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FOURTH QUARTER 2014

FINANCIAL STATEMENTS

Published 27 February 2015

VARD™
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 2014

Fourth Quarter and Full Year 2014 Financial Statements

UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2014

(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-2014 ended 31.12.14	4Q-2013 ended 31.12.13	Change %	Full year ended 31.12.14	Full year ended 31.12.13	Change %
Revenue	4 500	3 093	45.5%	12 923	11 155	15.8%
Materials, subcontract costs and others	(3 528)	(2 165)	63.0%	(9 457)	(7 778)	21.6%
Salaries and related costs	(717)	(599)	19.7%	(2 486)	(2 129)	16.8%
Other operating expenses	(135)	(171)	-21.1%	(551)	(562)	-2.0%
EBITDA	120	158	-24.1%	429	686	-37.5%
Depreciation, impairment and amortization	(35)	(45)	-22.2%	(189)	(206)	-8.3%
Operating profit	85	113	-24.8%	240	480	-50.0%
Financial income	146	45	224.4%	204	123	65.9%
Financial costs	(131)	(76)	72.4%	(241)	(115)	109.6%
Net	15	(31)	n/m	(37)	8	n/m
Share of results of associates	18	5	n/m	35	9	n/m
Profit before tax	118	87	35.6%	238	497	-52.1%
Income tax expense	(98)	19	n/m	(188)	(197)	-4.6%
Profit for the period	20	106	-81.1%	50	300	-83.3%
Profit for the period attributable to:						
Equity holders of the Company	154	113	36.3%	349	357	-2.2%
Non-controlling interest	(134)	(7)	n/m	(299)	(57)	424.6%
Profit for the period	20	106	-81.1%	50	300	-83.3%
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of foreign operations	134	73	83.6%	121	181	-33.1%
Income tax on other comprehensive income	-	(2)	n/m	-	(3)	n/m
Items that may not be reclassified subsequently to profit or loss:						
Net fair value changes of associated companies	(5)	(6)	n/m	(25)	(6)	n/m
Defined benefit plan actuarial gains and losses	-	7	n/m	-	7	n/m
Other comprehensive income for the period, net of income tax	129	72	79.2%	96	179	-46.4%
Total comprehensive income for the period	149	178	-16.3%	146	479	-69.5%
Total comprehensive income attributable to:						
Equity holders of the Company	283	185	53.0%	444	536	-17.2%
Non-controlling interest	(134)	(7)	n/m	(298)	(57)	422.8%
Total comprehensive income for the period	149	178	-16.3%	146	479	-69.5%

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 2014

(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-2014 ended 31.12.14	4Q-2013 ended 31.12.13	Change %	Full year ended 31.12.14	Full year ended 31.12.13	Change %
Interest income	10	15	-33.3%	33	51	-35.3%
Dividend income	-	-	n/m	2	-	n/m
Foreign exchange gain	122	32	281.3%	141	70	101.4%
Other financial income	14	(2)	n/m	28	2	n/m
Financial income	146	45	224.4%	204	123	65.9%
Interest expense	(16)	(2)	n/m	(19)	(9)	n/m
Foreign exchange loss	(101)	(50)	102.0%	(198)	(79)	150.6%
Other financial expenses	(14)	(24)	-41.7%	(24)	(27)	-11.1%
Financial expenses	(131)	(76)	72.4%	(241)	(115)	109.6%
Net financial items	15	(31)	n/m	(37)	8	n/m
Depreciation of property, plant and equipment	(29)	(36)	(0)	(181)	(124)	46.0%
Amortization of intangibles	(5)	(1)	n/m	(7)	(2)	n/m
Impairment charges	-	(8)	n/m	(1)	(80)	-98.8%
Depreciation, impairment charges and amortization	(34)	(45)	-24.4%	(189)	(206)	-8.3%
Bad debt	1	(21)	n/m	1	(11)	n/m
Provisions for doubtful debts	-	11	n/m	-	4	n/m
Allowance for doubtful debts and bad debts written off / - back	1	(10)	n/m	1	(7)	n/m

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UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2014

(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(b)(i) Statement of Financial Position

