Trading Update
12 May 2023
Roermond, The Netherlands

Highlights and Key Figures Q1 2023:

On track to meet 2023 forecast, execution expansion plan on schedule

Operational highlights

- Four Lost Time Injuries;
- Sickness absenteeism at 7.2% (8.2% in Q1 2022);
- Production of monopiles and transition pieces for Dogger Bank B and He Dreiht;
- Workforce at end of Q1 stood at 374 permanent and 244 flexible FTE (end of Q1 2022: 366 permanent and 224 flexible);
- Total throughput of approximately 48 Kton steel (48 Kton in Q1 2022).

Key figures

- Contribution of €34.0m (€30.5m in Q1 2022) of which €29,8m for wind (€26,3m in Q1 2022), €2.2m for marshalling (€2.4m in Q1 2022) and €2,0m for other activities (€1.8m in Q1 2022), including engineering services;
- EBITDA of €9.6m (€8.8m in Q1 2022);
- Adjusted EBITDA of €10.8m (€9.6m in Q1 2022);
- Net Working Capital at end of Q1 2023 -/- €85.7m (-/- €81.5m at end 2022);
- Cash at the end of Q1 2023 of €138.2m (€ 89.8m cash at end 2022);
- Orderbook contains approximately 170 Kton for remainder 2023 and 549 Kton for 2024 and beyond (270 Kton end of Q1 2022 for 2023 and 2024).

In € (millions)	Q1 2023	Q1 2022	delta
Contribution	34.0	30.5	+11.5%
Adjusted EBITDA	10.8	9.6	+12.5%
Production (in Kton)	48	48	0

Orderbook (Kton) as at 12 May 2023	For remainder 2023	For 2024	For 2025-2026
Contracted	170	161	158
Exclusive negotiation	0	45	185
Total	170	206	343

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:

“In line with the improved pricing-environment that we have been announcing for our products, I am pleased to see this reflected in the step-up in contribution margin for our manufacturing activities. This trend is expected to continue as we have also communicated during the capital markets day for our expansion plan on 17 March. Volumes in the first quarter of 2023 are slightly below what we had forecast. The safety performance is reason for continued concern and again indicates the need for larger, more industrialized and set for safety production facilities, set-up to manufacture the monopiles of the future in a controlled and safe process. As such I am delighted that construction works for the expanded site at Maasvlakte 2 have started according to plan at the start of the second quarter.

In the first months of 2023, we added healthy orders to our order book with BorWin 5 for Dragados and Baltyk 2+3 for the joint venture of Equinor and Polenergia. The latter being the next project booked under the capacity framework agreement with Equinor. With 719 Kton the order book is at a record level and stretches well into 2026. Further order book additions are expected to be signed in the course of 2023. Ambitions for offshore wind keep increasing. To realize these ambitions, the supply chain needs a coordinated acceleration supported by EU regulations as was discussed at the North Sea Summit in Ostend in April this year. The industry made a vocal appeal on the EU to facilitate the acceleration that is needed.

With contribution of €34 million and adjusted EBITDA of €10.8 million, we are on track to close the year 2023 with adjusted EBITDA at the level of the previous year. Q1 results were still positively impacted by marshaling & logistics services for Siemens Gamesa. As the contract comes to an end during the summer this year and no new marshaling & logistics orders could be booked due to the need for space for the expansion project, we expect to see a balance of the positive effect of higher production volumes against a fading effect of marshaling & logistics services”.

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Q1 2023 Developments

Health and Safety

In the first quarter of 2023, four of our employees were injured during work to such an extent that they could not return to work within 24 hours. A serious injury happened to an employee of one of our logistics contractors. As working safely is priority number one for the company and the safety statistics show a negative trend, we decided to suspend all work for 2 consecutive days in May 2023 to re-train all our factory staff and to evaluate and resolve potential unclear procedures or not fully safe working spaces. In parallel we continue to spend more time for training and education of newly hired workers.

Projects and Execution

During the first three months of 2023, amongst others, monopiles and transition pieces were manufactured for Dogger Bank B and He Dreiht. In total, output was 48 kilotons, equal to production in the first quarter of 2022. A relatively high illness rate led to a higher need for temporary workforce in a still relatively stretched labor market. During the next nine months, Sif will continue to manufacture transition pieces for He Dreiht and monopiles for Dogger Bank B. In addition, production will start of transition pieces for Noirmoutier and Doggerbank C next to monopile production for Doggerbank C.

The volatility in the availability and pricing of raw materials and energy that we saw developing after the attack by Russia on Ukraine, has meanwhile smoothened out. Pricing of energy is still at higher levels than before though.

