is not so much the contribution level as well getting as efficient – efficiently as possible and calculate the products out of our factories.

Sean McLoughlin: Thank you. So just to confirm that you're not seeing structurally lower contribution per tonne on your deliveries in the seconds half going forward into 2018?

Leon Verweij: No, and if you'll look at the first half here, even contribution per tonne wind up in comparison to last year and even if you – you have to keep in mind that in 2016, if we compare that, we even have a very, very profitable – exceptionally profitable projects in there so the comparison also on that side somewhere is distorting the issue a little bit.

Sean McLoughlin: Thank you.

Jan Bruggenthijs: Maybe just to avoid any uncertainty, is that we are starting up to wind two already in Rotterdam as you have seen those on the picture so we are still on track to have it all up and running in this quarter. The same is with all the renovation we are doing in Roermond, same, that's on track, and we expect everything to be finished at the end of quarter three this year.

Operator: Thank you. And now we will –

Jan Bruggenthijs: Next question please.

Operator: Now we will take our next question from Thijs Berkelder from ABN AMRO. Please go ahead. Your line is now open.

Thijs Berkelder: Thank you very much. Question on cost. Costs were much higher than expected and in second half this year are expected to be even higher than in H1 and not just a bit. I'm curious to hear from you and I'm especially looking at personnel expenses per tonne. They've gone up to €250 per tonne in H1 where the normal is €200 per tonne. In the second half, likely, we will reach an even higher level. When can we expect Sif to be back at a €200 per tonne level in terms of personnel expenses? Or is this structure – yeah, a higher structural level, is that the new norm?

Jan Bruggenthijs: Well, first of all, I have to say that if you just only look at the personnel cost per tonne, you have to also take into account that if the project, for instance, has a lot of hand welding, there will be more manual cost or cost per hour per tonne. So the difference over the projects, that's first.

Yes, you are right that for the first half of the year, the costs were higher than they normally are. But to say when it comes back to a level like 200, that depends on the type of projects because there's a lot of manual labour involved for welding, then there will be more hours spent, but that's also calculated.

Thijs Berkelder: But is it logical to assume, let's say, once your second production line is up and running, you'll go to even larger monopiles, you have a more – you should have a more efficient operation. Well, it's absolutely not feasible right now. That in principle, in theory, you should go to even lower personnel expenses per tonne than in the recent past. So that's what I don't understand about, let's say, your outlook. What can we expect in terms of operating expenses then in 2018? Where are we going? I'm just saying, well, it depends upon how much we will weld, then more or less, you implied there is pressure – substantial pressure on your margin per tonne because if there's more welding needed, you should ask a higher contribution margin per tonne.

Jan Bruggenthijs: Yeah. That's correct, what you're saying. Yeah. But if you just look at cost per tonne, then you just will see that's reflected in higher costs for operations – hourly operations per tonne. So that will go up because it's also, like I said, it's calculated, so it's in the contribution. But, of course, it has to go down based on the two lines in Rotterdam. But that has to do also with the efficiency you have to tune in the new lines. Line one is running good and can do even better, everything, and we're working on that. Line two, just now we started up. So there'll be some time to really get it fully efficient.

Leon Verweij: And that's what you're seeing now in the first six months is of course wind has done and they are basically Galloper, Rentel as the main projects. And certainly in Rotterdam, we have been running those projects with double shifts because we had to learn people to operate the second line. And all those additional hours were taken to those projects as well. So if you start calculating on a per tonne basis, you see there this effect and then you are right, that should go down, and that should go down as soon as we have both lines fully operational and fully producing on customer orders.

Thijs Berkelder: But can you then quantify, let's say, what you more or less see as the amount of one-off costs this year? Your guidance is 60.5 million adjusted EBITDA for the full year. Are there 10 million of those kind of one-off costs in 50 million? Can you maybe give a bit more flavour on what that one-off level is?

