Performance and progress Q1 2024 on track

Start-up of expanded factory in two months

Operational highlights

- No Lost Time Injuries (4 in Q1 2023);
- Sick leave at 8.6% (7.2% in Q1 2023);
- Production of monopiles and transition pieces for Dogger Bank C and several components for offshore steel structures;
- Workforce at end of Q1 stood at 393 permanent staff and 261 flexible staff (end of Q1 2023: 374 permanent and 244 flexible staff);
- Total throughput of approximately 42 Kton steel (48 Kton in Q1 2023), on track for full year production of 165 Kton.

Key figures

- Contribution of €33.6 million (€34.0 million in Q1 2023) of which €27.7 million for Wind (€29.8 million in Q1 2023), €3.0 million for Offshore Steel Structures (OSS) (€0,7 million in Q1 2023), €2.2 million for Engineering (€0,9 million in Q1 2023), €0.3 million for Marshalling (€2.2 million in Q1 2023) and €0.4 million for other activities (€0.4 million in Q1 2023);
- Adjusted EBITDA of €8.0 million (€10.8 million in Q1 2023) on track for full year generation of €35 million adjusted EBITDA;
- Net Working Capital at end of Q1 2024 -/- €158.3 million (-/- €133.4 million at end 2023);
- Cash at the end of Q1 2024 of €140.7 million (€131.4 million at end 2023);
- Orderbook contains approximately 125 Kton for remainder 2024 and 320 Kton for 2025 and beyond.

In € (millions)	Q1 2024	Q1 2023	delta
Contribution	33.6	34.0	-1.2%
Adjusted EBITDA	8.0	10.8	-25.9%
Production (in Kton)	42	48	-12.5%

Orderbook (Kton) at 31 March 2024	For remainder 2024	For 2025+	Total
Contracted	125	244	369
Exclusive negotiation	0	76	76
Total	125	320	445

Important Note: in this release, Sif uses various non-IFRS financial measures. Please consult the overview and definition of used measures at the end of this release

Fred van Beers, CEO of Sif Group, comments:

“I’m very pleased with the safety performance in the past two quarters. We need to keep safety top of mind and have had safety standdowns on May 13 of this year to reiterate the importance of safety to all colleagues. I am less enthusiastic about the sick leave numbers. The replacement of staff on a longer-term sick leave requires a large training effort and impacts efficiency. And although this is not deviating much from the trend in the industry, analysis and more (pro)active absence management is high on the management agenda for 2024.

The construction works for the new factory are on schedule and within budget. Recruiting efforts have started paying off and were satisfactory. We are on schedule to fill all critical positions to smoothly run the existing operation and the ramp up the new factory.

With 445 Kton the order book stretches into 2026. Further order book additions, predominantly covering 2026, are expected to be signed in the course of 2024.

With contribution of €33.6 million and adjusted EBITDA of €8.0 million in Q1 2024, we are on track to close the year 2024 with an adjusted EBITDA of approximately €35 million. Q1 results were positively impacted by components for offshore steel structures like substations. We foresee a steady demand for a similar amount of smaller diameter tubulars in the next decade. Our order book and the pipeline for European offshore wind projects, make us confident in achieving the EBITDA projections of €135 and €160 million in 2025 and 2026 respectively".

Q1 2024 Developments

Health and Safety

In the first quarter of 2024, we had no Lost Time Incidents. This brings our rolling 12-month LTIF per end of Q1 2024 to 4.9.

Projects and Execution

During the first three months of 2024, monopiles and transition pieces were manufactured for Dogger Bank C. In addition, we manufactured smaller diameter components for offshore steel structures, mostly gas jackets and substations. In total, output was 42 Kton. During the next nine months, Sif will continue to manufacture for offshore steel structures, monopiles and TPs for Dogger Bank C and Empire Wind 1.

Contribution and EBITDA

Production in Q1 2024 resulted in a contribution of €33.6 million or €800 per ton (€34 million or €708 per ton in Q1 2023). Adjusted for contribution from marshalling, engineering and fees for projects with no production volume, contribution per ton levelled at €686 (€644 per ton in Q1 2023). Contribution levels may vary quarter-on-quarter and depend upon progress, the level of completion of projects and the decision to subcontract parts of the project (for which a margin is gained but no tonnage is added). The difference between adjusted contribution per ton in Q1 2024 and Q1 2023 is mainly explained by market conditions. Adjusted EBITDA in Q1 2024 amounted to €8.0 million compared to €10.8 million in Q1 2023. Main source of the difference were lower volumes, loss of marshalling income and selective fixed cost increases, partly being offset by accounting for part of the Empire Wind 2 termination fee.
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Cash and Cash Equivalents, Net Working Capital and Solvency

Cash and cash equivalents were €140.7 million at the end of Q1 2024 (€131.4 million at the end of 2023). The variance is mainly explained by net impact of the progress payments of the construction works of the factory expansion and the related financing funds coming in. The expansion project is within budget and on schedule.
With solvency at 41.4% at the end of Q1 2024 and leverage of 0, Sif stayed comfortably within covenants of 25% and 4.00 respectively.

