Company: SIF Group

Conference title: SIF Group Full Year 2016 Earnings Call

Moderator: TBA

Date: 29 March 2017

Operator: Good day and welcome to the SIF Group Full Year 2016 Earnings conference call. This conference is being recorded and at this time, I'd like to turn the conference over to Mr Jan Bruggenthijs, CEO. Please go ahead, sir.

Jan Bruggenthijs: Thank you, Operator. Good morning, all. As said, my name is Jan Bruggenthijs, I'm the CEO of SIF Group. With me today is Leon Verweij, our new Chief Financial Officer, and Mr Fons van Lith, our Investor Relations Officer. Today, we have announced our full year results 2016 and I assume you all have your information, which is available [inaudible].

And I would like to take you through these by guiding you through our presentation, which you can find on the website. I will give you also some additional colour on the developments and of course, after a little presentation and the guidelines, there's time for you and opportunities to ask questions.

If I may to go page number three, we see the update on the strategic phases. As you probably all have been joining in before you can - I will enlighten especially 2016, where you see that we completed the new production facilities at Maasvlakte ahead of time. And at the same time, of course, we had the IPO last year, which meant that we are now listed on the stock exchange here, Euronext.

If we look at our operations, they are still focused on the wind and oil and gas. 88% last year was turnover in offshore wind, 12% was still in oil and gas. The EBITDA was 65.4 million for the year, normalised on IPO costs, which Leon later on will enlighten you a bit more on some details. The tonnage we produced was 191,000 tons. We have an order book of this year for 210,000 tons. And the shares which are floated are about 33% of the total volume of shares.

Looking at the year, we see a healthy business environment. To our opinion, it was a breakthrough year, looking at the levelised cost of energy going down significantly in the Netherlands but also in Denmark. We think this is very good for our industry because that means we need less subsidies and it's really a step forward to also compete with other means of alternative energies.

We also see that looking at this will - may be also be the first step for a second step looking at new generator sets going up to 10 to 12 megawatts, which might even have the possibilities to lower cost even more. If we look at the market itself, we see a solid market for the coming years. I will come back later on a bit on 2018. Looking at results, Leon Verweij later on will guide you through these results.

The market itself, like I said before, looks very promising for the coming years, but we see a little slowdown in 2018 for production of monopiles. That has to do with a shift of some of the projects being delayed in France, for instance, where we see that two of the projects there are a bit delayed due to some issues with environmental groups.

We see a bit the same here in the Netherlands where we see the Borssele project waiting for the larger turbines, especially the nine megawatts of Vestas to be introduced, which means an additional scale-up again.

If we look at the business environment itself, wind is looking promising for the coming five to ten years with total volumes of between three to four gigawatts annual. In Oil and gas, we still have a good order portfolio for this year. For the coming years, we are still waiting for oil prices to go up, so we can also focus on new developments. The markets are still quite slow.

The projects we have been involved in through 2016 were Rampion and Dudgeon, which we delivered, both of them and Galloper, which was actually delivered also for about 60% last year. We also delivered the piles for the gravity based project Blyth, where monopiles were used for gravity based foundations. We also had, in the oil and gas, the completion of the first jackets for the Maersk fields and for Sverdrup.

If we look at our safety, our safety figures are going down and down which is very good. That's very positive. We see that we are well below targets which are set by the industries and we think that we are a leading company here also in safety.

Like we discussed before, we focused on international developments, which we are looking at and following very closely. And if we look at that, then we see Japan where we signed a letter of intent with Sato Tekko, a very important player which has very good contacts in the Japanese markets. In the United States, we are just following what's happening there. Maybe you have some questions later on, but I will hear from you.

We had the successful listing of the IPO last year, of course, and the Maasvlakte 2 well ahead of schedule. If we go to page number 10, then you see that especially where we are now with the Maasvlakte development, we had the first load ins of cans already in September last year, which was well ahead of our planning and first production of monopiles was already in September.

We delivered the first monopiles in December, so that was well ahead of what we thought, because we expected in Q4 only to have the first small production, but we were already running on one line and well ahead of planning. We are now in the final stages of finishing and touching up and then later in the year, we will install line number two in the Maasvlakte 2.