Contribution and EBITDA

Production in Q1 2023 resulted in a contribution of €34.0 million or €708 per ton (€30.5m or €635 per ton in Q1 2022). Adjusted for contribution from marshalling and engineering activities, contribution was €30.9 million in Q1 2023 or €644 per ton (€554 per ton in Q1 2022). Contribution levels may vary quarter-to-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 contribution per ton in Q1 2023 and Q1 2022 is mainly explained by market conditions. Adjusted EBITDA in Q1 2023 amounted to €10.8 million compared to €9.6 million in Q1 2022. Adjusted EBITDA per ton was €225 in Q1 2023, compared to €200 in Q1 2022.

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Cash and Cash Equivalents, Net Working Capital and Solvency

Cash and cash equivalents changed drastically from €89,8 million at the end of 2022 to €138.2 million at the end of Q1 2023. The variance is mainly explained by the issuance of €50 million preferred equity to Equinor on the last day of the quarter. Net working capital was -/-€85.7 million at the end of Q1 2023 compared to -/-€81.5 million at the end of 2022.
With solvency (excl. IFRS 16) at 50% at the end of Q1 2023 and leverage of 0, Sif stayed comfortably within covenants of 35% and 2.5 respectively.

Orderbook and Outlook

The orderbook for the remainder of 2023 (1 April - 31 December) currently stands at 170 Kton. Adjusted EBITDA for 2023 is expected to end at the level of 2022 with the positive impact from higher production volumes being offset by the loss of contribution from marshalling & logistics activities.

Our orderbook is firmly filled till early 2026 and the tender pipeline and market demand up till at least 2030 indicate that ample opportunity for filling our orderbooks with healthy orders for years to come is a realistic assumption.

In the first three months of 2023, 105 kilotons were added to the orderbook, bringing the total order book for 2023-2026 to 719 kilotons.

Progress on expansion project

As planned, construction works have started on site at the beginning of the second quarter of 2023 immediately after the building permit had become irrevocable. In March 2023, the office at the Maasvlakte 2 production site has been relocated. Preparations to file the request for the nature permit are proceeding according plan. Contracts have been signed with the building, infrastructure and steel contractors as well as major equipment partners. All is on track for start of the first test production runs from 1 July 2024 onwards with start of full operation by January 2025. On the financing part, the preferred shares have been issued and paid-up in Q1.

Financial Calendar 2023

12 May 2023	Annual General Meeting (AGM) of Shareholders; commencing at 14:00 CET. AGM can be followed through video webcast. The link to webcast is on the Sif homepage (www.sif-group.com)
25 August 2023	Publication of 2023 interim results
4 November 2023	Publication of Q3 2023 results

Contact

Fons van Lith, Investor Relations,
Telephone: +31 (0)651314952, Email: f.vanlith@sif-group.com

Definition and Explanation of use of non-IFRS financial measures

Contribution	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.
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 (ex IFRS 16)	Total Equity/Total assets This measure (ex IFRS 16) is a bank covenant, and is presented to express the financial strength of the Company.

Calculation of Contribution (€ '000):

	Q1 2023	Q1 2022
Total revenue	107,775	100,231
Raw materials	(60,503)	(52,915)
Subcontracted work and other external charges	(9,361)	(9,261)
Logistic and other project related expenses	(3,918)	(7,590)
Contribution	33,993	30,465

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

	Q1 2023	Q1 2022
Operating profit	3,744	3,225
- Depreciation and amortization	5,863	5,610
EBITDA	9,607	8,835
- Expenses that relate to the research into and preparations for the required adjustment and expansion of our production facilities and business acquisitions	1,148	773
Adjusted EBITDA	10,755	9,608

Calculation of net working capital (€ '000):

	Q1 2023	Q4 2022
Inventories	470	427
Contract assets	25,629	18,315
Trade receivables	13,512	22,463
Prepayments	5,684	2,102
Trade payables	(79,275)	(92,333)
Contract liabilities	(51,682)	(32,458)
Net working capital	(85,662)	(81,484)

Calculation of solvency (ex IFRS 16) (€ '000):

	Q1 2023	Q4 2022
Total equity	158,457	105,764
- Right-of-use assets	105,783	104,466
- Lease liabilities – non-current	(100,492)	(99,006)
- Lease liabilities – current	(8,603)	(8,362)
- Lease incentives capitalised on the balance sheet	2,210	2,200
- Expenses of lease contracts other than 'short-term leases' and 'low value leases' accounted for as project costs based on progress	(559)	3,646
- Deferred tax on above items	(948)	(896)
Total equity (ex IFRS 16)	155,848	107,782
Total assets	417,435	357,303
- Right-of-use assets	(105,783)	(104,466)
- Initial direct costs 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	(559)	3,646
- Deferred tax asset on Right-of-use assets and lease liabilities	(948)	(896)
Total assets (ex IFRS 16)	310,145	256,127
Solvency (ex IFRS 16) – total equity (ex IFRS 16) / total assets (ex IFRS 16)	50,3%	42,1%

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