	Group			Company		
	As at 31.12.14	As at 31.12.13	Change %	As at 31.12.14	As at 31.12.13	Change %
Property, plant and equipment	2 535	2 167	17.0%	-	-	n/m
Intangible assets	338	305	10.8%	-	-	n/m
Investment in subsidiary	-	-	n/m	2 142	2 142	0.0%
Investment in associates	327	383	-14.6%	-	-	n/m
Other investments	61	62	-1.6%	-	-	n/m
Interest-bearing receivables, non-current	336	201	67.2%	632	600	5.3%
Other receivables	55	80	-31.3%	-	-	n/m
Deferred tax assets	133	79	68.4%	-	-	n/m
Pension assets	1	4	n/m	-	-	n/m
TOTAL NON-CURRENT ASSETS	3 786	3 281	15.4%	2 774	2 742	1.2%
Inventories	466	382	22.0%	-	-	n/m
Construction WIP in excess of prepayments	9 200	6 136	49.9%	-	-	n/m
Trade and other receivables	3 465	2 076	66.9%	49	47	4.3%
Interest-bearing receivables, current	530	51	939.2%	70	-	n/m
Cash and cash equivalents	2 002	1 745	14.7%	10	67	-85.1%
TOTAL CURRENT ASSETS	15 663	10 390	50.8%	129	114	13.2%
TOTAL ASSETS	19 449	13 671	42.3%	2 903	2 856	1.6%
Paid up capital	4 138	4 138	0.0%	4 138	4 138	0.0%
Restructuring reserve	(3 190)	(3 190)	0.0%	(1 411)	(1 411)	0.0%
Other reserves	262	167	56.9%	-	-	n/m
Retained earnings	2 922	2 573	13.6%	170	116	46.6%
Total equity attributable to equity holders of the Comp.	4 132	3 688	12.0%	2 897	2 843	1.9%
Non-controlling interest	(268)	20	n/m	-	-	n/m
TOTAL EQUITY	3 864	3 708	4.2%	2 897	2 843	1.9%
Loans and borrowings, non-current	1 204	673	78.9%	-	-	n/m
Deferred tax liabilities	72	61	18.0%	2	2	n/m
Pension liability	1	3	n/m	-	-	n/m
Other payables	49	32	53.1%	-	-	n/m
Provisions, non-current	126	114	10.5%	-	-	n/m
TOTAL NON-CURRENT LIABILITIES	1 452	883	64.4%	2	2	n/m
Loans and borrowings, current	406	305	33.1%	-	-	n/m
Construction loans	7 663	4 707	62.8%	-	-	n/m
Prepayments in excess of construction WIP	848	991	-14.4%	-	-	n/m
Trade and other payables	4 846	2 625	84.6%	1	6	n/m
Income tax payable	192	202	-5.0%	2	5	n/m
Provisions, current	171	249	-31.3%	-	-	n/m
Other current liabilities	7	1	n/m	1	-	n/m
TOTAL CURRENT LIABILITIES	14 133	9 080	55.6%	4	11	-63.6%
TOTAL LIABILITIES	15 585	9 963	56.4%	6	13	-53.8%
TOTAL EQUITY AND LIABILITIES	19 449	13 671	42.3%	2 903	2 856	1.6%

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Fourth Quarter and Full Year 2014 Financial Statements

UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2014

(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 31.12.14		As at 31.12.13	
	Secured	Unsecured	Secured	Unsecured
Loans and borrowings, current	406	-	305	-
Construction loans *	7 663	-	4 707	-
Other current liabilities	-	7	-	1
Total Amount repayable in one year or less, or on demand	8 069	7	5 012	1
<i>* Construction loans are in general treated as short term maturing on vessel delivery.</i>				
Loans and borrowings, non-current	1 204	-	673	-
Total Amount repayable after one year	1 204	-	673	-
Total	9 273	7	5 685	1

Details of debt secured by collaterals

Currency	Facility in currency	Drawn amount in currency	Drawn amount in NOK	Current portion in NOK	Non- current portion in NOK
NOK	396	237	237	37	200
USD	188	160	1 190	308	882
EUR	23	20	180	60	120
BRL	46	1	3	1	2
Total			1 610	406	1 204

