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FOURTH QUARTER AND FULL YEAR 2017

FINANCIAL STATEMENTS

Published 1 March 2018



VARDTM
a **Fincantieri** company

Vard Holdings Limited

Incorporated in Singapore | Company Registration No. 201012504K
Unaudited results for the fourth quarter and full year ended 31 December 2017

Fourth Quarter and Full Year 2017 Financial Statements

UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2017

(All amounts in NOK millions unless otherwise stated)

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(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS

(a)(i) Statement of Comprehensive Income (Group)

	Group			Group		
	4Q-2017 ended 31/12/17	4Q-2016 ended 31/12/16	Change %	Full year ended 31/12/17	Full year ended 31/12/16	Change %
Revenue	2,693	2,150	25%	8,603	7,894	9%
Materials, subcontract costs and others	(1,907)	(1,416)	35%	(5,601)	(5,049)	11%
Salaries and related costs	(630)	(566)	11%	(2,298)	(2,162)	6%
Other operating expenses	(148)	(101)	47%	(541)	(515)	5%
EBITDA before restructuring cost	8	67	-88%	163	168	-3%
Restructuring cost	(12)	(29)	-59%	(33)	(105)	-69%
Depreciation, impairment and amortization	(55)	(52)	6%	(221)	(205)	8%
Operating profit/(loss)	(59)	(14)	321%	(91)	(142)	-36%
Financial income	154	39	295%	304	323	-6%
Financial costs	(223)	(42)	431%	(410)	(282)	45%
Net financial items	(69)	(3)	n/m	(106)	41	n/m
Share of results of associates	(14)	(40)	-65%	(47)	(58)	-19%
Profit (loss) before tax	(142)	(57)	149%	(244)	(159)	53%
Income tax expense	9	(12)	n/m	6	(38)	n/m
Profit (loss) for the period	(133)	(69)	93%	(238)	(197)	21%
Profit (loss) for the period attributable to:						
Equity holders of the Company	(131)	(67)	96%	(233)	(163)	43%
Non-controlling interest	(2)	(2)	n/m	(5)	(34)	-85%
Profit (loss) for the period	(133)	(69)	93%	(238)	(197)	21%
Other comprehensive income:						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Exchange differences on translation of foreign operations	(11)	(18)	-39%	(22)	(404)	-95%
Net fair value change in cash flow hedge	(31)	(73)	-58%	56	(49)	n/m
Income tax on other comprehensive income	7	18	-61%	4	93	-96%
<i>Items that may not be reclassified subsequently to profit or loss:</i>						
Share of other comprehensive income in associated companies	-	(71)	n/m	(2)	(102)	-98%
Other comprehensive income for the period, net of income tax	(35)	(144)	-76%	36	(462)	n/m
Total comprehensive income for the period	(168)	(213)	-21%	(202)	(659)	-69%
Total comprehensive income attributable to:						
Equity holders of the Company	(165)	(211)	-22%	(197)	(444)	-56%
Non-controlling interest	(3)	(2)	n/m	(5)	(215)	-98%
Total comprehensive income for the period	(168)	(213)	-21%	(202)	(659)	-69%

Notes:

(*) N/M - Not meaningful.

(**) As a result of rounding differences, numbers or percentages may not add up to the total.

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UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2017

(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(a)(ii) Notes to the Statement of Comprehensive Income

	Group			Group		
	4Q-2017 ended 31/12/17	4Q-2016 ended 31/12/16	Change %	Full year ended 31/12/17	Full year ended 31/12/16	Change %
Interest income	8	9	-11%	34	36	-6%
Foreign exchange gain	142	28	407%	265	281	-6%
Other financial income	4	2	100%	5	6	n/m
Financial income	154	39	295%	304	323	-6%
Interest expense	(25)	(17)	47%	(82)	(78)	5%
Foreign exchange loss	(151)	(10)	n/m	(240)	(133)	80%
Other financial expenses	(47)	(15)	213%	(88)	(71)	24%
Financial expenses	(223)	(42)	431%	(410)	(282)	45%
Net financial items	(69)	(3)	n/m	(106)	41	n/m
Depreciation of property, plant and equipment	(50)	(47)	6%	(200)	(193)	4%
Amortization of intangibles	(5)	(5)	0%	(18)	(12)	50%
Impairment charges	-	-	n/m	(3)	-	n/m
Depreciation, impairment charges and amortization	(55)	(52)	6%	(221)	(205)	8%
Provisions for doubtful debts	-	-	n/m	-	-	n/m
Allowance for doubtful debts and bad debts written off	-	-	n/m	-	-	n/m

