

# Financial Report

# Q4 2022



# INTERIM FINANCIAL REPORT

## Q4 2022<sup>1</sup>

### RECENT HIGHLIGHTS

- Total revenue of NOK 53 million for Q4 2022 compared with NOK 59 million in the previous quarter.
- EBITDA of NOK -4 million for Q4 2022 compared with NOK -4 million in the previous quarter.
- Exercised options and entered into newbuilding contracts with China Merchants Industry Holdings Co. for construction of two additional CSOVs with a firm yard price of EUR 52.5 million and scheduled delivery in Q2 2025. When delivered, IWS will have a fleet of six identical Skywalker class vessels. The Group has also secured options for two additional vessels.
- IWS Services revenue of NOK 52.5 million in Q4, compared with NOK 58.2 million in the previous quarter.
- The Group's share of the net profit in PEAK Wind was NOK 1.4 million (NOK 1.5 million in Q3 2022), before NOK -0.9 million amortisation of acquisition-related intangible assets.
- Signed the final charter contract for Dogger Bank C with start-up in 2025 and a duration of 304 days with the Dogger Bank consortium. IWS has now secured contract work for Dogger Bank A, B and C.
- The Company has after the balance sheet date received a term sheet for a Green Senior Secured Credit Facility from Skandinaviska Enskilda Banken AB ("SEB") and SpareBank 1 SR-Bank ASA ("SR Bank") for the debt financing of IWS Seawalker and IWS Starwalker.
- Successfully completed private placement of NOK 350 million in January 2023 by issuing 10,606,060 shares at a subscription price of NOK 33 per share.
- Continued strong market for CSOVs with increased charter rates and newbuilding prices, improving the first-mover advantage of early market entrants.

<sup>1</sup> Please see Appendix A for definitions, explanations and reconciliations of Alternative Performance Measures (APMs)

# OPERATIONS

## Group structure

The activities in the Group are organised into IWS Fleet AS ("IWS Fleet"), IWS Services A/S ("IWS Services"), and the associated company PEAK Wind A/S ("PEAK Wind").

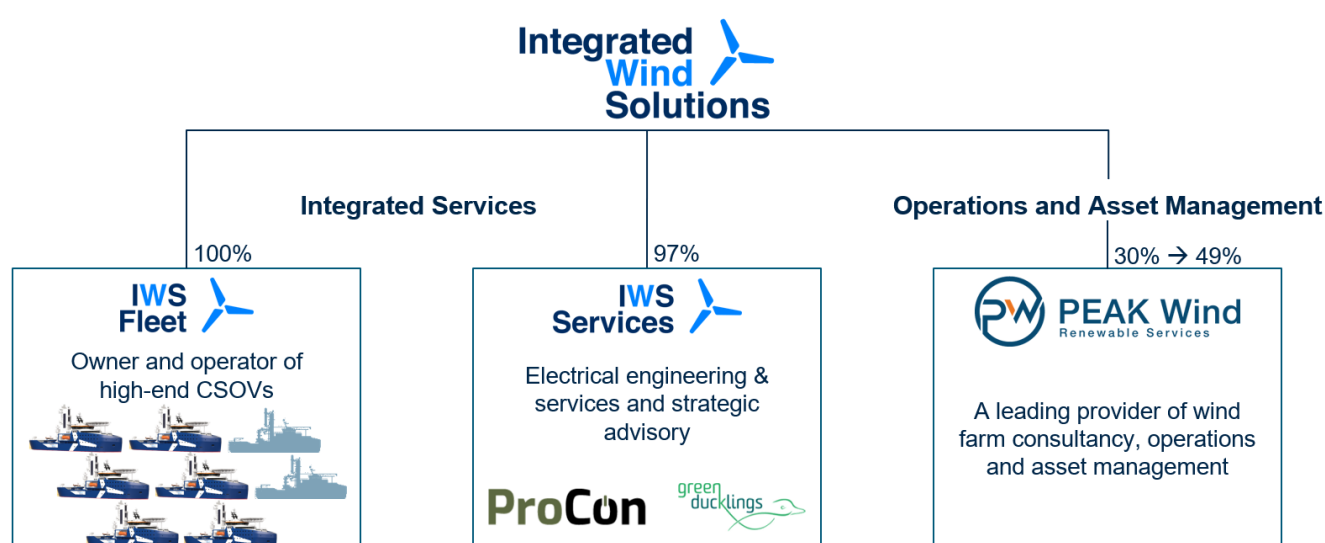
IWS Fleet is the owner and operator of high-end CSOVs with four newbuildings under construction at the leading shipyard CMI and two further newbuildings ordered after the period end.