The following assets has 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
- Equipment in Vard Niterói 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 2014

(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(c) Statement of Cash Flows (Group)

	Group		Group	
	4Q-2014 ended 31.12.14	4Q-2013 ended 31.12.13	Full year ended 31.12.14	Full year ended 31.12.13
OPERATING ACTIVITIES				
Profit before tax	118	87	238	497
Adjustments for:				
Net interest income	(17)	(13)	(14)	(42)
(Gain)/loss on disposal of property, plant and equipment, net	(16)	-	(15)	(2)
Unrealised foreign exchange gain/loss	(12)	22	64	4
Depreciation, impairment and amortization	35	45	189	206
Change in pension assets and liabilities	(1)	(29)	1	(28)
Share-based payment expenses	-	-	-	9
Share of results of associates	(18)	(5)	(35)	(9)
<i>Operating cash flows before movements in working capital</i>	<i>89</i>	<i>107</i>	<i>428</i>	<i>635</i>
Inventories	(63)	82	(85)	(2)
Construction work in progress	(4 127)	(565)	(2 801)	(1 172)
Proceeds from construction loans	2 944	835	9 678	6 076
Repayment of construction loans	(315)	(329)	(7 083)	(4 720)
Trade and other receivables, incl. other interest bearing receivables	(585)	(222)	(1 435)	(283)
Trade and other payables, incl. other liabilities	2 460	79	2 283	(182)
Provisions	(6)	(2)	(97)	(320)
<i>Cash generated from / (used in) operations</i>	<i>397</i>	<i>(15)</i>	<i>888</i>	<i>32</i>
Interest received	11	31	18	46
Interest paid	(4)	(1)	(7)	(7)
Income tax paid	(28)	28	(209)	(412)
<i>Cash flows from/ (used in) operating activities</i>	<i>376</i>	<i>43</i>	<i>690</i>	<i>(341)</i>
INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	-	-	1	6
Purchase of property, plant and equipment	(55)	(171)	(367)	(811)
Purchase of intangible assets	(12)	(4)	(17)	(6)
Issuance of new non-current interest bearing receivables	(20)	(3)	(40)	(60)
Proceeds from repayment of non-current interest bearing receivables	-	-	96	-
Issuance of new short-term interest-bearing receivables	(335)	-	(467)	(46)
Proceeds from repayment of short-term interest-bearing receivables	23	3	23	90
Acquisition of subsidiary, net of cash acquired	-	-	(61)	(11)
Acquisition of equity interest in associates	(11)	-	(33)	(15)
<i>Cash flows used in investing activities</i>	<i>(410)</i>	<i>(175)</i>	<i>(865)</i>	<i>(853)</i>
FINANCING ACTIVITIES				
Proceeds from loans and borrowings	457	47	682	447
Repayment of loans and borrowings	(19)	(8)	(259)	(30)
Cash subscribed by non-controlling shareholders	1	10	10	14
Purchase of non-controlling interest in subsidiary	-	-	-	(2)
Cash settlement of employee share options	-	(2)	-	(9)
Dividends paid, net of withholding tax	-	-	-	(1)
<i>Cash flows from/ (used in) financing activities</i>	<i>439</i>	<i>47</i>	<i>433</i>	<i>419</i>
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS				
Effects of currency translation difference on cash and cash equivalents	26	1	45	20
Cash and cash equivalents excl. restricted cash at beginning of financial period	1 535	1 747	1 663	2 418
Cash and cash equivalents excl. restricted cash at end of financial period	1 966	1 663	1 966	1 663
Restricted cash at end of financial period	36	82	36	82
<i>Cash and cash equivalents at end of financial period</i>	<i>2 002</i>	<i>1 745</i>	<i>2 002</i>	<i>1 745</i>

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UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2014

(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(d)(i) Statements of
Changes in Equity

