Vallianz Holdings Limited
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NEWS RELEASE

Vallianz's Net Profit Attributable to Owners of the Company Jumps to US$5.3 million in 2Q2017/18 from US$0.9 million in 2Q2016/17

- Revenue in 2Q2017/18 declined year-on-year but held steady quarter-on-quarter
- Operating profit climbed 69.3% year-on-year to US$5.3 million in 2Q2017/18
- Robust order book of US$950 million with charter contracts stretching up to year 2025
- Announces revised terms for a proposed 1-for-1 Rights cum Warrants issue

Singapore, 6 November 2017 – Vallianz Holdings Limited ("**Vallianz**" or the "**Company**", and together with its subsidiaries, the "**Group**"), one of the largest providers of offshore support vessels ("**OSV**") in the Middle East, today reported that its net profit attributable to owners of the Company ("**PATMI**") climbed to US$5.3 million for the second quarter ended 30 September 2017 ("**2Q2017/18**"). This compares with PATMI of US$0.9 million in the previous corresponding quarter ("**2Q2016/17**").

Group revenue for 2Q2017/18 decreased 24.8% year-on-year to US$41.2 million due mainly to the completion of various one-time vessel management projects in the second half of 2016. This was partially offset by contributions from the commencement of new long term charter contracts with its key National Oil Company ("**NOC**") customer in the Middle East. On a quarter-on-quarter basis, Group revenue for 2Q2017/18 remained steady when compared to 1Q2017/18.

In line with the Group's strategy to focus on the vessel chartering business, this segment accounted for 90% of total revenue in 2Q2017/18, higher than the revenue contribution of 68% in the year-ago period.

While the Group experienced lower utilisation for certain vessels outside of the Middle East region, this was mitigated by revenue contributions from ongoing long-term charters in the Middle East as well as the start of new charter contracts since 1Q2017/18. As such, revenue derived from the vessel chartering business held steady in 2Q2017/18 at US$37.1 million, compared to US$37.3 million in 2Q2016/17.

The shift in its revenue mix towards vessel chartering business, coupled with reduced depreciation expenses, resulted in an expansion of the Group's gross profit margin to 24.6% in 2Q2017/18 compared to 21.7% in 2Q2016/17.

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The Group posted a significant increase of 69.3% in operating profit to US$5.3 million in 2Q2017/18 from US$3.2 million previously. This improvement came primarily on the back of higher operating income, lower operating and finance costs, as well as share of profit from its associates and joint ventures.

For the six months ended 30 September 2017 ("**HY2017/18**"), Group revenue decreased 30.4% to US$82.4 million from US$118.5 million. Notwithstanding this, the Group achieved higher operating profit of US$10.3 million in HY2017/18, an increase of 11.9% from US$9.2 million in HY2016/17. The Group's PATMI for HY2017/18 more than doubled to US$9.5 million from US$4.7 million previously.

As at 30 September 2017, the Group's shareholder equity was US$192.8 million which represents net asset value per share of 4.29 US cents.

Said Mr Ling Yong Wah, CEO of Vallianz, "Although the global oil market could be showing early signs of recovery in recent months, the offshore support vessel (**OSV**) sector continues to face a situation of excess supply. This inevitably exerts pressure on vessel utilisation rates and charter rates.

In spite of this challenging business backdrop, Vallianz has seen its operating profit improving quarter after quarter since end-September 2016. This performance is a validation of the Group's resilient business model to focus on long-term vessel charters with national oil companies. It is also a testament to our operations in the Middle East and concerted restructuring efforts which have enabled the Group to withstand the adverse market conditions engulfing the offshore marine industry."

As at 30 September 2017, the Group's chartering services order book was approximately US$950 million. This comprises mainly long term charters that stretch up to 2025, including 2-year extension options. The Group expects to deploy more vessels during the second half of the current financial year in accordance to customers' schedules.

As one of the largest OSV players in the Middle East, the Group believes it remains in good stead to capitalise on business opportunities in that region.

"We continue to work on sharpening our competitive edge in the OSV industry through differentiation of our services and vessel fleet. The team at Vallianz has strong operational capabilities and competencies to devise creative solutions according to our customers' unique requirements for their offshore oil and gas projects. To this end, we continue to work closely with our NOC customer who remains active in offshore oil and gas production programs. With our strong foothold in the Middle East, the Group plans to

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build on its presence in the world's largest offshore oil and gas producing regions particularly in the Middle East and Central Asia."

Together with its strategic partner and controlling shareholder Rawabi Holding Company Limited ("**Rawabi Holding**"), the Group will continue to leverage on its strengths to solidify existing customer relationships and increase penetration in target markets in the Middle East and other regions. Earlier this year, the Group made successful inroads into new markets with the award of new vessel charter contracts in Egypt and Turkmenistan.

To allow Shareholders to participate in the Group's prospects, Vallianz also separately announced today a revision in the terms of its proposed renounceable non-underwritten 1-for-1 Rights cum Warrants Issue to encourage wider subscription from Shareholders.

The Company is proposing to undertake the Rights Issue at a revised issue price of S$0.016 for each Rights Share. Every Rights Share will come with two free detachable Warrants with each Warrant carrying the right to subscribe for one New Share at a revised exercise price of S$0.016 for each New Share. The Group believes the Rights cum Warrants Issue will strengthen its capital structure and place it in a better position to ride through the current market conditions and execute its growth strategies.

To demonstrate its support for the Rights cum Warrants Issue, Rawabi Holding has provided to Vallianz an Irrevocable Undertaking that it will subscribe for its pro rata entitlement of Rights Shares with Warrants and Excess Rights Shares with Warrants (subject to availability). As at the date of this announcement, Rawabi Holding owns an equity interest of 15.0% in Vallianz.

This news release should be read in conjunction with the Group's announcements posted on the SGX website on 6 November 2017.

About Vallianz Holdings Limited

Vallianz Holdings Limited is one of the largest providers of offshore support vessels to the oil and gas industry in the Middle East. Headquartered in Singapore, the Group also provides offshore marine services to oil majors and national oil companies worldwide. Today, Vallianz owns and operates a young fleet of 55 offshore support vessels and covers markets in the Middle East, Asia Pacific and Latin America.

To strengthen its foundation for growth, the Group is currently executing initiatives to expand its geographical reach, as well as broaden its range of marine assets and solutions. The Group also continues to seek opportunities and strategic alliances to increase its penetration in the major and emerging offshore oil and gas markets. Listed on SGX-Catalist, Vallianz is helmed by an experienced management team.

For more details, please refer to www.vallianzholdings.com

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Provenance Capital Pte. Ltd. ("**Sponsor**"), for compliance with the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this announcement.*

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

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