For IWS Services<sup>2</sup>, the two Danish offshore wind service/consulting companies ProCon Group ApS<sup>3</sup> ("ProCon")

and Green Ducklings A/S<sup>4</sup> ("Green Ducklings") form the base of the supply chain service offerings.

The 30%<sup>5</sup> owned PEAK Wind is the leading provider of operations and asset management services to wind farms and is classified as an associated company.

These companies form the base of Integrated Wind Solutions' ("IWS" or the "Group") strategy of becoming the preferred service provider within the offshore wind sector.



## Group management

The group management team consists of CEO Lars-Henrik Røren, COO Christopher Andersen Heidenreich and CFO Marius Magelie.

## IWS Fleet site office at CMI

IWS Fleet site office personnel are in place at the CMI facility in Jiangsu, China and will follow up on the construction work on the newbuildings throughout the entire construction period.

<sup>2</sup> 97% owned by Integrated Wind Solutions ASA

<sup>3</sup> 75% owned by IWS Services A/S (100 % of the voting shares)

<sup>4</sup> 100% of the voting shares

<sup>5</sup> Fixed price option exercisable by September 2024 to acquire an additional 19% of shares, pre-dilution from share-based option program to key employees

# MARKET OBSERVATIONS

## *Offshore wind*

Europe continues the ambitious renewable energy transition rollout; the outlook in 2030 of 125 GW<sup>6</sup> of offshore wind capacity compared with an installed base of 30 GW<sup>6</sup> year-end 2022 implies significant growth in the industry in the years ahead.

While 2022 saw a record boost in offshore wind pipeline via awarded site exclusivities, driven by both floating and fixed leasing rounds, especially in the US and Scotland, 2022 was a low year for actual investments in offshore wind.

With an average annual rate of 5 GW reaching final investment decision in previous years (annual rate between 2015-2021), an accelerated FID rate of about 18 GW per annum is required to meet the 2030 European political targets alone.

Another key trend is the push for clever grid system integration across offshore wind projects leveraging benefits from Power-to-X ("PtX") and alternative fuel. A trend driven by the need to provide decarbonised energy to heavy transport and industry.

## *Market for CSOVs*

Shorter-term charter rates for walk-to-work ("W2W") vessels have continued to increase in Q4 2022 and are higher than both in the previous quarter and Q4 2021. Availability of high-end Tier 1 CSOV's in the short term is limited ahead of the high season.

The offshore wind industry has seen high activity levels in terms of construction activity in 2022 in all key markets, with several projects working through the fall and winter for final commissioning, according to Clarksons.

The macro environment is still positive, driven by a combination of high growth in offshore wind farm activity and an improved market for oil & gas and subsea globally that removes capacity from offshore wind. Several IMR/Subsea vessels have been fixed long-term at rates above historical levels in the W2W market, and we expect this trend to continue.

The global fleet of CSOVs and SOVs counted 35 vessels in operations of which 23 are considered "Tier 1". The total orderbook consists of 35 vessels, of which six vessels have been ordered by IWS.

With limited new supply, coupled with continued growth in offshore wind farm development as well as a stronger oil and gas market that continues to require walk-to-work vessels, we see the market for CSOV vessels continue to improve.

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<sup>6</sup> 4C Offshore, adaption by Green Ducklings

## MAIN EVENTS DURING Q4 AND POST-QUARTER EVENTS

### Newbuildings

The yard is progressing well on the first two CSOVs under construction, with the successful launch of IWS Skywalker on 8 November 2022. The first steel cut ceremony for IWS Seawalker and IWS Starwalker took place on 9 November 2022. However, due to global supply chain issues affecting the delivery of the walk-to-work gangway system, the first vessel, IWS Skywalker, is now expected to commence its contract in Q4 2023. The second vessel, IWS Windwalker, is scheduled to be ready for commercial operations in early Q1 2024.