Orderbook and Outlook

The orderbook for the remainder of 2024 (1 April - 31 December) currently stands at 125 Kton. The factory-integration and start-up of the expanded production facilities in the second half of 2024 will impact production volumes and result in output of approximately 165 Kton for the full year 2024 with expectation for adjusted EBITDA at a level of approximately €35 million. Our orderbook reflects 20 Kton remeasurements on the previous reporting and is firmly filled till early 2026. The tender pipeline and market demand up till at least 2030 indicate that ample opportunities are available for further filling our orderbooks with healthy orders for years to come. More clarity is expected before year end on tenders in the United Kingdom, the Netherlands and Germany amongst others.

Progress on expansion project

Construction works for the expansion are progressing according to plan with the buildings being completed, 99% of equipment being contracted and installation of equipment progressing well. The nature permit* has become irrevocable in January 2024 and the new facilities are now fully permitted. All is on track for start of the first production test runs from 30 July 2024 onwards with start of full operation by January 2025. On the financing part, the project is fully funded and all funds, except the last half of the term loans (€40.5 million) and the lease facility (€40.0 million), have been drawn.

Financial calendar 2024

17 May 2024	Annual General Meeting (AGM) of Shareholders; commencing at 10:00 CET.
30 August 2024	Publication of 2024 interim results
8 November 2024	Publication of Q3 2024 results

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* a permit under the Nature Conservation Act (natuurbeschermingswetvergunning) from the province is required in the Netherlands for activities in or near a Natura 2000 area.

Definition and Explanation of use of non-IFRS financial measures

Contribution Contribution per ton	Total revenue from contracts with customers minus raw materials, subcontracted work and other external charges and logistic and other project-related expenses. Contribution is an important KPI since it excludes pass-through expenses. Together with production in Kton and EBIT it indicates the quality of Sif's performance in any reporting period. For the contribution/ton measure the contribution is adjusted for contribution related to Marshalling, Engineering and fees for projects with no production volume.
EBITDA Adjusted EBITDA	Earnings before net finance costs, tax, depreciation and amortization. The company discloses EBITDA and Adjusted EBITDA as supplemental non-IFRS financial measures, as the company believes these are meaningful measures to evaluate the performance of the company's business activities over time. The company understands that these measures are used by analysts, rating agencies and investors in assessing the company's performance. The company also believes that the presentation of EBITDA and Adjusted EBITDA provide useful information to investors on the development of the company's business. The company also uses EBITDA and Adjusted EBITDA as key financial measures to assess operational performance. Adjusted EBITDA is adjusted for expenses that relate to the research into and preparations for the required adjustment and expansion of our production facilities.
Net working capital	Inventories plus contract assets plus trade receivables plus current prepayments minus trade payables and contract liabilities) The company discloses net working capital as a supplemental non-IFRS financial measure, as the company believes it is a meaningful measure to evaluate the company's ability to maintain a solid balance between growth, profitability and liquidity. Net working capital is broadly analysed and reviewed by analysts and investors in assessing the company's performance. This measure serves as a metric for how efficiently a company is operating and how financially stable it is in the short term. It is an important measure of a company's ability to pay off short-term expenses or debts.
Solvency	Total Equity/Total assets This measure is a bank covenant, and is presented to express the financial strength of the Company. Consolidated Tangible Net Worth (ex IFRS 16) divided by Consolidated Balance Sheet Total (ex IFRS 16) Consolidated Tangible Net Worth = Equity attributable to shareholder minus dividend declared, Intangible assets and Upward revaluation of assets (other than financial instruments) after the 2023 Effective Date (5 June 2023)

	Consolidated Balance Sheet Total = Total assets minus Intangible assets
Leverage	This measure is a bank covenant, and is presented to express the financial strength of the Company. Total net debt (ex IFRS 16) divided by EBITDA ex exceptional items (ex IFRS 16) Total net debt (ex IFRS 16) = Borrowings (ex IFRS 16) minus Cash and Cash Equivalents Borrowings (ex IFRS 16) = Revolving credit facility plus term loans EBITDA ex exceptional items (ex IFRS 16) = EBITDA (ex IFRS 16) minus: - charge to profit represented by the expensing of stock options - the restructuring of the activities of an entity and reversals of any provisions for the cost of restructuring - disposals, revaluations, write downs or impairment of non-current assets or any reversal of any write down or impairment - any exceptional, one off, non-recurring or extraordinary items which represent gains or losses relating to the P11 manufacturing expansion. EBITDA (ex IFRS 16) = EBITDA adjusted for expenses of lease contracts other than 'short-term leases' and 'low-value leases' (including those expenses accounted for as project costs based on progress), the impact of the difference in accounting treatment of lease incentives between IFRS 16 and the former lease standard IAS 17 and expenses related to initial direct costs of operational lease contracts.