And then it means that we will be very near to the 300,000 tons production annual that we expect to reach in the last quarter of this year. Let me briefly introduce Leon Verweij to enlighten some of the financials to you.

Leon Verweij: Hello, good morning. Thank you for this opportunity for the first time to enlighten you a little bit on the financial results of SIF in 2016. As shown in the highlights, our contribution went up to almost about 29% during 2016 on the production level of 191,000 tons, which meant that we were more or less working at full capacity during 2016 On the back of that, our EBITDA improved on a normalised basis with 13.1% to 65.4.

There we have normalised 6.8 million IPO costs which we have during 2016. Our net profits increased by 5% to 37.4 million. If we would normalise that as well for the IPO effect, then the net result would be somewhere between 42 and 43 million Euros. Basically, the difference there is that not all IPO costs are fully tax-deductible. The

Earnings Per Share went up about 5% to €1.47, and we managed to keep our working capital during the year at a very good and low level.

The net debt ended at 42 million, and although we still have a very strong cash conversion rate within SIF, we also executed during the year a CAPEX program in, especially as Jan mentioned, the Maasvlakte, which amounted to about 72 million, which, of course, had its effect on the net debt situation at the end of the year. The order book at the end of, for 2017, is about 210 kiloton, which should mean that we are well filled for 2017 as well.

Another thing to mention is probably that by the end of 2016, we modified our financing arrangement with our banks. We repaid the term loans of 56 million and increased our revolving credit facility. The reason behind that was that we this way, are able to achieve better terms, but only second-hand. As you probably are aware, our money requirements shift during the year quite a lot, so they're in the revolving credits facility which fits better the situation with Sif as a situation of term loan.

On the back of that, also, the CAPEX covenant that was included in the existing facility was cancelled and we used the situation as well to extend the whole facility to 30 June 2019. The dividend proposal will be 37 cents per share in cash, payable by the end of May, which is 25% of net profit, net result, which is in line with policy that was already stated in the prospectus as well.

If we look to the contribution development of the year, you can clearly see that the contribution was mainly made by the wind business and although oil and gas was still a good year for SIF, of course, the overall contribution level was less there. Why contribution level? We focus very much on the contribution level and not as much on sales, because the sales level is very much influenced by fluctuation of steel prices, which we can pass along one-on-one on our customers and on the level of subcontracting in the composition of the sales.

On the back of this increased contribution level, we of course, achieved an EBITDA level which is accordingly in line. Here you can see the elimination of the 6.8 million of IPO costs. If we look at the 65.4 million EBITDA, that still is about 50% of the contribution margin, as it was in all the previous years. This was achieved, again, on the back of a high production efficiency and the increased contribution level.

You can see in the next slide, we kept our working capital very low. It's in the level of 8.3 million. Of course, there are swings during the year, but I think we still have a target to be as neutral as possible on working capital level - 8.3 million is a very good result in that sense. Of course, this was achieved as well on the back of the CAPEX program in 2016 of about 72 million.

As we've announced earlier, and which is written in the presentation as well, the total expansion program is about 90 million, so we will have some carry-through of this investment program into 2017 of about between 15 to 20 million. All in all, results in return on capital of 15%, again, on the back of this, for Sif, quite extensive CAPEX program and it's of course realised on the basis of higher EBIT, which is carried by the higher contribution margin.

Jan Bruggenthijs: Okay, so then please let me guide you a bit through the markets, and the markets that we see developing. As I stated before, we see some shifts in the volumes, some delays in the projects. That doesn't mean they are cancelled, they are delayed. We see a delay of some of the projects that are going to be grid connected in '19 and '20, moving into '20 and '21. We added that number '21 already in there, which was also in our former presentation. So the mait[?] numbers didn't account for that yet.

But if we look at the latest numbers by WindEurope, we already see that they made the shift already of these projects and they made the projection that it will move backwards. So we make calculations also on the expected demand for monopiles in the market, which I will share with you later on. All in all, the outlook for the coming years is very good, very promising. The shift with some delays having the result that there will be some less production requirement in '18 will mean that '19 and '20 will be very busy years.

