

SIMPLIFIED NOTIFICATION OF A CONCENTRATION**BETWEEN****VARD GROUP AS****AND****SEAONICS AS*****21 June 2021*****Information marked in green is confidential to Vard Group AS****Information marked in turquoise is confidential to Seaonics AS**

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1 SUMMARY

This notification is filed to the Norwegian Competition Authority pursuant to Section 18, cf. Section 18a fourth paragraph of the Norwegian Competition Act, cf. the Regulation on the Notification of Concentrations Section 3 first paragraph item 2, on behalf of Vard Group AS ("**Vard**"), in connection with Vard's acquisition of sole control over Seaonics AS ("**Seaonics**") (the "**Transaction**"). Prior to the concentration Seaonics is a full-function joint venture between Vard and Industries Holding AS.

The Transaction will not result in any horizontal overlaps between the Parties. Neither Vard nor any company in its group is engaged in business activities in the same product market as Seaonics. The Transaction will result in a limited vertical overlap (see Section 8 below).

2 CONTACT INFORMATION

2.1 Notifying party

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2.2 Target

Name: Seaonics AS
 Company reg no.: 997 012 461
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3 DESCRIPTION OF THE CONCENTRATION

Prior to the Transaction Seaonics is a full-function joint venture between Vard and Industries Holding. Vard owns 56,41% of the issued shares and Industries Holding owns 43.59% of the issued shares, but the shareholders have veto rights conferring each of them joint control of the company (see section 4 below). Upon completion of the Share Purchase Agreement dated 18 June 2021, Vard will acquire 43.59% of the shares in Seaonics from Industries Holding and will have sole control as a result of owning 100% of the shares in the company.

The Transaction is subject to merger notification pursuant to Section 18, cf. Section 17 of the Norwegian Competition Act as each of the undertakings concerned have a turnover exceeding NOK 100 million and a combined turnover exceeding NOK 1 billion in Norway.

Completion of the Transaction is subject to clearance by the Norwegian Competition Authority. The Transaction is not subject to regulatory requirements from other competition authorities.

4 THE CONDITIONS FOR SUBMITTING SIMPLIFIED NOTIFICATION ARE SATISFIED

This notification is filed to the Norwegian Competition Authority pursuant to section 18 cf. section 18a fourth paragraph of the Norwegian Competition Act, cf. the Regulation on the Notification of Concentrations section 3 second paragraph.

The Transaction concerns Vard's acquisition of sole control of the joint venture company Seaonics. Prior to the Transaction, Vard controls Seaonics jointly with Industries Holding. Although Vard holds a higher proportion of the shares in Seaonics, the Joint Venture Agreement between Vard and Industries Holding dated 30 May 2011 grants each of the owners the right to appoint half of Seaonics's Board of Directors and further provides that all important financial and strategic decisions require the unanimous decision of the Board, including, amongst other things:

- The approval of any Annual Budget or Business Plan;
- The appointment, removal or variation in the terms of the Managing Director and management team

The Transaction thus concerns a change from joint to sole control of the target company and qualifies for a simplified notification in accordance with section 3 second paragraph of the Regulation on the Notification of Concentrations.

5 THE STRUCTURE AND BUSINESS AREAS OF THE UNDERTAKINGS

5.1 Vard Group AS and Fincantieri

5.1.1 Legal and organizational structure

Vard is a global designer and shipbuilder of offshore and specialized vessels. Through its wholly-owned parent company Vard Holdings Limited (Singapore), Vard is ultimately controlled by Fincantieri Oil & Gas S.p.A. (97.44%), which is a wholly-owned subsidiary of Fincantieri S.p.A. Vard is thus part of the Fincantieri Group.

Vard has its headquarters in Ålesund, Norway, and is present in Norway, Romania, Vietnam, Brazil, Croatia, Italy, Poland, Canada, US, India, Chile and Singapore with various entities supporting the shipbuilding process. As of June 2021, the company employs approximately 8000 full-time equivalents worldwide and operates 7 shipyards: Vard Brattvaag (Norway), Vard Søviknes (Norway), Vard Langsten (Norway), Vard Tulcea (Romania), Vard Braila (Romania), Vard Promar (Brazil) and Vard Vung Tau (Vietnam).