Group	Paid up Capital	Restructu- ring Reserve	Currency Translation Reserve	Fair Value Reserve	Share option reserve	Retained Earnings	Total Equity Attributabl e To Equity Holders of the Company	Non- controlling Interest	Total Equity
At 1 January 2014	4 138	(3 190)	-	167	-	2 573	3 688	20	3 708
<i>Comprehensive income</i>									
Profit for the period	-	-	-	-	-	349	349	(299)	50
Other comprehensive income	-	-	120	(25)	-	-	95	1	96
Total comprehensive income	-	-	120	(25)	-	349	444	(298)	146
<i>Transactions with owners</i>									
Cash subscribed by non- controlling shareholders	-	-	-	-	-	-	-	10	10
Total transaction with owners	-	-	-	-	-	-	-	10	10
At 31 December 2014	4 138	(3 190)	120	142	-	2 922	4 132	(268)	3 864
At 1 January 2013	4 138	(3 190)	(177)	173	19	2 188	3 151	65	3 216
<i>Comprehensive income</i>									
Profit for the period	-	-	-	-	-	357	357	(57)	300
Other comprehensive income	-	-	177	(6)	-	7	178	1	179
Total comprehensive income	-	-	177	(6)	-	364	535	(56)	479
<i>Transactions with owners</i>									
Cost of share-based payments	-	-	-	-	9	-	9	-	9
Cancellation of option scheme	-	-	-	-	(28)	20	(8)	-	(8)
Dividends paid to non- controlling interests	-	-	-	-	-	-	-	(1)	(1)
Cash subscribed by non- controlling shareholders	-	-	-	-	-	-	-	14	14
Changes in non- controlling interests	-	-	-	-	-	1	1	(2)	(1)
Total transaction with owners	-	-	-	-	(19)	21	2	11	13
At 31 December 2013	4 138	(3 190)	-	167	-	2 573	3 688	20	3 708

Fourth Quarter and Full Year 2014 Financial Statements

UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2014

(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(d)(i) Statements of
Changes in Equity

Company	Paid up Capital	Restructu- ring Reserve	Share option reserve	Retained Earnings	Total Equity
At 1 January 2014	4 138	(1 411)	0	116	2 843
<i>Comprehensive income</i>					
Profit for the period	-	-	-	54	54
Total comprehensive income for the period	-	-	-	54	54
At 31 December 2014	4 138	(1 411)	0	170	2 897
At 1 January 2013	4 138	(1 411)	17	60	2 804
<i>Comprehensive income</i>					
Profit for the period	-	-	-	38	38
Total comprehensive income for the period	-	-	-	38	38
<i>Transactions with owners</i>					
Cancellation of option scheme	-	-	(26)	18	(8)
Cost of share-based payments	-	-	9	-	9
Total transactions with owners	-	-	(17)	18	1
At 31 December 2013	4 138	(1 411)	0	116	2 843

(d)(ii) Share Capital

There were no ordinary shares issued in 4Q 2014. There are no treasury shares as at 31 December 2014 and as at 31 December 2013.

Share Options

There were no outstanding options to subscribe for shares as at 31 December 2014 (31 December 2013: 0).

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

The number of issued shares (excluding treasury shares) as at 31 December 2014 is 1,180,000,000 ordinary shares (31 December 2013: 1,180,000,000 ordinary shares)

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

Not applicable. The Company has no treasury shares.

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UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2014

(All amounts in NOK millions unless otherwise stated)

2 AUDIT

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

3 AUDITORS' REPORT

Not applicable.

4 ACCOUNTING POLICIES

Except as disclosed in paragraph 5, 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 2013.

5 CHANGES IN ACCOUNTING POLICIES

On 1 January 2014, the Group adopted the following new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years, except for the following:

FRS 112 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014)

FRS 112 requires disclosure of information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in (1) subsidiaries, (2) associates, (3) joint arrangements and (4) unconsolidated structured entities. The Group has incorporated the additional required disclosures into the Financial Statements.

