HAVYARD GROUP ASA

IR summary Q2 2018 - 27.08.18

Headlines/Milestones Q2 2018

The Group's operating result (EBIT) in second quarter was according to expectations, with increasing activity and improved profitability throughout the year.

- EBIT of NOK 5.1 million and EBIT-margin of 0.89 % in second quarter of 2018.
- EBIT of NOK 0.7 million and EBIT-margin of 0.07 % in first half of 2018.

- Loss in Q2 of NOK -20,1 million and margin -3,51%
- Loss in first half of 2018 of NOK -27,2 million and margin -2,61%.
  - Impairment of financial assets by NOK 18,6 million in second quarter.

- Havyard increase to 100 % ownership in Norwegian Electric Systems AS

- Larger new contracts in second quarter
  - Power & Control
    - Automation- and propulsion system to live fish carrier built for Alsaker fjordbruk
  - Fish Handling:
    - Complete fish handling systems for live fish carrier built for Alsaker fjordbruk

- Larger new contracts after end of quarter
  - Delivery of a live fish carrier for Norsk Fisketransport with delivery June 2020 with deliveries from all segments.
  - Delivery of design for two cargo vessels for Royal Artic Line A/S.
  - Complete fish handling systems for live fish carrier built at Fitjar Mek. Verksted.
  - Delivery of processing plant for on-board production for Havfisk AS

Outlook

- Havyard's strategy is to continue to develop the company as a maritime technology group with unique expertise and products throughout the value chain. Our focus areas are Energy, Fish and Transport, where we have established a strong market position in segments with good activity.

- Focus is to take synergies out for the 100% ownership in NES, continue the positive development on time, quality and cost in all projects and successful turn around in MMC FP

- We experience increased market activity in all focus areas Energy, Fish and Transport.
  New orders expected in Q3 with margins reflecting the improved market.

- Historical high order backlog with profitable activity for the coming years.

Status and Outlook per Segments

Generally
Havyard's strategy is to continue to develop the company as a maritime technology group with unique expertise and products throughout the value chain. Our focus areas are Energy, Fish and Transport, where we have established a strong market position in segments with good activity. In particular, the contracts for design, construction and equipment deliveries to five ferries to Fjord 1 show that we are successful in our efforts and the prospects for new contracts are good.

After restructuring, the organization is more scalable and market-oriented, where we can quickly focus on areas where we are experiencing increasing needs. All business areas balance their activity between internal and external deliveries, where the goal is healthy growth with competitiveness and profitability at all levels.

The order backlog is record high NOK 3.4 billions and will give profitable activity for 2018 and 2019. It will be, especially, the segment Ship Design & Solutions and Power & Control who will be the largest contributors.

Fish Handling
There is still high activity in the market for well-boats, but we expect a flat development in demand in the coming years. The merger with First Process has been made to increase our activity within pelagic factories and other areas of fish handling both at sea and onshore. The focus is on improving profitability through development of unique overall solutions, efficiency and outsourcing, and the first quarter figures show the need for action.

Power & Control
The drop in offshore activity led the company to increase its focus on hybrid-electric propulsion systems. The focus on environment-efficient solutions, especially in transport, results in high demand for such systems. The company has received several orders that will provide good profitability in the long run. The company has got a breakthrough in the ferry, farming and fishing boat segment and is experiencing great interest and success with its new Odin`s Eye® DC grid system as well as its battery / hybrid solutions. The acquisition of 100 % in Norwegian Electric Systems AS are based on an increased co-operation within the segment and with a goal of a merger between the company in the segments in 2019.

Shipbuilding Technology
It is low activity in 2017, but the order backlog for 2018 and 2019 provides a good foundation for activity and profitability. Activity within new building will increase during the year with approximately full utilization in second half of 2018.

Ship Design & Solutions
HDS is working actively in new segments for delivery of design and equipment packages for both own and external shipyards. Having sold designs to the first environmentally friendly ferry projects, there is good expectation in new orders and a positive development in the transport segment.