An overview of all of Vard's subsidiary companies and departments is available at <https://www.vard.com/contact>.

Vard's parent group Fincantieri is a global shipbuilding group with a number of subsidiaries worldwide. The parent company of the group is the Italian company Fincantieri S.p.A. A full overview of Fincantieri S.p.A's subsidiaries may be found on page 230-235 of the group's annual report for 2020 (see Section 9).

5.1.2 Areas of business

Vard's core business is designing and building complex and highly profiled offshore supply vessels (OSVs), such as platform supply vessels (PSVs), anchor handling tug supply vessels (AHTSs), offshore subsea construction vessels (OSCVs), and a variety of vessel solutions

supporting the entire offshore renewables value chain. Vard also constructs specialized ships, LNG fuelled ferries, naval vessels and coast guard patrol boats, LPG vessels, cruise vessels and yachts, fishing and aquaculture vessels, and icebreakers.

In addition to its shipbuilding activities, Vard provides services within ship repair and conversions.

Vard's product range consists of 9 vessel segment series of ship designs, which Vard customizes to meet the specific needs of each client. Many of Vard's subsidiary companies partake in the value chain from drawing board to delivery where this is economically efficient for Vard and their customers, including:

- Vard Accommodation AS (100%), which provides everything in furnishing and ventilation for ships built by Vard.
- Vard Electro AS (100%), an electrical company that produces the SeaQ Line of products for use on Vard ships (see below).
- Vard Design AS (100%), an interior design company.
- Vard Engineering Brevik AS (100%), an engineering company.
- Vard Piping AS (100%), a piping company.

In 2013, Vard's subsidiary Vard Electro launched its series of SeaQ Line products, which encompasses design, integrated systems, accommodation, and marine electronics and electrical equipment. SeaQ products include

- Integrated and adaptable bridge systems;
- Energy storage systems, onboard batteries, power conversions and microgrids; and
- Integrated control systems including integrated automation, power management and performance systems.

The SeaQ products are either delivered individually or as a part of a larger, integrated package.

Further information about Vard is available at <https://www.vard.com/>.

Vard's parent group Fincantieri has its main business within shipbuilding. The group is active in the design and construction of commercial ships (e.g., cruise ships, ferries and yachts) and military vessels. Through its subsidiaries Vard and Seaonics, the group also constructs offshore and specialized vessels.

In addition to shipbuilding, the Fincantieri group is active within repairs and services (including ship repairs, refurbishment and conversions), ship accommodation, electronics, systems and software for vessels, and energy generation/storage systems for vessels. Some of Fincantieri's subsidiaries are also active within the design, construction and assembly of steel structures on large infrastructure projects (mainly onshore).

An overview of the various business areas of Fincantieri S.p.A and its subsidiaries may be found on p. 20-21 of the group's annual report for 2020 (see Section 9).

For more information about Fincantieri, see <https://www.fincantieri.com/en/group/>.

5.2 Seaonics AS

5.2.1 Legal and organizational structure

Seaonics is a joint venture established in 2011 and jointly controlled by Vard and Industries Holding with 56,41% and 43.59% of the shares, respectively.

The head office of Seaonics is located in Ålesund, Norway, and branch offices are located in Gdansk and Estonia.

Seaonics has three wholly-owned subsidiary companies: CDP Technologies AS ("**CDP**"), CDP's wholly-owned Estonian subsidiary CDP Technologies Estonia OÜ ("**CDP Estonia**"), and Seaonics Polska sp. z o.o ("**Seaonics Poland**"). Additionally, Seaonics owns 34% of the shares in the company Castor Drilling Solution AS, which is not consolidated in the group.¹

As per June 2021, Seaonics and its subsidiaries employs 103 full-time equivalents; 52 fte in Norway, 47 fte in Poland and 4 fte in Estonia.

5.2.2 Areas of business

Seaonics mainly delivers lift and topside handling equipment to support sustainable exploration, development and management of ocean resources.