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UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2014

(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 preceeding financial year:

		Group			Group		
		4Q-2014 ended 31.12.14	4Q-2013 ended 31.12.13	Change %	Full year ended 31.12.14	Full year ended 31.12.13	Change %
(i)	Earnings for the period (in NOK millions)	154	113	36.3%	349	357	-2.2%
	Earnings for the period (in SGD millions)	27	23	17.4%	62	74	-16.2%
	Weighted average number of shares (in millions)	1 180	1 180	0.0%	1 180	1 180	0.0%
(ii)	Earnings per share (NOK)	0.13	0.10	30.0%	0.30	0.30	0.0%
	Earnings per share (SGD cents)	2.29	1.95	17.4%	5.25	6.27	-16.3%
(iii)	Diluted earnings per share (NOK)	0.13	0.10	30.0%	0.30	0.30	0.0%
	Diluted earnings per share (SGD cents)	2.29	1.95	17.4%	5.25	6.27	-16.3%
	Adjusted weighted average number of shares (in millions)	1 180	1 180	0.0%	1 180	1 180	0.0%
Exchange rates:		31.12.14	31.12.13		31.12.14	31.12.13	
2	SGD/NOK	5.622	4.809	16.9%	5.622	4.809	16.9%

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 preceeding financial year:

		Group			Company		
		As at 31.12.14	As at 31.12.13	Change %	As at 31.12.14	As at 31.12.13	Change %
	Net assets value at the end of the period (NOK millions)	4 132	3 688	12.0%	2 897	2 843	1.9%
	Net assets value at the end of the period (SGD millions)	735	767	-4.2%	515	591	-12.9%
	Number of shares (millions)	1 180	1 180	0.0%	1 180	1 180	0.0%
	Net assets value per ordinary share (NOK)	3.50	3.13	11.8%	2.46	2.41	2.1%
	Net assets value per ordinary share (SGD)	0.62	0.65	-4.6%	0.44	0.50	-12.0%
Exchange rates:		31.12.14	31.12.13		31.12.14	31.12.13	
2	SGD/NOK	5.622	4.809	16.9%	5.622	4.809	16.9%

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

Fourth Quarter and Full Year 2014 Financial Statements

UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2014

(All amounts in NOK millions unless otherwise stated)

8 REVIEW OF GROUP PERFORMANCE

(a) Statement of comprehensive income:

Revenues for the fourth quarter 2014 were NOK 4.50 billion, up from NOK 3.09 billion in the corresponding period of 2013. VARD delivered two vessels during the fourth quarter and secured one contract for a newbuilding. For the year ended 31 December 2014, revenues increased 15.8% to NOK 12.92 billion compared to NOK 11.16 billion in the corresponding period of 2013. The increase in revenues is caused by increased activity at the yards and with subcontractors.

Operating profit for the fourth quarter was NOK 85 million, down from NOK 113 million in the corresponding period of 2013. The operating margin for the quarter, representing operating profit to total revenues, was 1.9%. The EBITDA margin, representing EBITDA to total revenues was 2.7%. For the corresponding period last year, the operating margin and EBITDA margin were 3.7% and 5.1% respectively. Operating profit was NOK 240 million for the full year, down from NOK 480 million at the end of 2013. The operating margin and EBITDA margin were 1.9% and 3.3% respectively compared to 4.3% and 6.1% in 2013.

Depreciation for the fourth quarter and the full year 2014 are lower than for the corresponding periods in 2013, as a consequence of revised useful lives at some of the yards.

Profit before tax for the fourth quarter was NOK 118 million, up from NOK 87 million in the corresponding period of 2013. With an effective tax rate of 83.1%, profit after tax came in at NOK 20 million. For the fourth quarter of 2013, the profit after tax was NOK 106 million. For the year ended 31 December 2014 profit before tax was NOK 238 million, down from NOK 497 million in the corresponding period of 2013. The profit after tax was NOK 50 million, down from NOK 300 million in the prior year. The effective tax rate for the Group is still very high as a result of zero or low tax rates for entities generating losses and higher tax rates for entities generating profit.

Net foreign exchange loss was NOK 57 million for the full year, comprises NOK 64 million in net unrealized loss and NOK 7 million in realized gains. The net unrealized loss comprising an unrealized loss of NOK 83 million related to the yard construction loan in Brazil denominated in USD. A NOK 37 million loss is related to a reversal of unrealized currency gain as at year end 2013, and will not result in a cash outflow. There is an unrealized gain of NOK 33 million related to a cash collateral that is held in EURO. The remainder (NOK 23 million gain) represents unrealized foreign exchange gains in relation to receivables, payables and bank accounts denominated in foreign currencies in general.