Production & Services
The order backlog has grown significantly and focus is on profitability in addition to ensuring increased competitiveness for the other business areas in Havyard as an important subcontractor. Figures from first quarter show that the actions to increased profitability works and the increased activity within shipyard and offshore sector increase the need for good control within the supply chain.

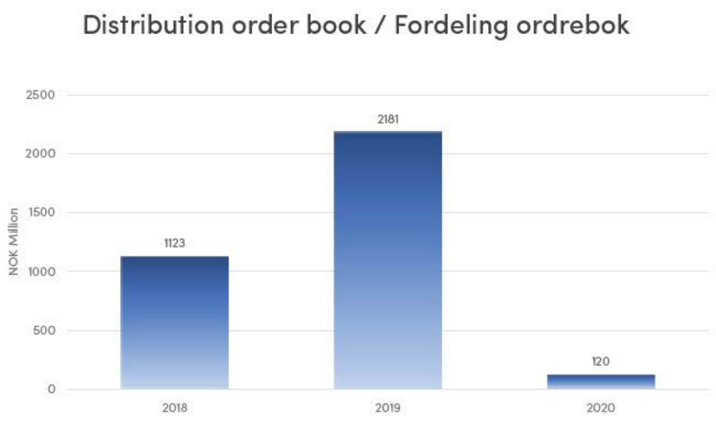
Group Key Figures

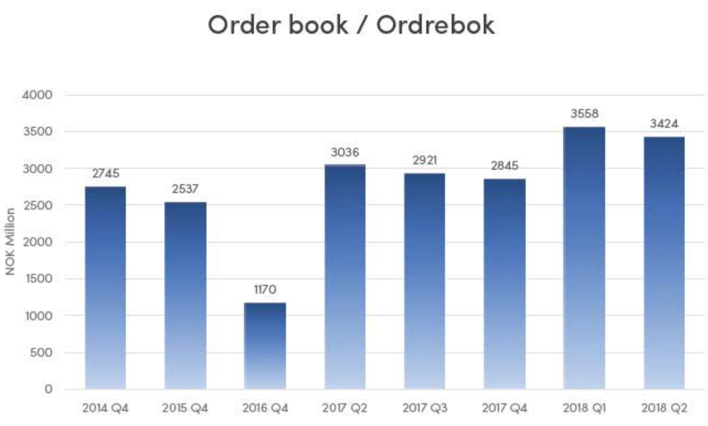
MNOK	2018 YTD	2017 YTD	2018 Q2	2017 Q2	2017
EBIT-margin	0.07 %	-1.65 %	0.89 %	-5.68 %	-2.05 %
Earnings per share	-0.96	-0.13	-0.78	-0.35	-2.41
Net interest bearing debt	103	13	103	13	92
Working Capital	134	148	134	148	102
Assets	1,655	1,236	1,655	1,236	1,337
Equity	457	480	457	480	481
Equity ratio	27.6 %	38.9 %	27.6 %	38.9 %	36.0 %

Operating revenue / Driftsinntekter

EBIT / Driftsresultat

Order backlog





- External order backlog of approx. MNOK 3,558 (Q4 2017: 2,845)
  - 2018 - MNOK 1,123
  - 2019 - MNOK 2,181
  - 2020 - MNOK 120

Figures per segment

2018 YTD

(NOK million)	Ship building Technology	Ship Design & Solutions	Power & Control	Fish Handling	Production & Services	Other	Havyard Group
Operating revenues, External	574.6	33.2	63.1	166.3	66.1	105.4	1,041.9
Operating revenues, Internal	0.2	49.2	158.8	16.7	42.0	-267.0	0.0
Total operating revenue	574.8	115.7	221.9	183.0	108.1	-161.6	1,041.9
Operating profit /loss EBITDA	-2.0	32.9	2.7	-6.3	-3.8	-11.1	12.4
Depreciation	3.9	2.3	0.7	3.8	0.7	0.2	11.6
Operating profit/(loss) (EBIT)	-5.8	30.6	2.0	-10.1	-4.6	-11.3	0.7
Net financial items	-1.3	2.0	0.5	-2.2	-2.2	-25.0	-28.3
Profit/(loss) from associate	-	-	-	-	-	-3.8	-3.8
Profit/(Loss) before tax	-7.2	32.5	2.5	-12.3	-6.8	-40.0	-31.3
Income tax expense	-1.6	7.3	0.7	-2.8	0.2	-7.7	-4.1
Profit/(Loss)	-5.5	25.2	1.8	-9.5	-7.0	-32.3	-27.2

