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**VARO**™

a Fincantieri company

# Disclaimer

**This presentation should be read in conjunction with Vard Holdings Limited's results for the period ended 31 December 2016 in the SGXNet announcement. Financial figures are presented according to SFRS.**

This presentation may contain forward-looking statements that involve risks and uncertainties. Such forward-looking statements and financial information involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements and financial information. Such forward-looking statements and financial information are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. As these statements and financial information reflect our current views concerning future events, these statements and financial information necessarily involve risks, uncertainties and assumptions. Actual future performance could differ materially from these forward-looking statements and financial information. You are cautioned not to place undue reliance on these forward looking statements, which are based on the Company's current view of future events.



# 4Q & FY 2016 Results Presentation

Vard Holdings Limited

1 March 2017

# 4Q 2016 key messages

- **Revenue** of NOK 2 150 million, down from NOK 3 320 million in 4Q 2015
- **EBITDA** (before restructuring cost) of NOK 67 million, up from NOK 35 million in 4Q 2015
- **EBITDA margin** (EBITDA before restructuring cost to total operating revenues) of 3.1%, up from 1.1% in 4Q 2015
- **Order intake** of NOK 411 million; mainly from variation orders, repair and conversion and aquaculture business
- 41 vessels in the **order book** as at 31 December 2016, of which 35 are VARD designs
- Important OSCV **projects delivered**; four vessels delivered in total in 4Q 2016 and 13 in FY2016
- Strong operating **cash flow** and significantly reduced **construction loan** balance resulting from delivery of large OSCVs
- Work ongoing to reduce significant **counterparty risk** still remaining in the offshore project portfolio
- Negative impact of **impairment** in associated ship-owning entities
- Implementation of **diversification strategy** according to plan