And of course we are talking to customers weather they're still interested to produce in '18 and not in this very busy period of '19 and '20, where there will be large French projects, the Borssele projects, the Danish projects, etc. And as well some UK projects also coming in which will be decided in the first week of April, which is when the first new CFDs will be granted. So, all in all, the outlook is very good, very steady, and like I said before, somewhere between three to four gigawatts per year.

So if you can look for the orderbook at this stage, for this year, 210,000 tons. There might be some smaller projects still coming in, but [inaudible] very small projects, for instance, for the oil and gas, or some specials but this is more or less the orderbook for this year. And we see also that the first orderbook already of 98,000 tons ready for 2018, which is booked. This includes the projects Norther, Rentel, Hohe See.

These have been announced, so we see that up till the first quarter of 2018, production is pretty full. The [inaudible] European pipeline for projects, you see all these projects here, and we are very much focused on those projects which are still feasible to reproduce in 2018 and there are still some opportunities. One omission there in the Netherlands, there should also be the project Frisia in there, which is not in here, but in the next publication, we will include it.

If we then take the last slide before the appendices, we see that there has been some alterations made by us. As a management, we took into account the lower production levels expected in 2018, so we see a little slide down in the amount to be produced in 2018. But there are some opportunities that it might be higher, so we still see opportunities to fill the remainder of '18, but it will be in a fierce competition. '19, '20, we foresee that what will be shifted to a later stadium, that will give definitely some pressure on the market to produce.

That's where we foresee also that Rotterdam facility will be very suitable, because with two lines, we can either produce faster or we can produce two projects at one time. And we can also produce a bit ahead, so we can store projects also in advance with the over 40 acres we have in the Rotterdam Maasvlakte facility. So for our enlightenment on the presentation and Operator, I would now ask you to open the lines for questions.

Operator: Certainly, thank you. Ladies and gentlemen, if you wish to ask a question at this time, please press the * followed by the digit 1 on your telephone keypad. And please also ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. We will now take our first question. It comes from Mr Martin Dendriver from NIBC. Please go ahead, sir, your line is open.

Martijn Den Drijver: Yes, good morning, gentlemen. I'm attending today for NIBC. First question relates to the outlook for 2016 production. Would you be so kind as to share the kilotons that you produce per segment. I couldn't find that anywhere, it would be very helpful to have that to determine contribution per segment. The second question relates to the production ramp-up in 2017.

We've seen the slides, but can you elaborate a little bit on as to when exactly do you think you will have the second line operating in 2017? That's the second question. And the third one relates to your discussions with possible partners in Japan or the USA or any other region. Could you elaborate a little bit on the progress there and what your current thinking is? Those were my three questions. Thank you.

Leon Verweij: Okay, the answer on your first question, about the tonnages – for 2016, the tonnage of the wind business was 160,000 tons, and on the oil and gas business was 31,000 tons.

Martijn Den Drijver: Okay, thank you.

Jan Bruggenthijs: Okay. Then the second line at Maasvlakte 2, we expect that that will be... Or number two, sorry. We expect that will be available in the third quarter of this year. So then we will start up, so full production ready, we expect to be in the fourth quarter.

Leon Verweij: And if I may add to that, so current production levels will remain at 225 and then we'll ramp up to 250 somewhere during the year, and then at the end of 2017, we'll be at 300. Just to get a picture of capacity on a yearly basis.

Martin Den Drijver: You're comfortable with the 250 I mentioned for H1, that's a reasonable number to assume.

Jan Bruggenthijs: For the first half of the year, of course we are still actually at the 225, 235, because the levels of today. And it will gradually go up to around 250 in Q3, and then we make the jump when line number two is fully running in Q4.

Martin Den Drijver: Okay, great, thank you.

Jan Bruggenthijs: International, yeah, well, we are very closely looking at the developments in Japan. There was a bit of hamper in the momentum over there, because once the project there was announced that it would not go on, we were very closely involved in the project. But it was also just announced that the project will continue, taken over by a new owner. And we think that with our partner, we are very well positioned there to be involved in that first project.

We expect that project somewhere in 2019 to come in. That's more or less what we always stated – around 2019, we expect first momentum coming from Japan. But the US we are very closely following. As we all know, today Mr Trump announced that he is trying more or less to block the sustainability bill of his predecessor. But we look very much at the developments in the States, because actually it is a state matter.