At NOK 503 million, new order intake during the quarter was below average, reflecting an uncertain and changing market situation in the wake of the strong oil price decline.

In its European organization, comprising the shipyards in Romania and Norway, VARD has managed to stabilize the projects which had incurred substantial cost overruns in the previous quarter. The workload at the yards is still high, but utilization is expected to decrease in 2H 2015. Variation orders were signed for several projects, resulting in extension of delivery dates, which will have a positive impact on the workload balance at the yards.

Operations at the yard in Vietnam are stable and yard utilization is good, with five vessels currently under construction. The first ever OSCV order was secured in 4Q 2014, taking advantage of recent investments in increased yard capacity and capabilities

In Brazil, downsizing work at Niterói continues while the activity level at the yard is still high, with four vessels in advanced production stages. Testing and commissioning work is ongoing on two projects, while two more vessels are in the outfitting stage. The last AHTS currently under construction has been launched during 4Q 2014, but overall progress on those projects is below expectations. Additional cost overruns are resulting from increased man-hour consumption.

At the new shipyard, Vard Promar, there has been a positive development in throughput and productivity, in particular in the early production stages (hull production). Additional time is required to reach the targeted outfitting efficiency. Because of this, additional loss provisions have been made for the LPG carrier projects. The first vessel constructed at the new yard is to be delivered in 2Q 2015. The progress of the PLSV projects is according to schedule. The staffing level at the yard has been stable during the quarter.

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8 REVIEW OF GROUP PERFORMANCE (cont.)

(b) Statement of financial position:

As a consequence of high construction activity both at our yards and with subcontractors, and few deliveries compared to the high activity, there has been a significant growth in the working capital. Construction WIP in excess of prepayments increased by 49.9% from NOK 6.14 billion to NOK 9.20 billion when comparing 31 December 2014 to 31 December 2013. At the same time trade and other receivables increased by 66.9% from NOK 2.08 billion to 3.47 billion mainly as a result of increased value of firm commitments related to hedge accounting. Interest-bearing receivables, current, increased by NOK 479 million when comparing year-end 2014 to year-end 2013, mainly because of a cash collateral placed with a bank in relation to certain FX-derivatives for construction contracts denominated in USD.

Construction loans increased by 62.8% from NOK 4.71 billion to NOK 7.67 billion when comparing end of 2014 with end of 2013. The increase is caused by the same factors increasing construction WIP in excess of prepayments. Trade and other payables increased by 84.6 % from NOK 2.63 billion to NOK 4.85 billion mainly caused by negative change in fair value of derivatives used for hedging.

Total interest-bearing liabilities, excluding construction loans, amounted to NOK 1.61 billion at year-end 2014, up from NOK 978 million at year-end 2013. The increased loans and borrowings mainly relate to investments in the new shipyard in Brazil, and investments at the yards in Romania.

(c) Statement of cash flows:

The cash flow from operating activities was positive NOK 376 million for the fourth quarter of 2014, compared to NOK 43 million in the corresponding period of 2013. Cash flow from operating activities was positive NOK 690 million for the full year 2014 compared to negative NOK 341 million for the year 2013. Cash flow from operating activities can fluctuate significantly from period to period due to changes in working capital.

Cash flows used in investing activities for the fourth quarter of 2014 amounted to NOK 410 million, up from NOK 175 million in the corresponding period of 2013. The increase in cash used for investing activities is caused by an increase in interest bearing receivables. Cash flow used in investing activities for the full year 2014 was stable compared to 2013.

Cash flows from financing activities for the fourth quarter of 2014 amounted to positive NOK 439 million which is the net effect of proceeds and repayments of loans and borrowings. The corresponding amount in the fourth quarter of 2013 was positive NOK 47 million. Cash flows from financing activities for the full year 2014 was stable compared to 2013.

During the fourth quarter of 2014, a net increase in cash and cash equivalents by NOK 405 million, and for the full year 2014 a net increase in cash and cash equivalents by NOK 258 million, was due to the aforementioned reasons.