Deep Explorer | Offshore Subsea and Diving Support Vessel for Technip

4Q 2016

# Business update

# Vessel deliveries

Four vessels delivered in 4Q 2016

## Newfoundland Victor

From Vard Aukra to Newfoundland Resources



Design: NVS 374 | Fishing Vessel

## Breivik Junior

From Vard Braila to Breivik



Design: Seacon SC 34 | Fishing Vessel

## Normand Maximus

From Vard Brattvaag to Solstad Offshore



Design: VARD 3 19 | Offshore Subsea Construction and Pipelay Vessel

## Deep Explorer

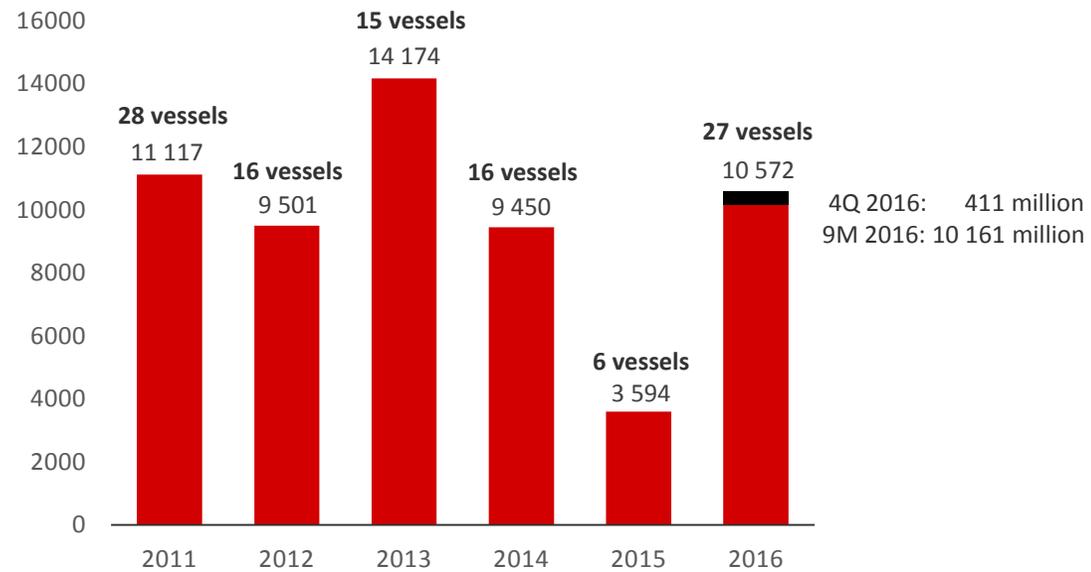
From Vard Langsten to Technip



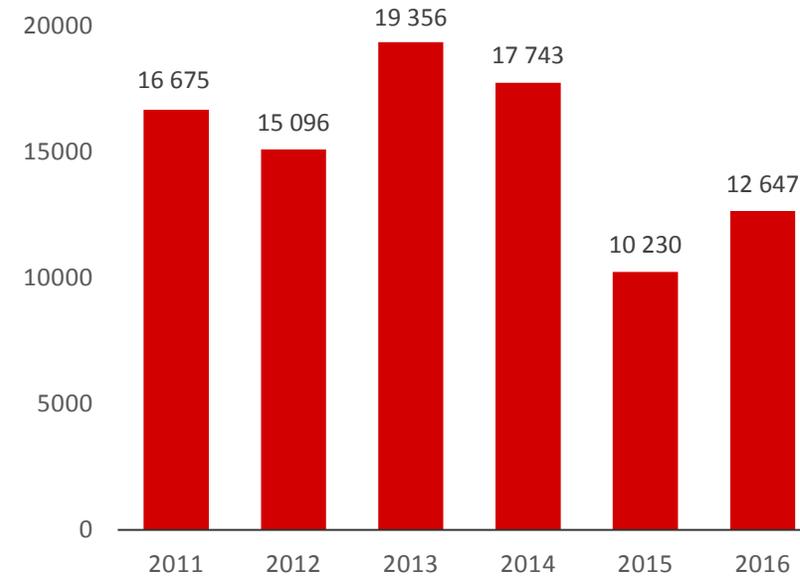
Design: VARD 3 06 | Offshore Subsea and Diving Support Vessel

# Order book development

New order intake during the period (NOK million)



Order book value at the end of the period (NOK million)