So we look at the development in the States and then we are following closely what's happening there, and where the first ripe opportunities will be there. The first projects are being built, but it's still very small scale.

Martin Den Drijver: But any progress on possible partners, early discussions even, possibly? [Inaudible].

Jan Bruggenthijs: I'm not going to tell you anything about what's happening in US.

Martin Den Drijver: Okay. Any other region that we should be aware of, where you're having these types of discussions or plans?

Jan Bruggenthijs: No, these are the first, these are the two now we've revealed to the public.

Martin Den Drijver: Okay, thank you.

Operator: Thank you. We will now take our next question from Sean McLoughlin from HSBC. Please go ahead.

Sean McLoughlin: Good morning, thank you for taking my questions. If I can start with the cost base, looking at the gap between contribution and EBITDA in Q4, this has risen to about 20 million on a quarterly level from the 14-15 million run rate we've seen in previous quarters. Is this simply more staff on deck? Is this now, let's say, the running rate that we can assume going forward, and how flexible is that number, and are there any one-offs within that 20 million that we should be aware of?

Secondly, if I look out towards 2017, 2018, you've given us the split for 2016 between oil and gas and offshore wind. If you could please provide the same for also your orderbook '17 and '18, how much of it is oil and gas? And lastly, do you have or what is the level of your CAPEX commitments currently for 2017? Thank you.

Jan Bruggenthijs: Leon, please.

Leon Verweij: Okay, let me take the last question first. I thought I already tackled that more or less when we were discussing in the presentation. But like I said, the whole expansion program was about 90 million. Of that, about 72 million was spent during 2016. So we have a carryon into 2017 for just the expansion project of between 15 and 20 million. On top of that, you have to look at the maintenance CAPEX as well. I hope that answers your question.

Sean McLoughlin: Yeah. Yep.

Leon Verweij: Then the bridge between our contribution margin and EBITDA, and your question, whether there are any one-offs there that you should be aware of. The one-off that I can think about that you should be aware of that's in there is of course about 2, 2.5 million in costs which we made for - additional costs which we made for the first delivery of the Galloper piles which had to be delivered in, let's say, not standard situation, so there we had to find additional [inaudible], roll on, roll off. So there we incurred some additional costs.

Another thing which we of course had is the effect on our direct labour of, first of all, introducing more sophisticated project management department into the company, which had an effect. But I would say that's not a one-off, that will carry on in the next few years. And, of course, one effect that we had in 2016 in that bridge is that of course we had to build up our staffing in Rotterdam on the Maasvlakte and that we had, of course, some doubling, and we had some straining effects and less efficiency in signing off that facility. But I think those are the major items that you should be aware of.

Sean McLoughlin: Thank you.

Operator: Thank you. So we will now take our next question from Tijs Hollestelle from ING. Please go ahead. The line is open.

Tijs Hollestelle: Yeah, thank you. Good morning, gentlemen. Yeah, I also have a follow-up question on the capital expenditures. Is the numbers that you just provided, Leon, is that including the increase on the additional equipments of a couple of months ago? And also, what is the - is there a big difference in timing of the cash outflow in the quarters during 2017? That's the first question.

And then I had a question on the oil and gas business. You're generally mentioning that it's the [inaudible]. This [inaudible] indeed referring to about 30 to 35 kilotons. Is that kind of a breakeven, slightly profitable level for that business? And is it including pure oil and gas business or is it wind products which are being produced on the oil and gas production lines? And as a last question, did you see any, let's say, scary developments regarding new foundation technologies in the past six months? These are my questions.

Leon Verweij: Okay, Tijs, hopefully I am able to answer your question on the CAPEX correctly. First of all, we have, in 2017, we have, let's say, a carry-through of total program of 90 million into 2017. Yeah? On top of that, we will have some additional investments as well. So basically the number I mentioned, between 15 and 20 million, is first of all, [inaudible] carry on, carry forward of the expansion program and some additional investments we will do during 2017.

If I look at the predicted cash outflow for those investments, I would say that there will not be – they will not be evenly spread during the year and there will be an emphasis on, let's say, the first two, three quarters of the year in achieving that. I think that -- hopefully that covers your question there.

Tijs Hollestelle: Yeah, perfect. Thanks, yeah.

