

VARD RECORDS HIGHER ORDER INTAKE FROM EXPEDITION CRUISE, FISHERIES AND AQUACULTURE MARKETS

- *Full year order intake of NOK 8.28 billion boosted by 13 contract wins in 4Q 2017, including a NOK 2.7 billion contract for one luxury polar expedition cruise vessel*
- *Higher revenue of NOK 8.60 billion in FY 2017 due to high yard activity in Romania and Vietnam*
- *EBITDA before restructuring cost impacted by reassessment of net realisable value for vessels in inventory*
- *Order book of 48 vessels as at 31 December 2017*

Singapore, 1 March 2018 – 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 fourth quarter ended 31 December 2017 (“4Q 2017”), and full year ended 31 December 2017 (“FY 2017”).

New order intake in the quarter from expedition cruise, fisheries and aquaculture markets

With 13 new contracts secured in 4Q 2017, VARD’s order intake of NOK 3.79 billion in the quarter increased the full year order intake to NOK 8.28 billion. The new contracts include a luxury polar expedition cruise vessel for a return customer, PONANT. The unique and state-of-the-art vessel is the very first electric hybrid cruise icebreaker with dual fuel propulsion, featuring high-capacity batteries and LNG storage on board. The vessel is specially designed to take passengers to polar destinations.

Having strengthened its position in the fisheries and aquaculture market during the year, VARD was also awarded contracts for seven trawlers, two fish farming operation platforms, and three service/freight-and-service vessels. These achievements are testament of the market recognition and appreciation for VARD’s innovative approach to these market segments.

At the end of 2017, the order book comprised 48 vessels, of which 37, or 77%, will be of VARD’s own design. This translates to a total order book value of NOK 13.23 billion, up from NOK 12.65 billion at the end of 2016.

Higher revenues

VARD recorded higher turnover of NOK 8.60 billion in FY 2017, up 9% compared to the previous corresponding period in 2016. In 4Q 2017, revenues were NOK 2.69 billion, up 25% from NOK 2.15 billion in the fourth quarter ended 31 December 2016 (“4Q 2016”). As observed in the third quarter ended 30 September 2017 (“3Q 2017”), the yards in Romania and Vietnam enjoyed higher activity levels, compared to 4Q 2016, due to rapid progress on Module Carrier Vessels (MCV) projects for Topaz Energy and Marine and Kazmortransflot, and the ongoing construction on all six expedition cruise vessels contracted in 2016. EBITDA before restructuring cost fell to NOK 8 million in 4Q 2017 and NOK 163 million in FY 2017, down from NOK 67 million and NOK 168 million in the corresponding

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periods the year before. This is mainly attributed to a reassessment of the net realisable value (NRV) of vessels held in inventory. The reassessment impacted the full year EBITDA before restructuring costs by NOK 54 million, and as a result, the EBITDA margin decreased from 2.1% in the full year ended 31 December 2016 ("FY 2016") to 1.9% in FY 2017.

If excluding the effects of the reassessment, EBITDA before restructuring costs would have been NOK 62 million for 4Q 2017 and NOK 217 million for FY 2017, in line with 4Q 2016 and up 29% compared to FY 2016. The EBITDA margin would have been 2.5% in FY 2017.

Restructuring costs of NOK 12 million and NOK 33 million were recognized during the quarter and full year. These were mostly incurred in relation to termination benefits and statutory payments for temporary redundancies, mainly in Norway and Brazil. Depreciation, impairment and amortization costs for 4Q 2017 and FY 2017 increased to NOK 55 million and NOK 221 million respectively, as a result of the gradual completion of the ongoing investments.

Consequently, VARD registered an operating loss of NOK 59 million in 4Q 2017 and NOK 91 million in FY 2017, down from a loss of NOK 14 million in 4Q 2016 and recovering from a loss of NOK 142 million in FY 2016.

VARD posted a loss of NOK 133 million in 4Q 2017 and NOK 238 million in FY 2017, compared to a loss of NOK 69 million in 4Q 2016 and NOK 197 million in FY 2016. Losses of NOK 131 million and NOK 233 million were attributable to equity holders for 4Q 2017 and FY 2017 respectively. This translates to a cumulative loss per share of 3.22 SGD cents for FY 2017.