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(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(b)(i) Statement of Financial Position

	Group			Company		
	As at 31/12/17	As at 31/12/16	Change %	As at 31/12/17	As at 31/12/16	Change %
Property, plant and equipment	2,629	2,555	3%	-	-	n/m
Intangible assets	477	475	0%	-	-	n/m
Investment in subsidiary	-	-	n/m	3,518	2,983	18%
Investment in associates	192	222	-14%	-	-	n/m
Other investments	12	19	-37%	-	-	n/m
Interest-bearing receivables, non-current	581	473	23%	-	-	n/m
Non-current derivatives	-	28	n/m	-	-	n/m
Other non-current assets	158	38	316%	-	-	n/m
Deferred tax assets	126	82	54%	-	-	n/m
TOTAL NON-CURRENT ASSETS	4,175	3,892	7%	3,518	2,983	18%
Inventories	2,100	1,949	8%	-	-	n/m
Construction WIP in excess of prepayments	6,537	5,594	17%	-	-	n/m
Trade and other receivables	834	801	4%	92	112	-18%
Current derivatives	84	53	58%	-	-	n/m
Other current assets	62	161	-61%	-	-	n/m
Interest-bearing receivables, current	322	289	11%	-	7	n/m
Cash and cash equivalents	810	722	12%	1	3	n/m
Assets classified as held for sale	-	57	n/m	-	-	n/m
TOTAL CURRENT ASSETS	10,749	9,626	12%	93	122	-24%
TOTAL ASSETS	14,924	13,518	10%	3,611	3,105	16%
Paid up capital	4,138	4,138	0%	4,138	4,138	0%
Restructuring reserve	(3,190)	(3,190)	0%	(1,411)	(1,411)	0%
Other reserves	(841)	(877)	4%	-	-	n/m
Retained earnings	1,961	2,194	-11%	450	375	20%
Total equity attributable to equity holders of the Comp.	2,068	2,265	-9%	3,177	3,102	2%
Non-controlling interest	25	30	-17%	-	-	n/m
TOTAL EQUITY	2,093	2,295	-9%	3,177	3,102	2%
Loans and borrowings, non-current	1,045	1,049	0%	-	-	n/m
Deferred tax liabilities	89	109	-18%	-	-	n/m
Non-current derivatives	168	32	425%	-	-	n/m
Other non-current liabilities	831	582	43%	-	-	n/m
Provisions, non-current	87	96	-9%	-	-	n/m
TOTAL NON-CURRENT LIABILITIES	2,220	1,868	19%	-	-	n/m
Loans and borrowings, current	872	443	97%	431	-	n/m
Construction loans	5,652	5,248	8%	-	-	n/m
Prepayments in excess of construction WIP	715	763	-6%	-	-	n/m
Trade and other payables	2,051	1,636	25%	1	2	n/m
Current derivatives	363	591	-39%	-	-	n/m
Income tax payable	51	85	-40%	-	-	n/m
Provisions, current	98	141	-30%	-	-	n/m
Other current liabilities	809	404	100%	2	1	n/m
Liabilities directly associated with assets classified as held for sale	-	44	n/m	-	-	n/m
TOTAL CURRENT LIABILITIES	10,611	9,355	13%	434	3	n/m
TOTAL LIABILITIES	12,831	11,223	14%	434	3	n/m
TOTAL EQUITY AND LIABILITIES	14,924	13,518	10%	3,611	3,105	16%