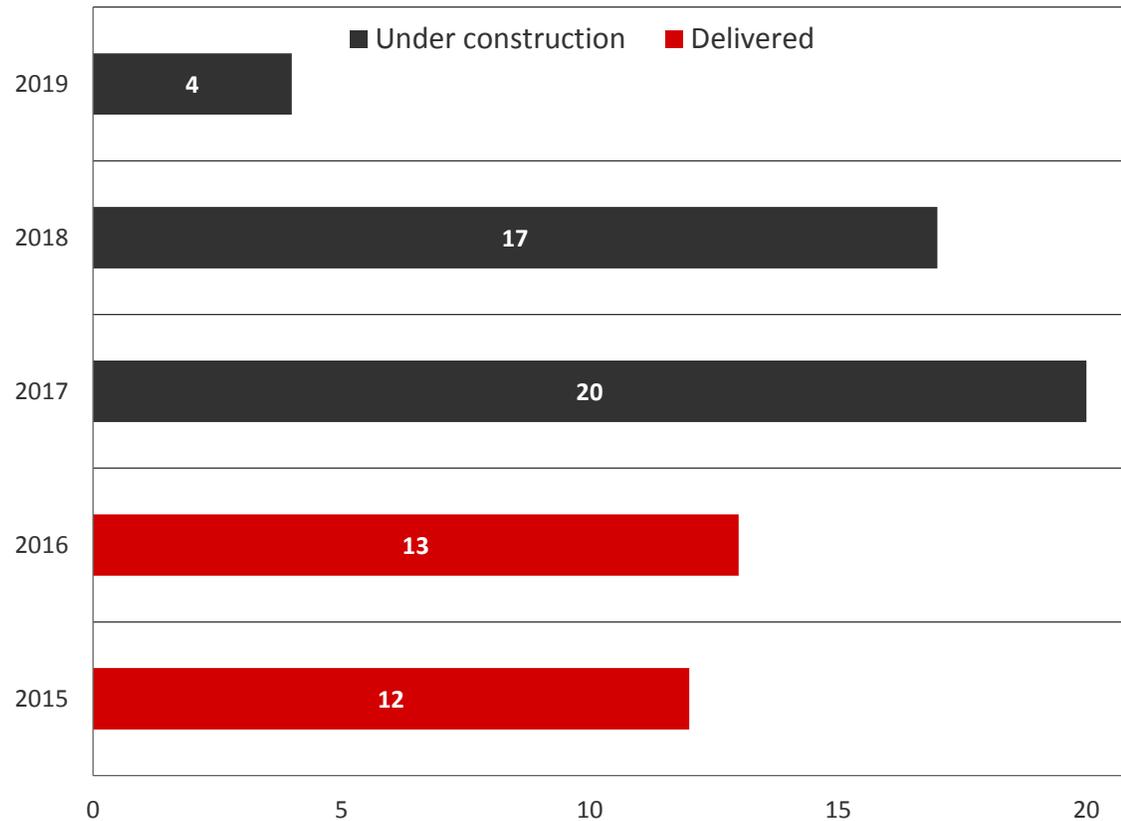


As at 31 December 2016, the Group had 41 vessels in the order book, 35 of which will be of VARD’s own design.

Note: Includes variation orders, repair and conversion, and equipment sales

# Order book status

Order book as of 31 December 2016 (# of vessels)



Type	Norway	Romania	Vietnam	Brazil	Total
Offshore					4
MCV <sup>1)</sup>					
Cruise	4				
Other					
Offshore	1			1	17
MCV		9	3		
Cruise	2				
Other	1				
Offshore	8		1	1	20
MCV		4	4		
Cruise					
Other				2	
Offshore	6		1	1	13
MCV					
Cruise					
Other	1	1		3	
Offshore	5		3	1	12
MCV					
Cruise					
Other	1	1		1	

1) Module Carrier Vessels

# Order book by region and vessel type

## By region

Region	Order book 30 Sep 2016	Deliveries 4Q 2016	Order intake 4Q 2016	Order book 31 Dec 2016
Norway	19	3	-	16
Romania	14	1	-	13
Vietnam	8	-	-	8
Brazil	4	-	-	4
<b>Total</b>	<b>45</b>	<b>4</b>	<b>-</b>	<b>41</b>

## By vessel type

Vessel type	Order book 30 Sep 2016	Deliveries 4Q 2016	Order intake 4Q 2016	Order book 31 Dec 2016
AHTS	-	-	-	-
PSV	3	-	-	3
OSCV	11	2	-	9
MCV <sup>1)</sup>	20	-	-	20
Cruise	6	-	-	6
Other	5	2	-	3
<b>Total</b>	<b>45</b>	<b>4</b>	<b>-</b>	<b>41</b>

1) Module Carrier Vessels

# Operations – Norway

- Two large OSCVs delivered during 4Q 2016, and another one – “Skandi Buzios”, Offshore Subsea Construction and Pipelay Vessel for DOF and Technip – in early January
- Generally high workload in engineering and procurement for new projects within the cruise segment. Good cooperation with Fincantieri on basic design
- Medium to low utilization on production; temporary layoffs at several of the yards
- Repair, conversion and upgrade work taken on to support activity level
- Key contract for two ferries secured to ensure continued operations at the Brevik yard



Vard Sjøviknes

# Operations – Romania

- Yard utilization secured through 2018
- Progress on MCV project according to plan
- Hull construction for cruise projects started
- Expansion of facilities at Vard Tulcea on schedule
  - Extension of the launching barge to accommodate vessels up to 210 x 49 meters completed
  - Preparations ongoing for installation of new gantry crane in 2Q 2017
- Management focus on ramping up capacity to handle the increasing workload
- New skills and resources required to support the diversification in operations



Vard Tulcea – enlarged launching barge Atlanté II

# Operations – Vietnam

- Stable operations
- Good yard utilization
- Progress on MCV project according to plan
- Close cooperation with Vard Tulcea and Vard Braila through joint project management on MCV project
- OSCV for Farstad transferred to Norway for installation of offshore crane; vessel delivery imminent



Vard Vung Tau – MCVs for Topaz Energy and Marine under construction

# Operations – Brazil

- Two PLSVs for Dofcon Navegação (DOF and Technip) and two LPG carriers for Transpetro under construction
- Operations improving, but still challenging
- Major rightsizing process completed; currently approx. 1500 employees at the yard
- New Senior Vice President for Brazil employed to oversee sales and external relations to key stakeholders
- Focus on securing new work for the yard to maintain stable operations as work progresses on current projects