Seaonics supplies customers operating within offshore energy, ocean harvesting, and research and exploration. The company's core products and services include:

- Topside handling equipment comprised of cranes for heavy lifting operations (including SOV, Subsea, FPSO/drill ship cranes and deck cranes); davits; winches; moonpool and LARS (launch and recovery systems); A-frames; module handling systems for efficient inspection, maintenance and repair of vessels; hatches; skidding systems integrated with control systems; and control systems for AHC gangways. In 2020, this area of Seaonics' activities accounted for [REDACTED] of the company's total turnover.²
- Service and upgrades on vessel hardware and software, including retrofit services. Such services are primarily offered in relation to Seaonics' own original equipment, but Seaonics also performs some service and upgrades on similar equipment from other suppliers. In 2020, this area of Seaonics' activities accounted for [REDACTED] of the company's total turnover.
- Simulation systems and training for real time control systems. This too is mainly supplied in relation to Seaonics' own original equipment, but also to some extent for equipment where Seaonics only supplies the control system and the hardware is supplied by others. As part of combined deliveries together with topside handling equipment, this this area of Seaonics' activities accounted for [REDACTED] of the company's total turnover in 2020. As stand-alone sales, simulation systems and training accounted for [REDACTED] of Seaonics' total turnover in 2020.

¹ Castor Drilling Solution AS develops and markets drill system for floating units as well as simulation and analysis systems.

² Seaonics' total turnover i 2020 was NOK 202 941 718.

- SeaBrief data and information platform, which is a cloud based service system for monitoring onboard equipment such as cranes, winches, gangways and other kind of topside handling equipment. Seabriefs capabilities include signal-logging and monitoring of the Seaonics equipment onboard, as well as basic document handling.

In terms of in-group division of core competences, Seaonics AS has the overarching responsibility for providing tailor made lift and handling equipment. Seaonics Poland's core competence includes electrical engineering and production, as well as development and production of standard lift and handling equipment. CDP and CDP Estonia's provides software framework for control system application simulation and data integration services.

The topside handling equipment produced and supplied by Seaonics is mainly highly customized and tailored to the specific needs of the individual ship owner (customer) in close collaboration with the vessel designer and the yard. A small part of Seaonics' product line is commodity equipment from other suppliers which Seaonics delivers together with its own deliveries to suit the specific needs of the ship owner.

Further information is available at www.seaonics.com

6 **TURNOVER AND OPERATING RESULT IN NORWAY FOR THE LAST FISCAL YEAR (2020)**

	Name	Turnover (in thousand NOK)	Operating result (in thousand NOK)³
Notifying party (from item 2.1)	Vard Group AS, including the Fincantieri group		N/A
Target (from item 2.2)	Seaonics AS		N/A

7 **NO HORIZONTAL OVERLAP**

The parties have not identified any relevant horizontal overlap between the products and services offered by Fincantieri, Vard or any of its subsidiaries on the one hand and the products and services offered by Seaonics on the other.

Seaonics' main business activities are within the production and sale of specialised lift and handling equipment as described above. Neither Vard nor any of Fincantieri's other subsidiaries is active within this field.

Since no company in the Fincantieri group is active within the development and production of specialised lift and handling equipment, they are also not active within service and upgrades

³ Vard Group/Fincantieri and Seaonics do not calculate operating results specifically for sales to customers in Norway. Recorded operating result (irrespective of the location of the customers) appears from the annual reports referred to in Section 9.

on such equipment. Thus, there is no horizontal overlap between Seaonics' service and upgrade activities and any service and upgrade activities carried out by Fincantieri's other subsidiaries.

As for simulation and training systems, Vard Electro and some other subsidiaries of Fincantieri provide simulation training, but only in respect of their own products and solutions. Since there is no overlap between the equipment supplied by Seaonics and the products and solutions supplied by other subsidiaries of the Fincantieri group, there also is no horizontal overlap in this product area.

there is no horizontal overlap in this product area.

8 VERTICAL OVERLAP

8.1.1 Introduction

For their construction of various offshore and specialized vessels, Vard and Fincantieri procures topside handling equipment such as handling systems, cranes, A-frames, winches, davits, etc. Thus, there is some vertical overlap between Vard and Fincantieri as buyer and Seaonics as supplier of topside handling equipment.

Seaonics also to a lesser extent provides repair and upgrade services, simulation and training systems and cloud based onboard monitoring systems. Such activities and products accounted for [REDACTED] of Seaonics' total turnover in 2020 and are primarily offered by Seaonics in respect of their own original products and as part of complete deliveries of handling equipment. Thus, the parties do not deem it necessary to consider these activities and products separately in the following.