Cash and cash equivalents stood at NOK 810 million as at 31 December 2017. For FY 2017, cash flows from operating activities were NOK 31 million negative, compared to NOK 764 million in the corresponding period of 2016. Cash flows used in investing activities were higher at NOK 339 million in FY 2017, due to investments in the expansion of facilities at Vard Tulcea. The Group had positive cash flows from financing activities of NOK 467 million in FY 2017.

High activity in the Romania and Vietnam yards

Vard Tulcea and Vard Braila in Romania continued to record high workloads during the year. Vard Tulcea launched the construction of the first luxury expedition cruise vessel for PONANT and is progressing well with the construction of the other five expedition cruise vessels contracted in 2016. During the quarter, Vard Tulcea successfully launched and delivered a 9,500 tons hull section to Fincantieri and delivered its first two MCVs to Topaz Energy and Marine. Third MCV for Kazmortransflot delivered from Braila in January 2018, completing the series of three. The two yards still had eight MCV's under construction for Topaz Energy and Marine at end of 4Q 2017, of which two already delivered to the client in 2018. VARD continues to undertake management initiatives to increase headcount and stabilize the manning base in Romania.

Vard Vung Tau in Vietnam experienced stable operations and healthy yard utilization during the year, achieving rapid progress on the MCV projects. It delivered two MCVs to Topaz Energy and Marine during 4Q 2017, and delivered another in February 2018. Construction of the remaining two MCV vessels and the expedition cruise vessel for Coral Expeditions of Australia are underway.

For the Norwegian shipyards, while workload in engineering and procurement remains high, yard utilization will gradually increase when hulls from Romania arrive in first half of 2018. Vard Aukra is focusing on the execution of orders within fisheries and aquaculture, with 14 vessels and barges under

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construction. Vard Søviknes will focus on the construction of the first luxury expedition cruise vessel for PONANT, after successfully delivering an offshore diving support and construction vessel to Kreuz Subsea during the quarter, and a trawler to Havfisk in 2018.

Newbuilding activity is being supplemented by conversion, repair and maintenance work on a range of vessels. Vard Brattvaag and Vard Electro have mounted upgrades to “Battery Power” notations on several offshore platform supply vessels, of which one delivered in 4Q 2017.

Rightsizing at Vard Promar in Brazil continued during the year due to the lack of work in early stages of vessels under construction. Vard Promar delivered the fifth Liquefied Petroleum Gas (LPG) Carrier for Transpetro during 4Q 2017. It is making good progress on the sixth LPG Carrier for Transpetro, and two Pipelay Support Vessels (PLSV) for Dofcon Navegação (DOF and TechnipFMC), with one nearing completion and undergoing sea trials.

Focused on sustaining strong footholds in non-traditional markets, reviewing portfolio risk

In the fisheries and aquaculture market, the Group is strengthening its market position through valuable co-operation with clients. Having won several key contracts during the year, VARD is well placed to build on its strong industry reputation by showcasing its innovative prowess and global shipbuilding capacities in these projects.

The growing expedition cruise vessel market continues to provide viable leads for VARD, while Vard Electro’s SeaQ™ Energy Storage System paves the way for a solid position within the hybrid battery solutions industry.

Though the offshore market is still considered challenging, there are positive signs of recovery in the medium to long term in the broader oil & gas industry. Risks are still inherent in the existing offshore project portfolio, and the Group has postponed delivery of some projects amid ongoing financial restructurings of clients in the offshore segment.

The difficult political and economic context and complex regulatory environment in Brazil, still represents a challenge to the Brazilian operation.

Roy Reite, Chief Executive Officer and Executive Director of VARD, said, “We are encouraged by the progress that our diversification efforts have yielded, but remain focused on sustaining and building our competitive positions in the offshore, expedition cruise vessel, fisheries and aquaculture markets. Meanwhile, we look to stabilize the varying workloads across our yards with a sustainable project portfolio, while undertaking rightsizing efforts focused on cost reduction and organizational development.”

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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. The majority shareholder of VARD is Fincantieri Oil & Gas S.p.A., a wholly owned subsidiary of FINCANTIERI S.p.A. 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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