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UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2017

(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(b)(ii) Aggregate amount of Group's Borrowings and Debt Securities

	As at 31.12.17		As at 31.12.16	
	Secured	Unsecured	Secured	Unsecured
Loans and borrowings, current	325	547	200	243
Construction loans *	5,652	-	5,248	-
Total Amount repayable in one year or less, or on demand	5,977	547	5,448	243

* Construction loans are in general treated as short term maturing on vessel delivery, and are secured by the vessels under construction

Loans and borrowings, non-current	1,045	-	1,049	-
Total Amount repayable after one year	1,045	-	1,049	-
Total	7,022	547	6,497	243

Details of debt secured by collaterals

Currency	Drawn amount in currency	Drawn amount in NOK	Current portion in NOK	Non-current portion in NOK
NOK	178	178	18	160
USD	104	854	84	770
EUR	34	338	223	115
Total		1,370	325	1,045

The following assets have been pledged as security for the loans:

- Property plant and equipment in Vard Group AS
- Property plant and equipment in Vard Promar SA
- Property plant and equipment in Vard Tulcea SA
- Shares in Vard Vung Tau Ltd.
- Shares in Vard Promar SA

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UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2017

(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(c) Statement of Cash Flows (Group)

	Group		Group	
	4Q-2017 ended 31/12/17	4Q-2016 ended 31/12/16	Full year ended 31/12/17	Full year ended 31/12/16
OPERATING ACTIVITIES				
Profit (loss) before tax	(142)	(57)	(244)	(159)
<i>Adjustments for:</i>				
Net interest expense	17	8	48	42
(Gain)/loss on disposal of property, plant and equipment, net	-	2	3	-
Unrealised foreign exchange gain/loss	(12)	(8)	(102)	(193)
Depreciation, impairment and amortization	55	52	221	205
Change in pension assets and liabilities	-	-	1	-
Other non-cash items in the statement of comprehensive income	75	(12)	90	17
Share of results of associates	14	40	47	58
<i>Operating cash flows before movements in working capital</i>	7	25	64	(30)
Inventories	(16)	(74)	(205)	(129)
Construction work in progress	(175)	1,835	(844)	5,921
Proceeds from construction loans	464	529	1,410	3,296
Repayment of construction loans	(760)	(2,639)	(1,089)	(7,414)
Other working capital assets	(259)	3,067	(207)	975
Other working capital liabilities	847	(2,133)	991	(1,814)
Provisions	(13)	29	(52)	25
<i>Cash generated from / (used in) operations</i>	95	639	68	830
Interest received	8	9	34	36
Interest paid	(19)	(18)	(60)	(77)
Income tax paid	(57)	(13)	(73)	(25)
<i>Cash flows from/ (used in) operating activities</i>	27	617	(31)	764
INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	-	8	2	19
Proceeds from disposal of subsidiary	-	-	7	-
Purchase of property, plant and equipment	(75)	(91)	(317)	(245)
Purchase of intangible assets	(6)	(25)	(25)	(45)
Issuance of new non-current interest bearing receivables	4	(3)	4	(3)
Proceeds from repayment of non-current interest bearing receivables	-	6	-	6
Acquisition of equity interest in associates	-	(11)	-	(11)
Proceeds from repayment of short-term interest-bearing receivables	-	-	5	-
Acquisition of subsidiary, net of cash acquired	-	(35)	(1)	(32)
Increase in ownership interest in subsidiaries	-	-	(14)	-
<i>Cash flows used in investing activities</i>	(77)	(151)	(339)	(311)
FINANCING ACTIVITIES				
Proceeds from loans and borrowings	22	-	825	44
Repayment of loans and borrowings	(50)	(288)	(358)	(615)
Transactions with non-controlling interests	-	-	-	(16)
<i>Cash flows from/ (used in) financing activities</i>	(28)	(288)	467	(587)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS				
Effects of currency translation difference on cash and cash equivalents	6	19	(7)	32
Cash and cash equivalents excl. restricted cash at beginning of financial period	780	421	618	720
Cash and cash equivalents excl. restricted cash at end of financial period	708	618	708	618
Restricted cash at end of financial period	102	104	102	104
Cash and cash equivalents at end of financial period	810	722	810	722