8.1.2 The relevant product and geographic markets

Topside handling equipment is generally designed for a specific function and as such there is potentially limited demand-side substitutability. There is, however, generally a high degree of supply-side substitutability, with many competitors in the deck machinery market active across a wide range of product types. As such, the parties' consider that for the purpose of this notification the handling equipment supplied by Seaonics may be regarded as part of the same product market.

The parties consider the market for topside handling equipment to be global or at least EEA wide. However, for the sake of completeness, the parties will also describe the extent of a potential vertical overlap in a hypothetical Norwegian market for supply of handling equipment for the construction of offshore and specialized vessels.

8.1.3 The extent of vertical overlap

On a global level, Seaonics consider its market share in the supply of topside handling equipment to be less than [REDACTED]⁴ On an EEA level, its market share is considered to be less than [REDACTED]⁵ In a hypothetical Norwegian market for topside handling equipment, Seaonics

⁴ This number is based on the Global Market Insight ("GMI") report on the global offshore crane market for 2018 and the GMI report on the global marine winches market for 2019, which estimate the total value of these global markets to be USD 2 500 000 000 and USD 1 675 700 000, respectively. Based on the European Central Bank's average conversion rates for these years, these figures amount to NOK 20 337 102 500 and NOK 14 748 388 848, respectively, i.e. somewhat above 35 BNOK in total.

⁵ Seaonics estimates that the EEA market accounts for approximately [REDACTED] of the global market.

estimates its approximate market share to be somewhat below [REDACTED] although this will vary based on the ongoing build program/orders.⁶

Vard and Fincantieri are not able to calculate their market shares in the purchase market for topside handling equipment. However, for reference, Vard and Fincantieri estimate that their average total market share in vessel categories that are strategically important to Vard and that utilize topside handling equipment amounts to [REDACTED] at EEA level and [REDACTED] in a hypothetical Norwegian market for the years 2015-2020.

Based on the above figures, the parties consider that the vertical overlap between Vard and Fincantieri as buyer and Seaonics as supplier of handling technology will have a very limited effect on competition in the relevant market.

The parties further note that the ship owner/customer will often have their own preferences for a particular supplier of handling equipment which the shipbuilder will comply with, and that Seaonics has many competitors in all segments of their production of topside handling equipment, including both large international competitors such as [REDACTED] and Norwegian competitors such as [REDACTED]
[REDACTED]

Finally it is recalled that prior to the transaction, Seaonics is a joint venture between Vard and Industries Holding. In recent years, Vard has procured its topside handling equipment from both Seaonics and its competitors, depending on what is most cost-efficient and on the wishes of the individual ship owner/customer. The parties do not consider it likely that a change from joint to sole control of Seaonics will imply any change in this regard.

9 ANNUAL REPORT AND ANNUAL ACCOUNT

The 2019 annual reports and financial statements for Vard Group AS and Seaonics AS are available at Brennøysundregisteret.

The 2020 annual report and financial statement for the Fincantieri group is available at <https://www.fincantieri.com/globalassets/investor-relations/bilanci-e-relazioni/2020/fincantieri-annual-report-2020.pdf>.

10 DISCLOSURE/PUBLIC ACCESS

The notification contains business secrets, cf. section 18b of the Competition Act. A proposal for a public version of the notification is enclosed. Enclosed is also an overview which explains why each type of redacted information constitutes business secrets. This explanation document is also considered as business secrets in its entirety.

Appendix 1: Public version of the notification

Appendix 2: Explanation for confidential information

⁶ This estimate is based on the Orderbook for Norwegian Shipyards from august 2020 (available at <http://www.refvik.info/Ordreliste/ONS2009.pdf>), which provides an overview of all ships over 40 meters registered in the order books of Norwegian shipyards at this time. Seaonics' own estimate of how much topside handling equipment these ships will require in total amounts to [REDACTED]. When estimating their market share as being less than [REDACTED] Seaonics also accounts for the fact that the market additionally includes ships under 40 meters and offshore shipyards.

We kindly ask to be notified should the Competition Authority receive any requests for access to this notification or other documents in the case.

Best regards,

Advokatfirmaet Thommessen AS



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Advokatfullmektig