Leon Verweij: Okay.

Jan Bruggenthijs: Okay. You asked a question on new developments or new, I'd say, other replacements for monopoles. As we look at it today, we of course see there's a lot of discussion going on, on floating. Floating is still very expensive but we follow it very directly and very closely. What we are more focussed on is now to extend the lifetime of monopiles by either to be used in deeper waters, going up to 50 metres or even more. Of course, also by saving steel by new techniques of piling.

And at the same time, of course, we see that there are a lot of developments still in the coming 10 years based on monopiles and that's also the information we got from our customers. So, yes, we are very closely watching especially the floating market and we are already delivering parts for the jackets that are being used, like pin piles for Beatrice Project, and so we are enforcing that, too.

Back on your question on the oil and gas, the oil and gas line, they produce also for the wind market like for instance, the pin piles for Beatrice are being produced in the oil and gas line because we made that one flexible. And so for this year, we see in the true oil and gas markets, a level of around 35,000 to 40,000 tonnes and the remainder part will be wind projects being produced on oil and gas line.

Tijs Hollestelle: Okay, thank you.

Leon Verweij: And to top that off, because I think that was also part of your question, if you look at the total volume done on the oil and gas line, that's not only generating a positive contribution but is also generating a positive gross profit as well.

Operator: Thank you. And again, ladies and gentlemen, as a reminder, it is *1 if you wish to ask a question. We will now take our next question form Thijs Berkelder from ABN Amro. Please go ahead, sir. Your line is open.

Thijs Berkelder: Hi, good morning, gentlemen. I'd like to come back on the cost items which I see in the P&L and I would like to have a bit more clarity on what we can expect there in 2017. Let's say production general and manufacturing expenses in second half were, let's say, 8.5 million versus 4.5 million in the first half, I assume that that's primarily related to that Galloper Project. Can you confirm that?

And then secondly, indirect personnel expenses have gone up from 4.5 million to 8 million in the second half. What can we expect there in terms of run rate next year? Is the 8 million normal per half, so 16 million on an annual basis? Or are there one-offs included there as well? Then can you maybe give an indication on what you expect in terms of depreciation expenses next year and whether you expect next year any kinds of additional one-offs?

Leon Verweij: Okay, I'm trying to write the questions down while you ask them. So first of all, going into the question of the production and general manufacturing expenses, I can confirm that there is the two points between 2 million and 2.5 million included that I mentioned earlier for the load out of the first Galloper piles which were additional costs, so that I can confirm. So I hope that answers your question.

Then looking into the indirect personnel expenses, of course that's partly a trade-off with direct personnel as well. But what we've seen during 2016 is of course that we have been introducing and have been growing our indirect personnel cost base as well. And part of that indirect cost base is of course generating income as well, so it's a trade-off between direct personnel and indirect personnel.

As to your question whether there are any one-offs in there, I couldn't think of a one-off in there. Going to the depreciation level, the depreciation level of course is going up on the basis of the whole CAPEX programme. What we see is that for 2017, we'll be growing to a level of approximately, let's say, 11 million.

Thijs Berkelder: Can I come back on the indirect personnel expenses? What can we expect there next year then, 16 million, 15 million?

Leon Verweij: In – you mean total for the total year?

Thijs Berkelder: Yeah.

Leon Verweij: I would say about 15 million.

Thijs Berkelder: Okay, clear. Then I have additional questions on, let's say, the steel mix in your order book. Are the transition pieces still in that steel mix in your order book? And if so, can you give a split within offshore wind roughly, let's say, ex – or monopiles versus the transition pieces?

Jan Bruggenthijs: All projects that are now in our oil group, are west mono transition pieces and in average weight of the transition piece for the part that we produce is about 25% to 35% of the weight of the monopile.

Thijs Berkelder: Okay, that's clear. Yeah, yeah. And can we expect, let's say, subsea[?] yeah, looking at – yeah, looking at the Harper positions that you now have, what can you expect in terms of rental expenses, housing expenses for next year?

Jan Bruggenthijs: I give you back to Leon.

Leon Verweij: Well, you've seen – I've seen them going out, of course, during especially the last quarter which is probably due to say, the rental of the facility in the Maasvlakte so going forward to 2017, you can expect a figure which will end in around five million for the full year.