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UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2017

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1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(d)(i) Statements of Changes in Equity	Other reserves					Retained Earnings	Total Equity Attributable To Equity Holders of the Company	Non-controlling Interest	Total Equity
	Paid up Capital	Restructuring Reserve	Currency Translation Reserve	Fair Value Reserve	Other reserves				
At 1 January 2017	4,138	(3,190)	163	(38)	(1,002)	2,194	2,265	30	2,295
<i>Comprehensive income</i>									
Profit (loss) for the period	-	-	-	-	-	(233)	(233)	(5)	(238)
Other comprehensive income	-	-	(4)	40	-	-	36	-	36
Total comprehensive income	-	-	(4)	40	-	(233)	(197)	(5)	(202)
At 31 December 2017	4,138	(3,190)	159	2	(1,002)	1,961	2,068	25	2,093
At 1 January 2016	4,138	(3,190)	392	139	-	2,319	3,798	(837)	2,961
<i>Comprehensive income</i>									
Profit (loss) for the period	-	-	-	-	-	(163)	(163)	(34)	(197)
Other comprehensive income	-	-	(142)	(177)	-	38	(281)	(181)	(462)
Total comprehensive income	-	-	(142)	(177)	-	(125)	(444)	(215)	(659)
<i>Transactions with owners</i>									
Equity subscribed by non-controlling shareholders	-	-	-	-	-	-	-	22	22
Transactions with non-controlling interests	-	-	(87)	-	(1,002)	-	(1,089)	1,060	(29)
Total transaction with owners	-	-	(87)	-	(1,002)	-	(1,089)	1,082	(7)
At 31 December 2016	4,138	(3,190)	163	(38)	(1,002)	2,194	2,265	30	2,295

Company

	Paid up Capital	Restructuring Reserve	Retained Earnings	Total Equity
At 1 January 2017	4,138	(1,411)	375	3,102
<i>Comprehensive income</i>				
Profit (loss) for the period	-	-	75	75
Total comprehensive income for the period	-	-	75	75
At 31 December 2017	4,138	(1,411)	450	3,177
At 1 January 2016	4,138	(1,411)	280	3,007
<i>Comprehensive income</i>				
Profit (loss) for the period	-	-	95	95
Total comprehensive income for the period	-	-	95	95
At 31 December 2016	4,138	(1,411)	375	3,102

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(d)(ii) Share Capital

There were no ordinary shares issued in 4Q 2017. There are no treasury shares, nor subsidiary holdings, as at 31 December 2017 and as at 31 December 2016.

Share Options

There were no outstanding options to subscribe for shares as at 31 December 2017 (31 December 2016: 0).

(d)(iii) Number of Issued Shares excluding Treasury Shares

The number of issued shares (excluding treasury shares) as at 31 December 2017 is 1,180,000,000 ordinary shares (31 December 2016: 1,180,000,000 ordinary shares).

(d)(iv) Sales, Transfers, Cancellations and/or use of Treasury Shares

Not applicable. The Company has no treasury shares.

(d)(v) Sales, Transfers, Cancellations and/or use of Subsidiary Holdings

Not applicable. The Company has no Subsidiary Holdings.

2 AUDIT

The figures have not been audited nor reviewed by the auditors.

3 AUDITORS' REPORT

Not applicable.

4 ACCOUNTING POLICIES

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements for the year ended 31 December 2016.

5 CHANGES IN ACCOUNTING POLICIES

The Group has not implemented any new or revised financial reporting standards in 2017.