Vard Promar – PLSV for Dofcon Navegação under construction

# Equipment and solutions

- Continuously developing new project opportunities in various market segments and geographies
- SEAONICS secured a contract for a complete package of electrically driven trawl winches and cranes for a trawler to be built in Spain for a Greenlandic shipowner
- A Vard Marine design was selected with the preferred bidder Southern African Shipyards on the new Hydrographic/Oceanographic Survey vessel project for the South African Navy



Vard 9 105 | Hydrographic/Oceanographic Survey Vessel for the South African Navy

# Aquaculture business

- Expansion of the product and services portfolio
- Contract award for one fish feed barge, one treatment vessel, one fish farm operation platform as well as several small service vessels
- Aligning operations with recently acquired technology provider Storvik Aqua for further development of systems and solutions for this new market segment



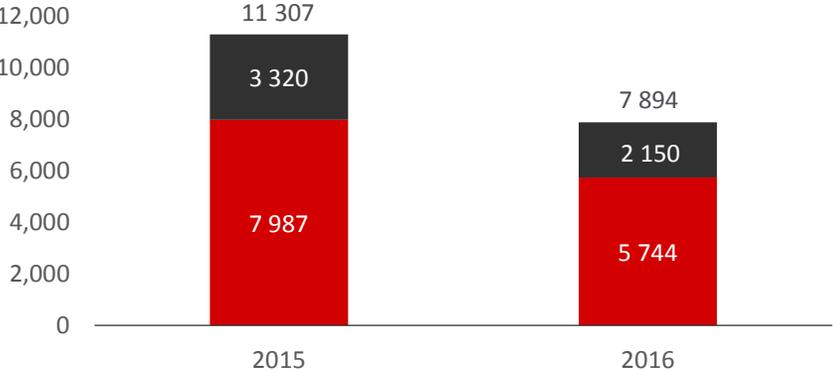
VARD 8 53 | Live Fish Treatment Barge for Midt-Norsk Havbruk

4Q 2016

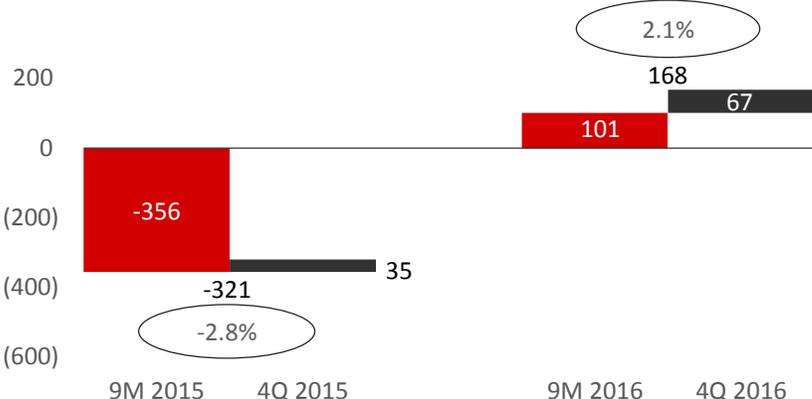
# Key financials

# Revenues, EBITDA and net income

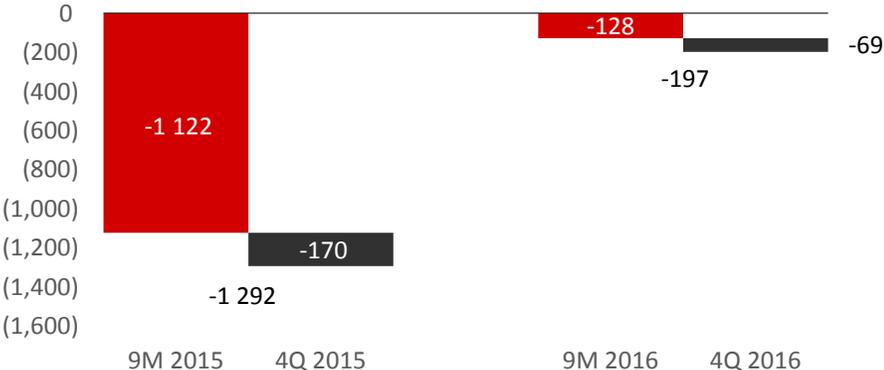
Revenues (NOK million)