Thijs Berkelder: Okay, clear.

Leon Verweij: Clear?

Thijs Berkelder: Thanks. Yeah.

Operator: Thank you. We have now a follow up question from Sean McLoughlin from HSBC. Please go ahead, sir. Your line is open.

Sean McLoughlin: Thank you. Just in the context of your higher cost base, your higher activities in 2017, I mean, how are you thinking about contribution?

Jan Bruggenthijs: Yes, what context do you mean contribution?

Sean McLoughlin: Well, are you – I mean, contribution was pretty flat from 2016 – from 2015 to 2016, are you expecting contribution to remain flattish into 2017, or do you see scope for that to increase?

Jan Bruggenthijs: You mean for [inaudible]?

Sean McLoughlin: Yes.

Jan Bruggenthijs: Okay.

Leon Verweij: Contribution performance increase.

Jan Bruggenthijs: We expect that the result will be more or less flat.

Sean McLoughlin: Thank you.

Operator: Thank you. We have now another follow up question from Tijs Hollestelle from ING. Please go ahead.

Tijs Hollestelle: Yeah, thanks again. Yeah, also the question on there was a statement, I believe that's the bank covenant over the limitation of the capital expenditures was lifted. What was the reason behind that?

Jan Bruggenthijs: No specific reason but if that covenant would have stayed in place, we would not have been able to do any expansion programme because the covenant limited the company to a double CAPEX level of 25 million a year. And as you are well aware of, the total expansion programme amounts to 90 million. So this was sort of a remnant out of the past which, when you change your financing agreement, you take care of it the same time I would say.

Tijs Hollestelle: Okay.

Jan Bruggenthijs: So no special issues, just cleaning up.

Tijs Hollestelle: Yeah, I thought it was linked to the fact that there was a huge expenditure CAPEX, let's say, in the year after there was limitation to capital expenditure, but as you say, it's clear. And an additional question also on the trade working capital levels. I think that that SIF did a good job also during the quarters. I'm aware that this – it will always be volatile in any quarter. Do you already see anything strange happening in the next few quarters in terms of the cash flow, as for large repayments or cash removing, anything you already anticipate here?

Jan Bruggenthijs: No, nothing else, no more volatility [inaudible] you will have one. No special things worth mentioning at this point of time.

Tijs Hollestelle: Okay, and will SIF update us or give us guidance if there is such an event? Because you did it last year and that was quite helpful in understanding the other quarterly debt and cash run over.

Jan Bruggenthijs: If there is any significant thing to mention there, of course, we will give guidance and we will give, let's say, general updates during the quarterly trading reports.

Tijs Hollestelle: Okay, lovely. Thanks.

Operator: Thank you. Our next question comes from Andre Mulder from Kepler Cheuvreux. Please go ahead, sir. The line is open.

Andre Mulder: Yeah, good morning. Looking at slide 18 where there seems to be a decline in the month of around 20%, how would you rate your performance in that share? Would you be doing better than this 20% decline looking at what you already have in the order book? Do not have, of course, the order books of competitions, so that makes it a bit more difficult so that's why I'm relying on your view.

Jan Bruggenthijs: Yeah, well the order books of the competition are more or less filled at the same moment, so that's why we're more or less are so we all look at that period of time. And we are actually in talks with some of our potential customers, [inaudible] and [inaudible] or maybe even that are some projects that will come on the market still that we are very close to it and make very good chance to win. But it's a bit of a fight for that second half of 2018.

Andre Mulder: So you would say that that decline on the market would also be applicable to you? Is there any other reason to believe that you will be doing better or worse from that number?

Jan Bruggenthijs: Let's say that we will fight harder.

Andre Mulder: Okay. And last question, are you aware of any capital capacity expansions by competitors in the last six months? Has that competitive environment changed there in any way?

Jan Bruggenthijs: No, nothing different than I already stated. The main competitors are EEW. EEW is rearranging its second line. That's also what you see in this overview that they also will be at around 150,000 tonnes annual on monopiles. We see them invest. I already stated that also in the quarterly results that they are investing to bring down their [inaudible] lines also to Rostock and also to upgrade the second line form max 7 metres up to at least 10 metres, so that's what they're doing. And steel[?] wind, as we stated, has a maximum capacity of two monopiles per week, but they are not at that level yet.