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UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2017

(All amounts in NOK millions unless otherwise stated)

6 EARNINGS PER ORDINARY SHARE

Earnings per ordinary share (attributable to Equity holders of the Company) for the current financial period reported on and the corresponding period of the immediately preceding financial year:

	Group			Group		
	4Q-2017 ended 31/12/17	4Q-2016 ended 31/12/16	Change %	Full year ended 31/12/17	Full year ended 31/12/16	Change %
(i) Earnings for the period (in NOK millions)	(131)	(67)	96%	(233)	(163)	43%
Earnings for the period (in SGD millions)	(21)	(11)	91%	(38)	(27)	41%
Weighted average number of shares (in millions)	1,180	1,180	0%	1,180	1,180	0%
(ii) Earnings per share (NOK)	(0.11)	(0.06)	83%	(0.20)	(0.14)	43%
Earnings per share (SGD cents)	(1.78)	(0.93)	91%	(3.22)	(2.29)	41%
(iii) Diluted earnings per share (NOK)	(0.11)	(0.06)	83%	(0.20)	(0.14)	43%
Diluted earnings per share (SGD cents)	(1.78)	(0.93)	91%	(3.22)	(2.29)	41%
Adjusted weighted average number of shares (in millions)	1,180	1,180	0%	1,180	1,180	0%
Exchange rates:	31/12/17	31/12/16		31/12/17	31/12/16	
SGD/NOK	6.141	5.965	3%	6.141	5.965	3%

The SGD amounts are translated from NOK based on the exchange rates prevailing at the reporting date as shown above.

7 NET ASSETS VALUE PER ORDINARY SHARE

Net assets value (for the Issuer and Group) per ordinary share based on issued share capital of the issuer at the end of the current financial period reported on and immediately preceding financial year:

	Group			Company		
	As at 31/12/17	As at 31/12/16	Change %	As at 31/12/17	As at 31/12/16	Change %
Net assets value at the end of the period (NOK millions)	2,068	2,265	-9%	3,177	3,102	2%
Net assets value at the end of the period (SGD millions)	337	380	-11%	517	520	-1%
Number of shares (millions)	1,180	1,180	0%	1,180	1,180	0%
Net assets value per ordinary share (NOK)	1.75	1.92	-9%	2.69	2.63	2%
Net assets value per ordinary share (SGD)	0.29	0.32	-9%	0.44	0.44	0%
Exchange rates:	31/12/17	31/12/16		31/12/17	31/12/16	
SGD/NOK	6.141	5.965	3%	6.141	5.965	3%

The SGD amounts are translated from NOK based on the exchange rates prevailing at the reporting date as shown above.

8 REVIEW OF GROUP PERFORMANCE

(a) Statement of comprehensive income:

Revenues for 4Q 2017 were NOK 2.69 billion, up 25% from NOK 2.15 billion in 4Q 2016. Continuing the trend of the third quarter, 4Q 2017 has been characterized by high activity level at the yards located in Romania and Vietnam, compared to the corresponding period of 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.

Revenues for FY2017 were NOK 8.60 billion, up 9% compared to the corresponding period of 2016. The reduced activity, especially at the Norwegian yards, as well as the cessation of operations in Vard Niterói during the third quarter of 2016, was more than compensated by the above-mentioned high activity level in Romania and Vietnam during the second half of 2017.

EBITDA, before restructuring cost, for the quarter was NOK 8 million for 4Q 2017 and NOK 163 million for FY2017, down from NOK 67 million for 4Q 2016 and NOK 168 million for FY2016. The decrease is largely due to a reassessment of the net realisable value (NRV) of vessels held in inventory. If excluding the effects of the reassessment of NRV, EBITDA before restructuring costs would have been NOK 62 million for 4Q 2017 and NOK 217 million for FY2017 in line with the 4Q 2016 and up 29% compared to FY2016.

The EBITDA margin decreased from 3.1% in 4Q 2016 to 0.3% in 4Q 2017, and from 2.1% in FY2016 to 1.9% in FY2017. Excluding the impact of the above mentioned reassessment, the EBITDA margin would have been 2.3% in 4Q 2017 and 2.5% in FY2017.