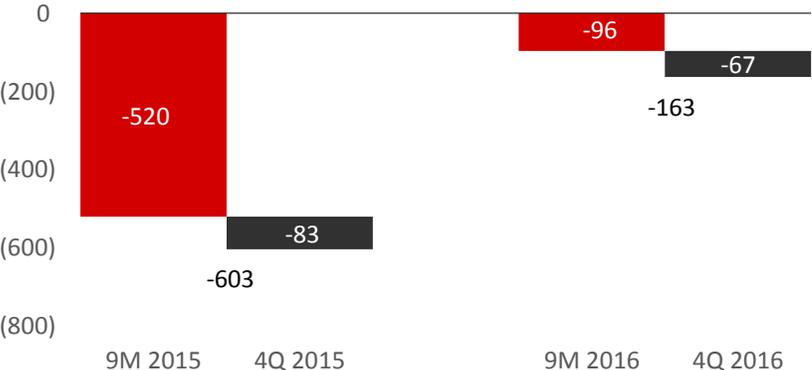
EBITDA (NOK million)



Profit (loss) for the period (NOK million)



Profit (loss) attributable to equity holders of the Company (NOK million)

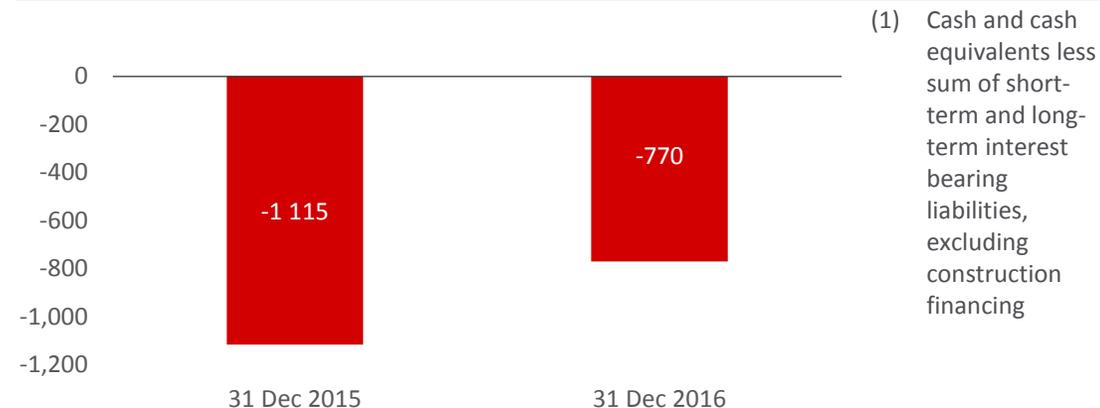


# Income statement

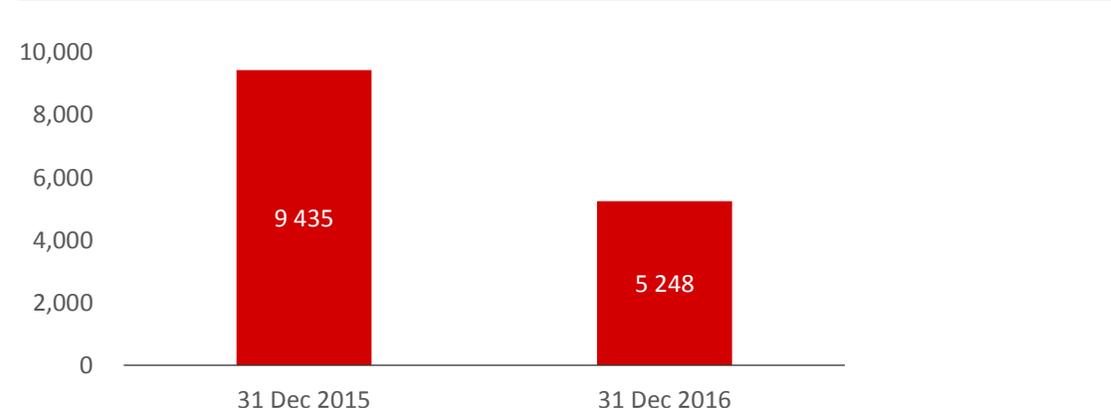
(NOK million)	4Q ended 31 December		FY ended 31 December	
	2016	2015	2016	2015
<b>Revenue</b>	<b>2 150</b>	<b>3 320</b>	<b>7 894</b>	<b>11 307</b>
<b>EBITDA before restructuring cost</b>	<b>67</b>	<b>35</b>	<b>168</b>	<b>(321)</b>
EBITDA margin (%)	3.1%	1.1%	2.1%	-2.9%
Restructuring cost	(29)	(21)	(105)	(77)
Depreciation, impairment and amortization	(52)	(81)	(205)	(235)
<b>Operating profit (loss)</b>	<b>(14)</b>	<b>(67)</b>	<b>(142)</b>	<b>(633)</b>
Net financial income / (cost)	(3)	(92)	41	(571)
<b>Profit (loss) before tax</b>	<b>(57)</b>	<b>(163)</b>	<b>(159)</b>	<b>(1 204)</b>
<b>Profit (loss) for the period</b>	<b>(69)</b>	<b>(170)</b>	<b>(197)</b>	<b>(1 292)</b>
Non-controlling interest	(2)	(87)	(34)	(689)
<b>Profit (loss) attributable to equity holders of the Company</b>	<b>(67)</b>	<b>(83)</b>	<b>(163)</b>	<b>(603)</b>