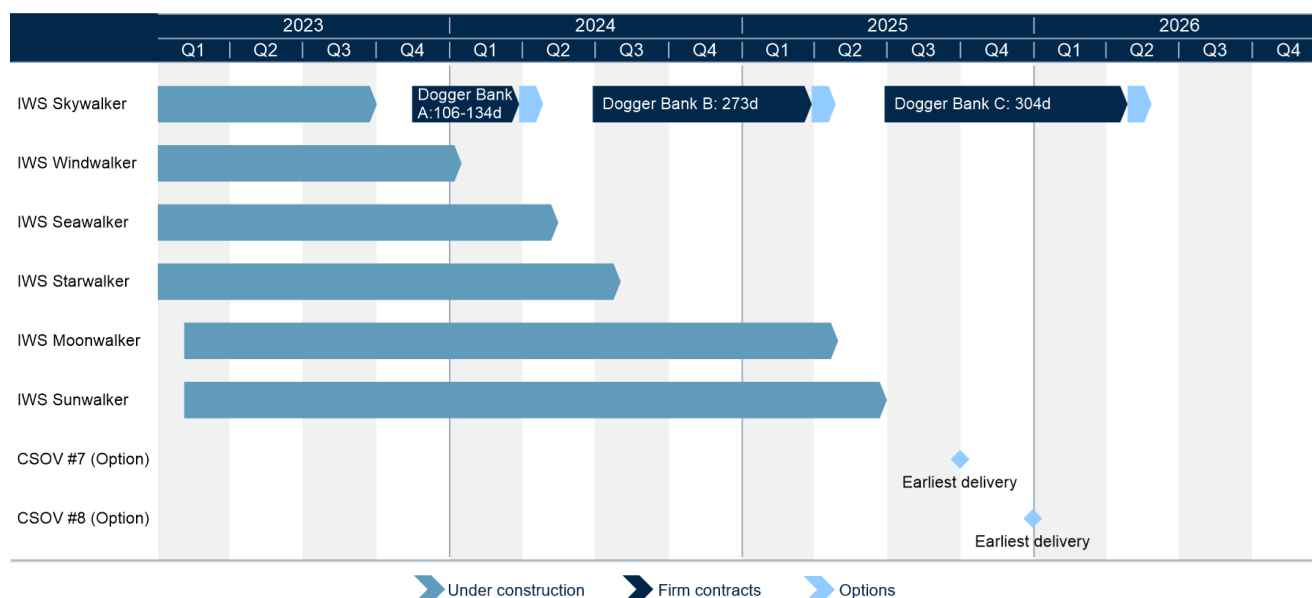
The Group has after the end of the quarter ordered two additional CSOVs from CMI with a firm yard price of EUR 52.5 million and scheduled delivery in Q2 2025. After delivery, IWS will have a fleet of six identical Skywalker class vessels. The Group has also secured options for two additional vessels.

The firm average yard price for the six vessels is about EUR 48m per vessel (turnkey contracts). About 50% of the vessel value is related to Norwegian export companies providing advanced technology, ensuring safe and efficient operations. The global shipyards are not immune to the global supply-chain pressure, and there are general risks related to the timing of delivery of key components.

### Employment

IWS Fleet has signed the previously notified charter contract for Dogger Bank C, with the Dogger Bank Consortium. The charter will commence in 2025 with 304 firm days.

### Fleet and contract overview



### Equity financing

The Company successfully completed a private placement of NOK 350 million gross proceeds in January by issuing 10,606,060 shares at a subscription price of NOK 33 per share. The proceeds will be used to finance yard payments for the construction of the company's CSOVs and general corporate purposes.

### Debt financing

The Group has after the balance sheet date received a term sheet for a Green Senior Secured Credit Facility from Skandinaviska Enskilda Banken AB ("SEB") and SpareBank 1 SR-Bank ASA ("SR Bank") for the debt financing of IWS Seawalker and IWS Starwalker. The debt facility for IWS Skywalker and IWS Windwalker was signed in Q2 2022.