For the Group's shipyards in Norway, while workload in engineering and procurement remains high, yard utilization will gradually increase when hulls from Romania arrive in 1Q and 2Q 2018. During the quarter, Vard Group has secured a contract for the design and construction of one luxury polar expedition cruise vessel for French cruise company PONANT to be delivered from Vard Søviknes. The same yard successfully delivered one offshore diving support and construction vessel to Kreuz Subsea during the quarter. Newbuilding activity is being supplemented by conversion, repair and maintenance work on a broad range of vessels, including coast guard, fisheries and offshore vessels. At Vard Langsten, the previously announced maintenance program for the Norwegian Coast Guard is ongoing. Vard Brattvaag and Vard Electro have mounted and delivered one upgrade to "Battery Power" notations of offshore vessels.

Romanian yards continue to record a very high workload, and is improving the load situation by increasing in headcount and adapting the organization. After delivery of the hull for the first PONANT vessel to Vard Søviknes, Vard Tulcea is progressing with the construction of the other five expedition cruise vessels contracted during 2016. During the quarter, Vard Tulcea successfully launched and delivered a 9,500 tons hull section to Fincantieri and is progressing with the additional three hull sections under construction. Of the series of MCV's, the first two vessels were delivered from Vard Braila to Kazmortransflot during the third quarter, while the last of the series was delivered in January 2018. Vard Tulcea delivered its first two MCVs to Topaz Energy and Marine during the fourth quarter and the third was delivered during January 2018. Also Vard Braila has since end-2017 delivered one MCV to the same client.

Rapid progress on the MCV projects was also seen in Vietnam where operations remained stable. Two MCVs were delivered to Topaz Energy and Marine from Vard Vung Tau during 4Q 2017, while one more was delivered in February 2018. The remaining two vessels in the series, to be delivered from Vietnam, are under construction. Just after the end of the year, Vard Vung Tau has started the construction of the expedition cruise vessel for Coral Expeditions of Australia, contracted during the third quarter.

Vard Promar in Brazil delivered the fifth Liquefied Petroleum Gas (LPG) Carrier for Transpetro during the fourth quarter. Good progress was also recorded on the Pipelay Support Vessels (PLSV) under construction for Dofcon Navegação (DOF and TechnipFMC) and on the sixth LPG Carrier for Transpetro. The first PLSV is currently undergoing sea trial and is nearing completion. Rightsizing of the organization continued during the quarter, reflective of the lack of work in early stages of vessel under construction.

The strengthened positioning in the aquaculture market, yielded significant results in 4Q 2017 through a number of contract awards. In November, one service vessel for Midt-Norsk Havbruk with delivery in 2Q 2018, as well as two offshore fish farming operation platforms of own design for Cermaq, scheduled for delivery from Vard Aukra in Q2 and Q3 2018 were secured. In early December, the yard secured the design and construction of seven stern trawlers for four Icelandic shipowners, Bergur-Huginn, Utgerdarfelag Akureyringa, Gjögur and Skinny-Thinganes, scheduled for delivery from Vard Aukra in 2019. In December, Vard Aukra also announced contracts for two freight-and-service vessels for FSV Group, to be delivered in 3Q 2018 and 1Q 2019 respectively. These achievements are testament of the market recognition and appreciation for VARD's innovative approach to these market segments.

(a) Statement of comprehensive income (cont.)

Restructuring costs of NOK 12 million in the quarter and NOK 33 million for the year ended 31 December 2017 are related to termination benefits and statutory payments for temporary redundancies, mainly in Norway and Brazil.

Depreciation and amortization costs for the quarter and for the full year 2017 are increasing, compared with the corresponding periods of last year, consequent of the gradual completion of the ongoing investments.

As a consequence of the items discussed above, the operating loss is equal to NOK 59 million in 4Q 2017 and NOK 91 million in FY2017, increasing from a loss of NOK 14 million in 4Q 2016 and recovering from a loss of NOK 142 million in FY2016.