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(d) Brazil tax claim

On 5 August 2014, VARD informed about a tax claim received from tax authorities in Brazil, relating to transfer pricing of goods and services delivered from the Group's Norwegian entities to Vard Niterói in FY2010. The claim amounts to approximately NOK 200 million, including penalties and interest accrued. An appeal was filed, and further documentation supporting VARD's case has been compiled and submitted. The decision of the first out of three levels of appeal within the administrative Brazilian tax authorities has been received, and the decision maintains the original tax assessment carried out for FY2010. This was not unexpected and had been advised to be the most likely outcome, due to the nature of the appeals process. It is not until the second or third level of appeal that the Company expects to receive a decision in its favor; the second level decision is expected within 6-12 months. VARD intends to continue to defend its position through further appeals and by all legal means at its disposal. The Company has in cooperation with its legal counsel assessed the likelihood of a favorable ruling in the second or third appeal as more likely than not, and hence no provision for the claim has been made as of year-end 2014.

9 VARIANCE FROM FORECAST STATEMENT

The result for this quarter is in line with the commentary made in paragraph 10 of the previous quarter, which stated that VARD expected to see a return to positive EBITDA margins in 4Q 2014.

10 PROSPECTS

At the end of 2014, the order book value amounted to NOK 17.74 billion, down from NOK 20.13 billion at the end of third quarter 2014. At the end of the year, the aggregate order value was NOK 30.27 billion, and the order book comprised 39 vessels, of which 24 will be of VARD's own design.

VARD expects 2015 to be a challenging year for the industry and for the Group. The oil price decline has profoundly altered the oil companies' exploration & production (E&P) spending outlook, in particular in the North Sea. Oil service companies and offshore support vessel owners are directly affected, resulting in reduced investments, widespread cost cutting, and lay-offs. Vessels are being temporarily idled as a consequence of demand shortfall and insufficient charter rates. For some vessel segments, including IMR (inspection, maintenance & repair), there are still new order inquiries, but overall a weak new order intake is expected for 2015.

The strong existing order book ensures good revenue coverage for VARD for most of 2015, but utilization is expected to decrease in the Romanian and Norwegian yards in 2H 2015. The variation orders signed for several projects, resulting in extension of delivery dates, have a positive impact on the workload balance at those yards. The Group's Brazilian operations are still demanding until delivery of last legacy projects from Niterói, and first vessels from Vard Promar.

As a result of the current market situation there is an increased focus on monitoring counterparty risk, both related to clients and suppliers. As there are still significant cash requirements to fund working capital for the existing portfolio of large projects, and cash generation from operations is expected to be lower, the Company also focuses on cash conservation to address the market downturn and volatility. A company-wide cost improvement program is in progress, aimed at reducing both fixed and variable costs, and increasing flexibility.

VARD sees opportunities for increased cooperation with other companies in the Fincantieri Group to expand the revenue base and achieve synergies. The scope of deliveries to third-party customers by VARD's specialized subsidiaries, such as Vard Electro and Seaonics, is growing.

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

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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 ten countries (2013: eight). Segmental revenue is based on the geographical location of companies within the Group.

	Group	
	FY 2014	FY 2013
Revenues from external customers		
Norway	10 249	9 444
Romania	127	90
Singapore*	681	383
Vietnam*	-	-
Brazil	1 812	1 232
Canada	43	-
USA	9	-
Other countries	2	6
Total	12 923	11 155

* 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 2014	FY 2013	Change %
Sales reported first half year	5 614	5 692	-1 %
Operating profit first half year before deducting non-controlling interests	263	295	-11 %
Sales reported second half year	7 309	5 463	34 %
Operating profit second half before deducting non-controlling interests	(23)	185	-112 %

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 2014	FY 2013
	SGD	SGD
	million	million
Interim special dividend	-	-
Final ordinary dividend	-	-
Total	-	-

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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-2014 ended 31.12.14	12 months ended 31.12.14	4Q-2014 ended 31.12.14	12 months ended 31.12.14
Fincantieri Group				
Secondment of personnel to VARD	-	-	1	3
Design support to VARD	-	-	-	5
Sale of electro equipment package to Fincantieri	-	-	17	17
Sale of equipment package to Fincantieri	-	-	54	54
Total	-	-	72	79

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

BY ORDER OF THE BOARD

Mr Roy Reite
Executive Director & CEO
27 February 2015