

For Immediate Release

## **BUILDING A SUSTAINABLE PROJECT PORTFOLIO FROM DIVERSE MARKET SEGMENTS**

- *Group attained an EBITDA margin of 2.3% on lower revenues of NOK 1,777 million*
- *Positive operating cash flows driven by vessel deliveries and instalments received on other projects*
- *New order intake of NOK 1,885 million, comprising four new contracts secured for specialized vessels in diverse markets*
- *Two offshore vessels successfully delivered in 1Q 2017*
- *43 vessels in the order book as at 31 March 2017*

**Singapore, 12 May 2017** – Vard Holdings Limited (“VARD”, and together with its subsidiaries, the “Group”), one of the major global designers and shipbuilders of specialized vessels, today announced its financial results for the first quarter ended 31 March 2017 (“1Q 2017”).

VARD posted a lower revenue of NOK 1,777 million in 1Q 2017, representing a year-on-year decline of 12% from the NOK 2,023 million generated in the previous corresponding period (“1Q 2016”). This was mainly attributable to reduced activity at VARD’s Norwegian yards, as well as the cessation of operations at Vard Niterói during 3Q 2016.

An EBITDA before restructuring cost of NOK 40 million was recorded in 1Q 2017, compared to NOK 57 million recorded in 1Q 2016. As a result, EBITDA margin decreased from 2.8% in 1Q 2016 to 2.3% in 1Q 2017. During the quarter, the Group recognized a restructuring cost of NOK 6 million, less than the NOK 11 million recorded in the same quarter of 2016. Net financial costs in 1Q 2017 were NOK 4 million, as opposed to net financial income of NOK 48 million in 1Q 2016. Consequently, VARD registered a net loss of NOK 27 million in 1Q 2017 compared to a net profit of NOK 43 million in 1Q 2016. This translates to a loss per share of 0.34 SGD cents for 1Q 2017.

Positive cash flows from operating activities of NOK 243 million were recorded in 1Q 2017, driven by vessel deliveries and instalments received on other projects. Due to higher investments in property, plant and equipment mainly in relation to the expansion of facilities at Vard Tulcea, cash flows used in investing activities of NOK 93 million were recorded in 1Q 2017, compared to NOK 35 million recorded in 1Q 2016.

### **Four new orders received, and two vessels delivered during the quarter**

During 1Q 2017, VARD’s order intake was NOK 1,885 million. Four newbuilding contracts were secured during the quarter, comprising two car and passenger ferries, one krill fishing vessel, and one pelagic trawler. In addition, a Letter of Intent (LoI) for one expedition cruise vessel was signed. As at 31 March 2017, the Group’s order book comprised 43 vessels, of which 36 will be of VARD’s own design. This translates to an order book value amounting to NOK 13.0 billion, up from NOK 12.7 billion at the end of 2016, and NOK 8.6 billion at the end of 1Q 2016.

Two offshore vessels were delivered during 1Q 2017, further reducing VARD's offshore exposure. They were an Offshore Subsea Construction and Pipelay Vessel, Skandi Buzios, which was delivered to Techdof Brasil from Vard Søviknes in Norway, and a Subsea/IMR Vessel, Far Superior, which was delivered to Farstad Shipping from Vard Vung Tau in Vietnam.

### **Higher utilization of Romanian yards**

Over the last quarter, VARD's workload levels in Norway were still relatively low, and temporary layoffs persist at several yards. Repair, maintenance and upgrade projects are being undertaken, and a maintenance program for Norwegian Coast Guard vessels has also been initiated under an agreement signed during the quarter. The pelagic trawler contracted for delivery from Vard Langsten will be built entirely in Norway, providing work for the yard earlier than otherwise possible. Two Offshore Subsea Construction Vessels (OSCV) for Topaz Energy and Marine are under construction at Vard Brattvaag. Vard Søviknes is preparing for arrival of the first cruise ship hull for PONANT from Romania. The mock-up of the ship's cabin interiors built at the yard has been approved by the client.