The net financial items went from NOK 3 million negative in 4Q 2016 to NOK 69 million negative in 4Q 2017, and from NOK 41 million positive for full year 2016 to NOK 106 million negative for the year ended 31 December 2017. The change is primarily related to foreign exchange gains and losses. For the year ended 31 December 2017, there is a net foreign exchange gain of NOK 25 million, which includes NOK 11 million loss related to the yard construction loan in Vard Promar denominated in USD (2016: NOK 191 million gain). In the corresponding period of last year, the group had a net foreign exchange gain of NOK 25 million.

Share of results of associates were NOK 47 million negative in FY2017, due to the losses in associated ship-owning entities, and reflecting the prolonged down-turn in the offshore market.

Because of the aforementioned reasons, the loss for the period was NOK 133 million in 4Q 2017 and NOK 238 million for the year ended 31 December 2017, compared to a loss of NOK 69 million in 4Q 2016 and NOK 197 million for the year ended 31 December 2016.

(b) Statement of financial position:

Total assets were NOK 14.92 billion as of 31 December 2017, up from NOK 13.52 billion as of 31 December 2016.

Total non-current assets increased marginally from NOK 3.89 billion as of 31 December 2016 to NOK 4.18 billion as of 31 December 2017.

Total current assets were NOK 10.75 billion as of 31 December 2017, up from NOK 9.63 billion as of 31 December 2016, as a result of increase in inventories and construction WIP in excess of prepayments partially offset by decrease in other current assets.

Total non-current liabilities have increased by 19% from NOK 1.87 billion as of 31 December 2016 to NOK 2.22 billion as of 31 December 2017 primarily due to (i) the extension of the slot reservation fee received from FINCANTIERI related to the multi-year program started in 2016, and (ii) the increase of the negative fair value of the non-current derivatives.

Total current liabilities have increased from NOK 9.36 billion end of 31 December 2016 to NOK 10.61 billion end of 31 December 2017. The increase is mainly driven by the utilization of construction loans and current loans and borrowings, partially offset by the decrease in current derivatives. The group is expecting construction loans to continue to increase as activity levels are picking up. During the fourth quarter, the group obtained four new construction loans, and additional construction loans are being negotiated in the normal course of business.

(c) Statement of cash flows:

Cash flows from operating activities were NOK 27 million positive in 4Q 2017, compared to NOK 617 million positive in 4Q 2016. For FY2017, cash flows from operating activities were NOK 31 million negative, compared to NOK 764 million positive in the corresponding period of 2016. Cash flows from operating activities can fluctuate significantly from period to period due to changes in working capital.

Cash flows used in investing activities amounted to NOK 77 million in 4Q 2017, compared to NOK 151 million in 4Q 2016. Cash flows used in investing activities were NOK 339 million in FY2017, compared to NOK 311 million in the corresponding period of 2016. Investments in property, plant and equipment during 2017 were mainly related to the expansion of facilities at Vard Tulcea.

Cash flows from financing activities were NOK 28 million negative in 4Q 2017, compared to NOK 288 million negative in 4Q 2016. For the year ended 31 December 2017, the Group had positive cash flows from financing activities of NOK 467 million, compared to NOK 587 million negative in the corresponding period of 2016. The Group has not obtained any new non-current loans during the quarter. Out of NOK 358 million in repayments of loans and borrowings during the full year 2017, NOK 208 million relate to instalments paid on non-current loans.

Because of the aforementioned reasons, the cash and cash equivalents at the end of the financial period were equal to NOK 810 million for the period ended 31 December 2017 (31 December 2016: NOK 722 million).

9 VARIANCE FROM FORECAST STATEMENT

The Company has not disclosed any forecast to the market.

10 PROSPECTS

At the end of 2017, the order book value amounted to NOK 13.23 billion, up from NOK 12.65 billion at the end of 2016. Aggregate order value at the end of the quarter was NOK 24.68 billion, and the order book comprised 48 vessels, of which 37 will be of VARD's own design. Order intake in the full year ended 31 December 2017 was NOK 8.28 billion whereof NOK 3.79 billion in 4Q 2017.