Calculation of Contribution (€ ‘000):

	Q1 2024	Q1 2023
Total revenue	106,750	107,775
Raw materials	(61,540)	(60,503)
Subcontracted work and other external charges	(6,450)	(9,361)
Logistic and other project related expenses	(5,130)	(3,918)
Contribution	33,630	33,993
- Marshalling	(339)	(2,241)
- Engineering	(2,188)	(863)
- Fees for projects with no production volume	(2,303)	-
Adjusted contribution	28,800	30,889
Production output (Kton)	42	48
Adjusted contribution per Kton	686	644

Reconciliation of operating profit to adjusted EBITDA (€ ‘000):

	Q1 2024	Q1 2023
Operating profit	1,410	3,744
- Depreciation and amortization	5,087	5,863
EBITDA	6,497	9,607
- Expenses that relate to the research into and preparations for the required adjustment and expansion of our production facilities and business acquisitions	1,510	1,148
Adjusted EBITDA	8,007	10,755

Calculation of net working capital (€ ‘000):

	Q1 2024	Q4 2023
Inventories	499	517
Contract assets	32,979	28,712
Trade receivables	6,894	23,330
Prepayments	11,895	10,853
Trade payables	(57,501)	(87,324)
Contract liabilities - current	(80,817)	(37,725)
Contract liabilities – non-current	(72,283)	(71,768)
Net working capital	(158,334)	(133,405)

Calculation of solvency (€ ‘000):

	Q1 2024	Q4 2023
Equity attributable to shareholder	239,792	245,534
Adjustments to exclude IFRS 16 impact:		
- Right-of-use assets	(113,074)	(108,342)
- Lease liabilities – non-current	107,257	102,875
- Lease liabilities – current	9,411	9,015
- Lease incentives capitalised on the balance sheet	(2,149)	(2,036)
- Equity effect of expenses of lease contracts other than 'short-term leases' and 'low value leases' accounted for as project costs based on progress	(183)	465
- Deferred tax on above items	(958)	(940)
Total equity (ex IFRS 16)	240,096	246,572
Intangible assets	(2,082)	(1,915)

Upward revaluation of assets (other than financial instruments) after the 2023 Effective Date (5 June 2023)	(5)	(5)
Advance factory payments converted into perpetual bond instruments	(24,122)	(30,500)
Consolidated Tangible Net Worth (ex IFRS 16)	**213,887**	**214,152**
Total assets	632,602	600,020
Adjustments to exclude IFRS 16 impact:		
- Right-of-use assets	(113,074)	(108,342)
- Initial direct costs operational lease contacts	-	-
- Expenses of lease contracts other than 'short-term leases' and 'low value leases' accounted for as project costs based on progress	(183)	465
- Deferred tax asset on Right-of-use assets and lease liabilities	(958)	(940)
Total assets (ex IFRS 16)	518,387	491,203
Intangible assets	(2,082)	(1,915)
Outstanding AFPs (excl launching customers)	-	-
Consolidated Balance Sheet Total (ex IFRS 16)	**516,305**	**489,288**
Solvency	**41,4%**	**43,8%**

Calculation of Leverage (€ ‘000):

	Q1 2024	**Q4 2023**
Loans and borrowings	39,690	19,926
Total debt (Borrowings) (ex IFRS 16)	39,690	19,926
Cash and cash equivalents	(140,733)	(131,389)
Total net debt (ex IFRS 16)	**(101,043)**	**(111,463)**
EBITDA	6,497	36,806
Adjustments to exclude IFRS 16 impact:		
- Expenses of lease contracts other than 'short-term leases' and 'low-value leases'	(2,601)	(11,054)
- Expenses related to initial direct costs of operational lease contacts	-	(540)
- Expenses of lease contracts other than 'short-term leases' and 'low value leases' accounted for as project costs based on progress	(648)	4,112
- Net impact of the difference in accounting treatment of lease incentives between IFRS 16 and the former lease standard IAS 17	31	40
EBITDA (ex IFRS 16)	3,279	29,364
- Charge to profit represented by the expensing of stock options	139	361
- Disposals, revaluations, write downs or impairment of non-current assets or any reversal of any write down or impairment	-	(509)
- Exceptional, one off, non-recurring or extraordinary items which represent gains or losses relating to the P11 manufacturing expansion	1,479	5,115
EBITDA ex exceptional items (ex IFRS 16)	**4,897**	**34,331**
EBITDA ex exceptional items (ex IFRS 16) LTM	**31,780**	**34,331**
Net Leverage	**0,00**	**0,00**