# Cash and cash equivalents, and loans and borrowings

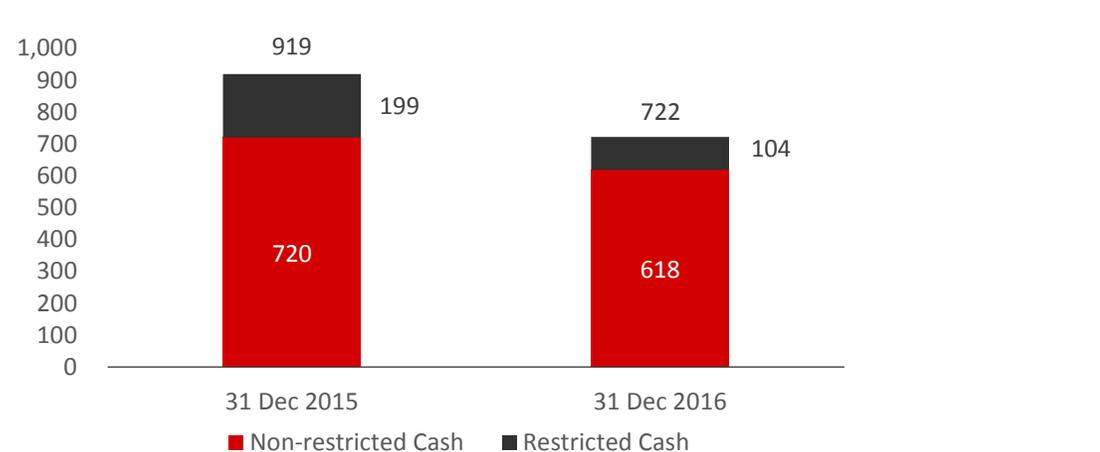
Net cash (NOK million)<sup>1</sup>



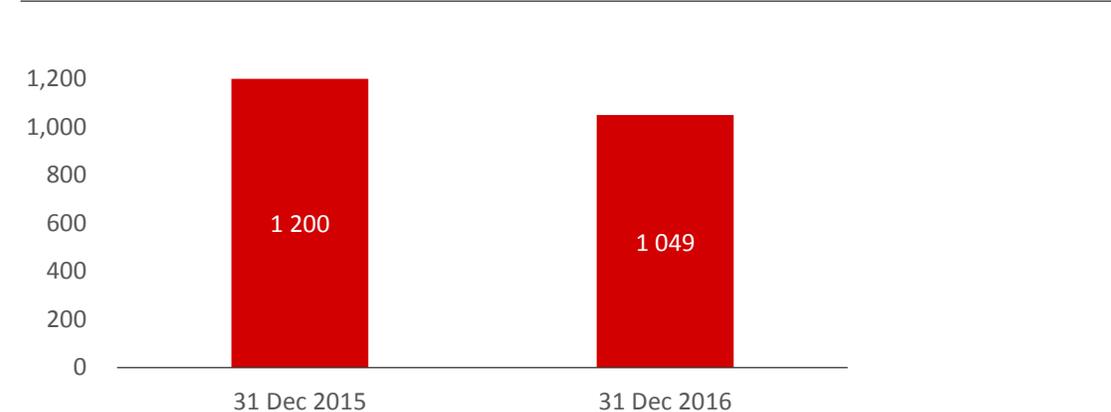
Construction loans (NOK million)