VARD is well positioned in the growing expedition cruise vessel market. In fisheries and aquaculture, the Group is strengthening its market position through valuable cooperation with clients.

The offshore market is still considered challenging, but there are positive signs of recovery in the medium to long term in the broader oil & gas industry. However, risks are still inherent in the Group's existing offshore project portfolio. The Group 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.

With its SeaQTM Energy Storage System, Vard Electro is establishing a solid position within hybrid battery solutions.

Negotiations are continuing with the Norwegian Government for three Coast Guard vessels.

11 DIVIDEND

(a) Current financial period reported on:

Any dividend declared for the current financial period reported on?
No

(b) Corresponding period of preceding financial year:

Any dividend declared for the corresponding period of the immediately preceding financial year?
No

(c) Date payable
Not applicable

(d) Book closure date
Not applicable

12 SEGMENT ANALYSIS AND GEOGRAPHICAL INFORMATION

The Group has only one reportable segment, segment information for business segments is therefore not applicable.

The Group has activity in 14 countries (2016: 14). Segmental revenue is based on the geographical location of companies within the Group.

	Group	
	FY 2017	FY 2016
Revenues from external customers		
Norway	6,713	5,267
Romania	578	528
Singapore*	53	384
Vietnam*	-	-
Brazil	988	1,484
Canada	175	138
Italy	40	66
USA	35	19
Other countries	21	8
Total	8,603	7,894

* Revenues from Singapore and Vietnam must be considered in total, as Vietnam operates principally as a subcontractor of the Singapore company.

13 REVIEW OF SEGMENT PERFORMANCE

Please refer to paragraph 8 above.

14 SALES BREAKDOWN

	Group		
	FY 2017	FY2016	Change %
Sales reported first half year	3,905	4,241	-8%
Operating profit first half year before deducting non-controlling interests	(23)	(83)	-72%
Sales reported second half year	4,698	3,653	29%
Operating profit second half before deducting non-controlling interests	(68)	(59)	15%

15 BREAKDOWN OF TOTAL ANNUAL DIVIDEND

A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year:

	FY 2017	FY 2016
	SGD million	SGD million
Interim special dividend	-	-
Final ordinary dividend	-	-
Total	-	-

Fourth Quarter and Full Year 2017 Financial Statements

UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2017

(All amounts in NOK millions unless otherwise stated)

16 INTERESTED PERSON TRANSACTIONS

	Aggregate value of all interested person transactions during the financial period under review(excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
	4Q-2017 ended 31/12/17	Full year ended 31/12/17	4Q-2017 ended 31/12/17	Full year ended 31/12/17
	Fincantieri Group			
Secondment of personnel to VARD	-	-	2	8
Supply of consultancy service to VARD	-	-	-	2
5 year rental agreement of barge from FINCANTIERI	-	-	-	165
Contract for manufacturing and outfitting of a ship-part to FINCANTIERI	-	-	315	895
Contract for delivery of accomodation package from Marine Interiors SPA	-	-	-	537
Contract for delivery of naval architecture and marine engineering services to FMG LLC	-	-	-	23
Slot reservation agreement*	-	-	240	240
Total	-	-	557	1,870

* Vard Tulcea has entered into a new agreement with FINCANTIERI to increase the reserved capacity at the yard to produce steel blocks for cruise vessels until 2023. The new agreement substitutes the one previously signed in 2016, and provides for a total slot reservation fee of EUR 87 million (NOK 830 million), of which EUR 62 million was already included in the previous agreement. The reservation fee is presented as other non-current liabilities in the statement of financial position.

17 RULE 704(13)

Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Nil	Nil	Nil	Nil	Nil

18 CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS UNDER RULE 720(1) OF THE LISTING MANUAL

The Company has procured undertakings required under Rule 720(1) of the Listing Manual from all its directors and executive officers in the format set out in Appendix 7.7.

BY ORDER OF THE BOARD

 Mr Roy Reite
 Executive Director & CEO
 1 March 2018