Andre Mulder: Okay. Thanks.

Operator: Thank you. Our next question comes from Mr Stefan Dolken[?] from Dillenborger[?]. Please go ahead, sir. The line is open.

Stefan Dolken: Good morning, gentlemen. I would like to ask a question about the incident that took place a couple of weeks ago on the [inaudible] River Maas which I believe impacted transportation from SIF to other locations quite seriously. Could you please tell me what the impact of this incident was?

And secondly, are you considering other options to avoid such shortfalls in the future and maybe you can elaborate on that? And my second question is about the current political climate in the US. Can you please elaborate on your views on the policies of Mr Trump and how they could or will impact your business in the near future? Thank you.

Jan Bruggenthijs: Yeah. The River Maas, well, we solved the issue by just sailing around by the Port of [inaudible]. So, in that sense, it really didn't affect our production. As we all saw, production was still there. There was some additional costs, but not [inaudible]. It was on – there was some additional cost where we joined together with other companies being involved in this incident to see whether we can reclaim that. So that's one of the things that are also in the numbers as one-off. We are not stating that number yet outside. We just keep it to ourselves.

Furthermore, your question on the development in the US or in the future, how we're going to tackle that in the future, well, it's just like we did before, sailing by the water routes over Maastricht and [inaudible]. But I think the lessons are learned also by like [inaudible] that they have to make sure that they have precautions that this doesn't happen anymore because River Maas is a very important waterway for the Dutch economy.

If you look at developments in the US, we see of course that Mr Trump has a different view on climate change. I'm not a politician, so I'm not going to comment on that. That's up to him. But we see that the developments of offshore winds are not only related to climate change but for instance also on the problems they have in the grid connections in the major cities like New York and New Jersey.

Actually, they have built those wind farms also to solve those issues. They can't build any additional coal-fired energy production plants, but they have to connect very short and directly to the cities. And one of the main solutions there is to have offshore wind power. So it's not only related to climate change. Furthermore, the States, they have their own say and there's developments.

And so, like California, for instance, you see that they continue and let's wait to see what happens because I heard on the news this morning already that there are some States that will fight this act again. So, let's just wait and see.

Stefan Dolken: Thank you very much.

Operator: Thank you, sir. We will now take a follow up question from Thijs Berkelder. Please go ahead. The line is open.

Thijs Berkelder: Yeah. Me again. Two additional questions. Galloper took substantial additional costs. Will you be compensated there in 2017? Yes or no? And is that maybe a reason for your guidance that the contribution margin per tonne stays the same or should I exclude that compensation amount?

Then, secondly, my clients really will ask you for clarity on what you expect for 2017 in terms of EBITDA guidance. For [inaudible] in 2017 will be some 10% higher than in 2016, at least, can you say where you expect the adjusted EBITDA in 2017 to be higher than 2016 or not?

Jan Bruggenthijs: Okay. First thought, about your question about Galloper, I don't think there's any possibility for us to reclaim from a customer additional cost that we have to make for a load out which was basically just to the fact that we decided a shift that we would use Galloper in Rotterdam instead of [inaudible]. And we commented since Kaye[?] was not yet ready, we have to improvise in the load out.

Basically, that's our issue. That's our thing. So, I don't see any possibility to our customer for any compensation there. So, then, there will also be no effect on contribution margin as far as that is concerned in 2017.

Thijs Berkelder: Clear.

Jan Bruggenthijs: As far as guidance on the 2017 EBITDA, I would say and it's still fairly very early days, but I would say that we would have calculate with the level which is about the same as 2016 or maybe slightly higher.

Thijs Berkelder: Okay. That's clear. Thanks.

Operator: Thank you. Gentlemen, we have no further questions from the telephone line. So, at this point, I'd like to turn the conference back to you. Thank you.

Jan Bruggenthijs: Gentlemen, thank you very much for your questions and we will hopefully meet you again sooner. And I say goodbye to you all.

Leon Verweij: Thank you. Thank you.

Operator: Thank you. Again, ladies and gentlemen, that will now conclude today's conference call. Thank you very much for your participation today. You may now disconnect.