Cash and cash equivalents (NOK million)



Loans and borrowings, non-current (NOK million)



# Balance sheet

(NOK million)	As at:	
	31 December 2016	31 December 2015
Non-current assets	3 875	3 760
Cash and cash equivalents	722	919
Other current assets	8 904	16 216
<b>Total assets</b>	<b>13 501</b>	<b>20 895</b>
<b>Total equity</b>	<b>2 295</b>	<b>2 961</b>
Loans and borrowings, non-current	1 049	1 200
Other non-current liabilities	787	209
Construction loans	5 248	9 435
Other current liabilities	4 122	7 090
<b>Total liabilities</b>	<b>11 206</b>	<b>17 934</b>
<b>Total equity and liabilities</b>	<b>13 501</b>	<b>20 895</b>

# Cash flow statement

(NOK million)	4Q ended 31 December		FY ended 31 December	
	2016	2015	2016	2015
Cash flows from / (used in) operating activities	617	(51)	767	(1 184)
Cash flows from / (used in) investing activities	(151)	(66)	(314)	(311)
Cash flows from / (used in) financing activities	(288)	(8)	(587)	219
<b>Net change in cash and cash equivalents</b>	<b>178</b>	<b>(125)</b>	<b>(134)</b>	<b>(1 276)</b>
Effects of currency translation differences on cash and cash equivalents	19	80	32	30
Cash and cash equivalents excluding restricted cash at the beginning of the financial period	421	765	720	1 966
Restricted cash at the end of the financial period	104	199	104	199
<b>Cash and cash equivalents at the end of the financial period</b>	<b>722</b>	<b>919</b>	<b>722</b>	<b>919</b>

# Earnings per share

	4Q ended 31 December		FY ended 31 December	
	2016	2015	2016	2015
Earnings for the period (NOK million)	(67)	(83)	(163)	(603)
<b>Earnings for the period (SGD million)</b>	<b>(11)</b>	<b>(13)</b>	<b>(27)</b>	<b>(97)</b>
Weighted average number of shares (million)	1 180	1 180	1 180	1 180
Earnings per share (NOK)	(0.06)	(0.07)	(0.14)	(0.51)
<b>Earnings per share (SGD cents)</b>	<b>(0.93)</b>	<b>(1.10)</b>	<b>(2.29)</b>	<b>(8.22)</b>
Exchange rates (SGD/NOK)	5.965	6.239	5.965	6.239

Note: Earnings per ordinary share for the financial period attributable to equity holders of the Company  
SGD amounts are translated from NOK based on the exchange rates prevailing at the reporting dates.

# Net assets value per share

	As at:	
	31 December 2016	31 December 2015
Net assets value at the end of the period (NOK million)	2 265	3 798
<b>Net assets value at the end of the period (SGD million)</b>	<b>380</b>	<b>609</b>
Number of shares (million)	1 180	1 180
Net assets value per ordinary share (NOK)	1.92	3.22
<b>Net assets value per ordinary share (SGD)</b>	<b>0.32</b>	<b>0.52</b>
Exchange rate (SGD/NOK)	5.965	6.239

Note: Net assets value for the Group per ordinary share based on issued share capital of the issuer  
 SGD amounts are translated from NOK based on the exchange rates prevailing at the reporting dates.

4Q 2016  
Outlook

# Outlook

- Implementation of diversification strategy ongoing
  - First cruise vessels moving into production stage
  - New project opportunities arising primarily from non-offshore segments, including expedition cruise and fisheries
  - Business diversification includes repair, conversion and maintenance contracts, equipment and solutions, and aquaculture business
- Organizational development supporting the diversification effort; continued cooperation with Fincantieri for know-how transfer in the cruise segment
- Yard utilization in Romania and Vietnam secured; yards in Norway still undergoing a phase of low utilization until arrival of first cruise vessel hulls
- Brazil still challenging
- Demand for newbuilding projects in the offshore sector currently limited; focus on delivery of the existing order book
- Work ongoing to reduce significant counterparty risk still remaining in the offshore project portfolio



4Q 2016

Q&A