Leon Verweij: First of all, the calculation of the EBITDA, I leave with you guys, and I think that if you start adding up all the additional costs to one-off costs, let's say learning costs, [inaudible] costs on LEAN programmes, temporary facilities, Rotterdam, et cetera, yeah, you're talking somewhere in the region on a full year basis of maybe five million – maybe five million to 10 million if you take everything. I mean, we don't actually book them and account for them separately. I mean, like the example I gave running double shifts, yeah, as a learning process with people in Rotterdam, that's all charged to Rentel and Galloper, et cetera, just pulling – that's why you see those figures on a per tonne basis.

Thijs Berkelder: Yeah. Okay, clear. Yeah. I will come back later with more questions.

Leon Verweij: Okay.

Operator: Thank you. And now, we'll take our next person from the queue. Tijs Hollestelle from ING Bank, please go ahead. Your line is now open.

Tijs Hollestelle: Yeah. Thank you, operator. Yeah. My first question is about your comment that the setup costs for the Hohe See project were higher. Can you give some examples on what that exactly means?

Jan Bruggenthijs: The key is that for the Hohe See, the transition pieces were – has a larger diameter than we could handle in our normal transition piece production line. So we moved that to the – one of the other lines which we also had – which was the old monopile assembly line in Roermond. And that meant that we also invested in a new hole in Roermond for additional production of cones and cans. And that one is actually finished now and that also makes us ready for the future of the even larger transition pieces for future.

Tijs Hollestelle: And was that anticipated when you signed the contract?

Jan Bruggenthijs: When we signed the contract, there was still a discussion with the customer. And I can tell you, Tijs, that was based on centimetres in this case.

Tijs Hollestelle: Yeah.

Jan Bruggenthijs: And we can produce up to 7.4 metres – and 7.4 metres, yeah, and it was just over that and that was the discussion.

Tijs Hollestelle: Okay. I've got another question on the –

Jan Bruggenthijs: That was the [inaudible] future investment.

Tijs Hollestelle: Yeah. Another question on your comment, all that you had logistical problems or additional costs transferring watts from Roermond to Rotterdam, were those products or cones or was it equipment to Rotterdam? I didn't get that.

Jan Bruggenthijs: No, additional costs for cans and cones.

Tijs Hollestelle: And how do you expect to solve that problem?

Jan Bruggenthijs: We more or less source it now and we expect to have finally sourced at the end of the year. It has to do with the start-up and the relationship between the production in Roermond and the final assembly in Rotterdam, which means that it's fine-tuning.

Tijs Hollestelle: Right. Yeah. And my last question is indeed also on the outlook because I think you gave – you know, you tried to give an outlook so that we can model the EBITDA. This morning, the way I looked at it, is that the EBITDA per produced tonne in the first half shows a about 67 million difference at the first half of 2016 and then you expect these operational costs to be half in the second half. Is that compared to the EBITDA per produced tonne in the first half of this year or compared to the EBITDA per produced tonnage in the second half of last year? Those that mix also with your higher production levels, a huge difference on what we can expect for full year EBITDA.

Leon Verweij: Second half of last year in the comparison.

Thijs Berkelder: Okay. Okay. Thank you.

Operator: Thank you. At this moment, there are no further questions. I would like to hand over to Jan. Pardon with the interruption. We have a follow up question from Thijs Berkelder from ABN AMRO. Please go ahead. Your line is now open.

Thijs Berkelder: Yeah, back again. I thought there were more listeners in the call. Can you maybe explain what you're doing to prepare for a business in Japan, Taiwan, and USA?

Jan Bruggenthijs: Let me just say this, Thijs, that we are very focussed on that region. I'm talking to several companies who might become a partner of us and we signed the contract which we revealed during the first half of the year with the Japanese partner and we also have – and not to disclose partnership with another Japanese partner. And furthermore, at this stage, I don't like to reveal too much.

Thijs Berkelder: Okay. Can you maybe remind me what your dividend policy will look like?

