

NEWS RELEASE

Vallianz Reports Stable Net Profit of US\$4.2 million for 1QFY2019

- Revenue up 3.1% year-on-year to US\$42.5 million in 1QFY2019
- Order book of US\$700 million, comprising mainly long term charter contracts
- Primed to capitalise on opportunities from offshore oil and gas developments in Middle East

Singapore, 4 August 2018 – 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, reported net profit attributable to owners of the Company (“**net profit**”) of US\$4.2 million for the three months ended 30 June 2018 (“**1QFY2019**”) which was stable compared to US\$4.3 million in 1QFY2018.

The operating conditions in the offshore support vessel (“**OSV**”) sector remained tough amid intense competition. Nevertheless, the Group notched up revenue of US\$42.5 million in 1QFY2019 which was an increase of 3.1% from US\$41.2 million previously. This was buoyed by the stable performance of its core vessel chartering and brokerage business which accounted for 93% of total revenue in 1QFY2019.

Revenue from the chartering and brokerage services held steady at US\$39.0 million in 1QFY2019 compared to US\$38.4 million in 1QFY2018. During 1QFY2019, the Group’s key customer, a National Oil Company (“**NOC**”) in the Middle East, extended the charter contracts for 16 vessels for another year. Although the new charter rates were slightly lower than previously, this impact was mitigated by a full quarter of revenue contribution in 1QFY2019 from new vessel charters with the NOC customer that commenced in the latter half of fourth quarter of FY2018.

With a larger fleet of vessels currently deployed in the Middle East for the NOC customer’s projects, the Group’s personnel costs had inevitably risen in tandem with its size of operations. Together with the impact of lower charter rates for the contracts that were extended, as well as leasing expenses for a specialized vessel that was earlier transferred to its joint venture company, the Group registered a softer gross profit margin of 21.0% in 1QFY2019 versus 25.9% in 1QFY2018. As a result, gross profit decreased by 16.4% year-on-year to US\$8.9 million in 1QFY2019.

While finance costs increased year-on-year during 1QFY2019 in line with higher interest rates, this was offset by reduced administrative expenses as the Group continued to keep tight control of its costs.

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Mr Ling Yong Wah, CEO of Vallianz said, “While crude oil prices have risen steadily since the beginning of 2018, the current operating environment is still challenging as the OSV sector continues to face an oversupply situation which raises competition and exerts downward pressure on vessel utilisation and charter rates.

Under such circumstances, it is no mean feat for the Group to continue generating a profitable performance and achieve consistent utilisation of our fleet of vessels in the Middle East. With the strong backing of our largest shareholder Rawabi Holding Company Limited (“**Rawabi**”), and under the astute leadership of our Chairman, Sheikh Abdulaziz Ali AlTurki, we believe the Group is primed to capitalise on the favourable longer term outlook of the offshore oil and gas markets in the Middle East.”

Vallianz has established itself as one of the largest OSV providers in the Middle East which remains as the world’s largest oil producer and the second largest gas producer. According to oil major BP, the region is expected to account for over 34% of global liquids production and 20% of gas production by 2040. BP also forecasts conventional oil production to reach 29 million barrels per day (Mb/d) by 2040 from 26 Mb/d in 2016, and for natural gas production to increase by 60% from 62 billion cubic feet per day (Bcf/d) in 2016 to 98 Bcf/d in 2040, led mainly by Iran, Qatar and Saudi Arabia¹.

Said Sheikh Abdulaziz Ali AlTurki, Chairman of Vallianz, “The Group has fostered a close relationship with our key NOC customer in the Middle East. We are encouraged by the deep level of trust and confidence the NOC customer has in the Group and our execution capabilities. We will continue to build on this trust and expand our relationship by working closely with our key NOC customer to develop innovative solutions for their offshore support requirements beyond the traditional OSV business.

The NOC customer is expected to remain active in various offshore oil and gas exploration and production projects in the future. Leveraging on Rawabi’s local knowledge and expertise, the Group aims to consolidate its position with the NOC especially through our commitment towards their In-Kingdom Total Value Add program requirements, to drive future business opportunities.”

Besides Saudi Arabia, the Group plans to build a larger footprint in the region to cover new target markets such as Egypt and Kuwait where there are significant discoveries of offshore oil and gas fields. The Group is concurrently working to strengthen its operating capabilities and service qualities, improve cost and operational efficiencies while expanding and differentiating its fleet to sharpen its competitive edge. At the end of June 2018, the Group owns and operates 58 vessels.

¹ (Source: BP Energy Outlook, Country and Regional Insights – Middle East)

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As at 30 June 2018, the Group's chartering services order book stood at approximately US\$700 million, comprising mainly long term charter contracts that stretch up to 2025 inclusive of extension options of up to 2 years.

This news release should be read in conjunction with the Group's announcement posted on the SGX website on 4 August 2018.

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 58 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

*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.*

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