VARD's Romanian yards, especially Vard Tulcea, continued to increase their utilisation levels. Hull construction for PONANT's four exploration cruise vessels is ongoing, whilst steel cutting has started for the two of Hapag-Lloyd Cruises' vessels. In addition to hull construction for VARD's own cruise vessel projects, and thirteen fully outfitted Module Carrier Vessels (MCV), the Romanian yards are building large ship sections for VARD's parent company, Fincantieri. Due to the increased workload, plans to hire more than 500 new workers are currently underway in Romania.

Operations in Vietnam remain stable amidst healthy yard utilization, with seven MCVs on its order book. The yard is progressing well on the MCV projects, with the first vessel successfully launched, and undergoing commissioning.

In Brazil, two Pipelay Support Vessels (PLSV) for Dofcon Navegação, a joint venture of DOF and TechnipFMC, and two Liquefied Petroleum Gas (LPG) carriers for Transpetro are under construction. As these projects are progressing, the focus has turned to outfitting and commissioning. Consequently, there is insufficient workload in the early phases of vessel construction, and VARD is pursuing leads to secure additional work for the yard.

### **New market segments leading the way for future growth**

VARD continues to reap positive results from its long-term diversification efforts. Since 2016, the Group has broadened its offering and established a foothold in diverse markets for various types of specialized vessels, where new project opportunities are expected to arise. Across all shipyards, the majority of offshore projects in the order book are nearing completion, and there is a shift towards cruise vessels and other specialized vessels in all stages of production. In the meantime, the Group continues to develop capacity and capabilities to the requirements of the new, diversified portfolio.

Healthy demand is still experienced in the exploration cruise vessel segment, where an LOI for one such vessel was entered into in 1Q 2017. VARD has also strengthened its position in the fisheries and aquaculture segment with contracts recently entered into for a krill fishing vessel, a pelagic trawler, and a live fish transportation vessel. The Group has also secured a deal to design and construct a Research Expedition Vessel (REV) for Rosellinis Four-10, owned by Norwegian industrialist Kjell Inge Røkke and family, on 2 May 2017. The 182-meter long REV, expected to enter service by 2020, is specifically designed for conducting research and expedition activities worldwide, and will be optimized for navigating waters in the most challenging and vulnerable environments.



Meanwhile, in the offshore sector, nascent interest for individual vessel types is noticeable, although demand still appears too sporadic to constitute a trend. Risk is still inherent in VARD's existing portfolio of offshore projects, and the Group is continuously working to mitigate risk and strengthen its financial robustness.

**Roy Reite, Chief Executive Officer and Executive Director of VARD**, commented, "Our diversification strategy continues to yield positive results, as evidenced by the orders we have received for various specialized vessels. As we progress with modest growth in our order book, we are exploring how our expertise can be deployed to other vessel types. Whilst seeking out new project opportunities, we remain focused on ensuring that our project portfolio is sustainable, and mitigating the associated risks."

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#### **About VARD**

Vard Holdings Limited ("VARD"), together with its subsidiaries (the "Group"), is one of the major global designers and shipbuilders of specialized vessels. Headquartered in Norway and with 9,000 employees, VARD operates nine strategically located shipbuilding facilities, including five in Norway, two in Romania, one in Brazil and one in Vietnam. Through its specialized subsidiaries, VARD develops power and automation systems, deck handling equipment, and vessel accommodation solutions, and provides design and engineering services to the global maritime industry.

VARD's long shipbuilding traditions, cutting-edge innovation and technology coupled with its global operations and track record in constructing complex and highly customized vessels have earned it recognition from industry players and enabled it to build strong relationships with its customers.

VARD was listed on the Main Board of the Singapore Exchange on 12 November 2010. Majority shareholder Fincantieri Oil & Gas S.p.A., a wholly owned subsidiary of FINCANTIERI S.p.A., owns 74.45% in the Group. Headquartered in Trieste, Italy, FINCANTIERI is one of the world's largest shipbuilding groups and has, over its 200 years of maritime history, built more than 7,000 vessels.

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