

**VARD HOLDINGS LIMITED**  
(the "Company")  
(Company Registration No:201012504K)  
(Incorporated in Singapore)

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**RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST") ON THE FINANCIAL RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2017**

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The Company refers to the announcement on financial results for the fourth quarter and full year ended 31 December 2017, released on 1 March 2018. In response to the following queries from the SGX-ST, the Company provides the information set out below:

*Query (a): We note that the Company attributes the material variance of 88% under the item of "EBITDA before restructuring cost" in the Statement of Comprehensive Income on page 3 to "a reassessment of the net realizable value (NRV) of vessels held in inventory". Please elaborate on this.*

**Response:** Following the termination of two shipbuilding contracts with affiliates of E.R. Offshore on 12 March 2015, and the notification received 6 May 2016 that Harkand Group had entered into administration with a subsequent reclassification of the vessel under construction for Harkand, the inventory includes two vessels within work in progress and one vessel within finished goods. The Group measures inventories at the lower of cost and net realizable value, where the net realizable value is the estimated selling price less the cost of completion and selling expenses. At 31 December 2017, the value of the vessels was reassessed to align the book value with the estimated net realizable value, and a loss of NOK 54 million was recognized. The estimated net realizable value of the vessels is derived from ongoing negotiations related to potential sales of the assets.

*Query (b): Please explain the material variances under:-*

- (i) the item of "materials, subcontract costs and others" in the Statement of Comprehensive Income on page 3;*
- (ii) the item of "other operating expenses" in the Statement of Comprehensive Income on page 3;*
- (iii) the item of "other non-current assets" in the Statement of Financial Position on page 5;*
- (iv) the item of "other non-current liabilities" in the Statement of Financial Position on page 5;*
- (v) the item of "other current liabilities" in the Statement of Financial Position on page 5.*

**Response:**

- (i) "Materials, subcontract costs and others" were NOK 1.9 billion in 4Q 2017 up from NOK 1.4 billion in 4Q 2016. The increase is primarily related to the increased activity at the yards located in Romania and Vietnam due to rapid progress on the 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.
- (ii) "Other operating expenses" increased by NOK 47 million in 4Q 2017 compared to the corresponding period of 2016, due to an increase in expenses for utilities, repair and maintenance, travel costs and other services, and related to the aforementioned increased activity.

- (iii) "Other non-current assets" increased from NOK 38 million as of 31 December 2016 by NOK 120 million, to NOK 158 million as of 31 December 2017, mainly due to the increased value of non-current firm commitment on hedging derivatives related to certain projects in foreign currencies.
- (iv) "Other non-current liabilities" increased in FY2017 compared to FY2016 due to the extension of the slot reservation fee received from FINCANTIERI related to the multi-year program started in 2016. See also note 16, Interested Persons Transactions, and the footnote to the table, as disclosed in the announcement on financial results for the fourth quarter and full year ended 31 December 2017.
- (v) "Other current liabilities" increased from NOK 404 million as of 31 December 2016 to NOK 809 million as of 31 December 2017. The increase mainly relates to net advance payments received on projects currently under construction for FINCANTIERI.

*Query (c): We note that "trade and other payables" as at 31 December 2017 in the Statement of Financial Position amounted to NOK 2,051 million, a material increase of 25% compared to FY2016. Please explain why "trade and other payables" is so high and disclose the aging of these payables.*

**Response:** "Trade and other payables" increased by NOK 415 million, from NOK 1,636 million as of 31 December 2016 to NOK 2,051 million as of 31 December 2017. The increase is mainly explained by the change in other payables, more specifically accrued expenses, from NOK 339 million end of FY2016 to NOK 678 million end of FY2017 and is related to the increased activity at the yards located in Romania and Vietnam. Trade payables were NOK 1,096 million end of FY2017 only slightly higher than FY2016 (NOK 1,045 million). There are no significant trade payables overdue as at 31 December 2017.

**BY ORDER OF THE BOARD**

Submitted by Roy Reite, Executive Director and Chief Executive Officer, on 20 March 2018 to the SGX.