Leon Verweij: 25% to 40%.

Thijs Berkelder: Okay. And can you maybe explain how that test with Fistuca are ongoing, whether these tests, let's say, were break-even for you or whether you – whether these costs were running through your P&L purely as a cost line.

Jan Bruggenthijs: Yes. We had some cost based on this Fistuca development, the BLUE Piling you mean, I guess.

Thijs Berkelder: Yeah.

Jan Bruggenthijs: We produced this 12-metre-diameter parts for this new hammer and the testing of the hammer will be done early next year. So, actually, it's a bit later than expected, but it has to do with time windows that we can really do this testing. The testing, by the way, will not be done by us, but it will be done by HazMon.

Thijs Berkelder: Okay, clear. Can you then – yeah, coming back on the staff expenses again, let's say, make calculations on your staff base. Let's say, the staffing expenses half-on-half have gone up by 21% while I think the average of staff base has gone only up by 10%. Is that primarily because you had to pay your staff night shift rates or so, or is it simply the hire in staff because of the incidents were much more expensive than the average hire in staff.

Leon Verweij: Thijs, I think it's a combination of a couple of effects. We, of course, have seen – since we are hiring a lot of people that, you know, we don't have everybody on fixed salary, that prices went up [inaudible] normal increase. Yeah. That's normal increase of labour cost.

Second to that, the number we started off with about 600 people at the beginning of the year, yeah, then, we had to take in a lot of people, yeah, to meet deadlines, yeah, for our customers with all those problems and reinstalling and reinventing, et cetera, of those production lines going on. So, we grew in personnel and then we start building off again by towards the end of June.

So, there was a large fluctuation there in the number of people as well. Yeah. And we're now in the process of bringing those numbers down again.

Thijs Berkelder: And what in your view is the normal staff number for the second half of the year? We're now at 607. So, you aim to build it down to below 600 before year end?

Leon Verweij: Yeah. Yeah. Yeah, absolutely.

Thijs Berkelder: Okay, clear.

Operator: Thank you. And now, we're taking another follow up question from Sean McLoughlin from HSBC. Please go ahead. Your line is now open.

Sean McLoughlin: Thank you for taking my follow up. I'm just trying to reconcile the market outlook on slide 16 with your monopile capacity and demand on slide 18. It looks from the demand outlook though 2017 for you is building into what is the peak year in European installations and we're going to see five consecutive years of lower installations beyond that in Europe.

So, what is driving your – let's say, your better outlook for 2019? Surely, we're actually going to see levels around to 280 that you indicate in 2018 for overall market demand for monopiles, surely, over the next three to four years beyond 2018.

Jan Bruggenthijs: Yeah, Sean, a very, very good question. Yes. We see there's also in the numbers of Make, we discussed it with them. We don't like to interpret it in Make numbers in the sense that we don't reflect them in a different way. Otherwise, you wouldn't recognise them. But we can look at project-by-project base and we also see, of course, the delayed projects kicking in and then we see totally different numbers again.

So, I expect Make to kind of show up with different numbers again in the nearby future which will be higher. But we just base it on the projects we have been offering and tendering over the past year. And as I stated before, we are already negotiating projects for 2019 and our customers are also looking at production source for 2019 and even 2020 onwards.

So, we see this – we can really look at it on a project-by-project base and that's why we have a different opinion compared to those of Make.

Thijs Berkelder: Thank you.

Operator: Thank you. And at this moment, there are no further questions. I would like to hand the call over to Jan Bruggenthijs for any closing remarks. Please go ahead, sir.

Jan Bruggenthijs: Thank you, operator. Gentlemen, I hope we explained a bit where how we performed the first half of the year, what we expect for the second half of the year and the average [inaudible] future which we see as very bright and positive. And so, we will do all – we have enough power to also see that we have income and orders for 2018. Thank you very much and I hope to meet you and speak to you next time.