Balance sheet

(NOK 1,000)

ASSETS

	2018 Q2	2017 Q2	2017
	unaudited urevidert		
Non-current assets			
Goodwill	141 003	103 045	141 003
Licenses, patents and R&D	111 151	93 667	107 144
Property, plant and equipment	205 237	237 946	233 440
Investment in associates	18 628	30 030	22 407
Loan to associates	-	23 980	12 746
Investment in financial assets	27 180 1	15 511	27 603
Other non-current receivable	22 955	24 161	22 370
Total non-current assets	**526 155**	**528 341**	**566 713**
Current Assets			
Inventory	128 564	122 039	115 184
Accounts receivables	165 350	134 836	136 077
Other receivables	125 002	61 031	104 923
Customer contracts, assets	494 150	92 889	208 355
Cash and cash equivalents	215 376	296 594	206 068
Total current assets	**1 128 441**	**707 389**	**770 608**
TOTAL ASSETS	1 654 595	1 235 730	1 337 321

(NOK 1,000)

EQUITY AND LIABILITIES

	2018 Q2	2017 Q2	2017
	unaudited urevidert		
Equity			
Share capital	1 239	1 239	1 239
Share premium reserve	22 535	22 535	22 535
Treasury shares	-5	-5	-5
Retained earnings	352 674	404 197	356 930
Non-controlling interest	80 281	52 118	100 246
Total equity	**456 724**	**480 083**	**480 945**
Non-current liabilities			
Deferred tax liability	12 622	32 556	10 999
Derivatives	0	0	667
Bond loan	82 590	91 207	86 885
Loans and borrowings, non-current	103 977	69 885	63 366
Liabilities to parent company	3 506	-	23 419
Other long-term liabilities	1 107	2 418	2 250
Total non-current liabilities	**203 802**	**196 066**	**187 585**
Current liabilities			
Accounts payables	221 679	97 579	143 466
Taxes payable	8 196	3 812	8 196
Public duties payables	39 701	25 596	34 643
Construction loans	279 630	0	0
Bond loan (installments next period)	10 000	5 000	10 000
Loans and borrowings, current	38 260	12 406	23 196
Customer contracts, liabilities	134 116	272 670	175 943
Other current liabilities	262 487	142 516	273 346
Total current liabilities	**994 070**	**559 581**	**668 790**
Total liabilities	**1 197 871**	**755 647**	**856 375**
TOTAL EQUITY AND LIABILITIES	**1 654 595**	**1 235 730**	**1 337 321**

- Net interest bearing debt: MNOK 103
- Working capital: MNOK 134
- Equity ratio: 27.6 %

HAVYARD
CHANGE OUR INDUSTRY

Cash Flow

HAVYARD
CHANGE OUR INDUSTRY

Positive CF from operations in 2018:

- Deficit
- Impairment of financial assets
- Accruals regarding projects

Negative CF from Investments in 2018:

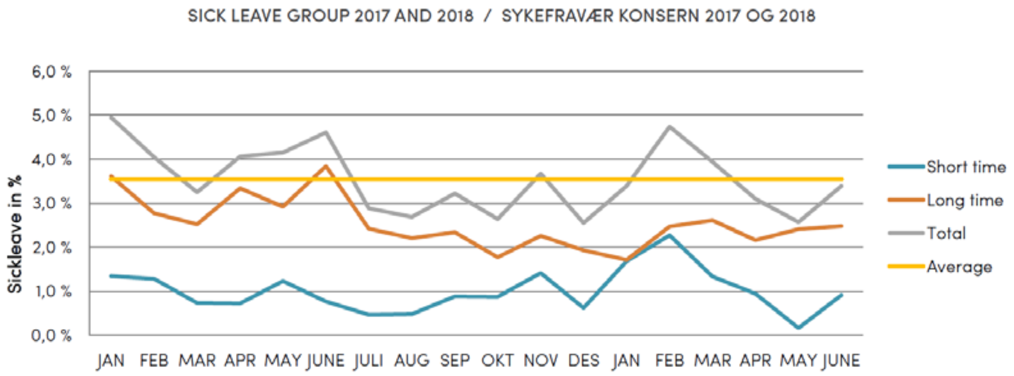
- Positive effect from sale of property
- Negative effect from purchase of shares in subsidiary

Positive CF from financing 2018:

- New long term debt
- New loan in subsidiary, presented as equity based on agreement.

(NOK 1,000)	2018 YTD	2017 YTD	2017
	unaudited urevidert		
CASH FLOW FROM OPERATIONS			
Profit/(loss) before tax	-31 309	-9 961	-71 794
Taxes paid	-	-2 106	-6 824
Depreciation	11 644	14 325	29 178
Net interest	7 159	6 045	12 114
Change in value financial derivatives	-2 187	-1 847	28 806
Change in bond loan (amortization)	705	896	1 573
Profit/loss disposals property, plant and equipment	141	-	-
Impairment financial assets	18 645	-	5 681
Share of (profit)/loss from associates	3 779	-4 946	2 677
Changes in inventory	-13 380	-7 136	111
Net changes in construction loans	279 630	-149 163	-149 163
Changes in accounts receivables	-29 273	22 460	26 148
Changes in accounts payable	78 213	-23 908	20 204
Changes in customer contracts, asset	-258 253	131 140	15 674
Changes in customer contracts, liability	-35 577	156 203	59 475
Changes in other current receivables/liabilities	-22 602	52 773	11 571
Net cash flow from/(to) operating activities	**8 217**	**82 923**	**-14 568**
CASH FLOW FROM INVESTMENTS			
Investments in property, plant and equipment	-2 717	-12 347	-17 312
Disposal of property, plant and equipment	24 000	-	-
Investment in intangible assets	- 7 918	-9 741	-24 670
Investment in financial assets	-225	-	-18 310
Disposal of financial assets	-	3 617	3 111
Purchase of shares in subsidiaries (see note 4)	-55 000	-	-
Dividends received	-	-	507
Interest income	460	935	2 210
Changes in long term receivables	-6 104	-438	17 640
Net cash flow used in investing activities	**-47 506**	**-16 514**	**-36 823**
CASH FLOW FROM FINANCING ACTIVITIES			
New long term debt	55 000	11 023	35 596
Repayment non-current debt	-19 389	-36 813	-45 519
Payment of loan in subsidiary (see note 10)	20 000	-	-
Cost renegotiation bond loan	-	-1 643	-1 643
Interest payment	-7 016	-8 440	-14 324
Purchase/sale of treasury shares	-	-	270
Net cash flow from/ (used in) financing activities	**48 595**	**-35 873**	**-25 619**
Net change in cash and cash equivalents	**9 307**	**30 536**	**-77 012**
Cash and cash equivalents at start of the year	**206 069**	**266 057**	**266 057**
Cash and cash equivalents from merger in subsidiary	-	-	17 023
Cash and cash equivalents at end of the period	215 376	296 594	206 069
Restricted bank deposits at the end of the period	78 621	128 676	89 402
Available cash and cash equivalents at the end of the period	**136 755**	**167 918**	**116 667**

HSE / QA



An extensive plan is implemented to reduce injuries and absence including subcontractors

Average sick leave

- Last 18 months sick leave on 3.55 %
- In 2018 sick leave on 3.52 %

Injuries resulting in absence from work

- 0 injuries last 12 months

HSE / QA

- Strong focus on Quality in the Group
- Quality deviations are measured, documented in action lists and handled effectively
- Internal audits in accordance with ISO 9001 and ISO 14001
- Supplier audits
- Audits from customers