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FOURTH QUARTER AND FULL YEAR 2015

FINANCIAL STATEMENTS

Published 29 February 2016

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 2015

Fourth Quarter and Full Year 2015 Financial Statements

UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2015

(All amounts in NOK millions unless otherwise stated)

TABLE OF CONTENTS

Paragraph	Description	Page
1	UNAUDITED FINANCIAL STATEMENTS	3
(a)(i)	Statement of Comprehensive Income (Group)	3
(a)(ii)	Notes to the Statement of Comprehensive Income	4
(b)(i)	Statement of Financial Position	5
(b)(ii)	Aggregate amount of Group's Borrowings and Debt Securities	6
(c)	Statement of Cash Flows (Group)	7
(d)(i)	Statements of Changes in Equity	8
(d)(ii)	Share Capital	9
(d)(iii)	Number of Issued Shares excluding Treasury Shares	9
(d)(iv)	Sales, Transfers, Disposals, Cancellations and/or use of Treasury Shares	9
2	AUDIT	9
3	AUDITORS' REPORT	9
4	ACCOUNTING POLICIES	9
5	CHANGES IN ACCOUNTING POLICIES	10
6	EARNINGS PER ORDINARY SHARE	10
7	NET ASSETS VALUE PER ORDINARY SHARE	10
8	REVIEW OF GROUP PERFORMANCE	11
9	VARIANCE FROM FORECAST STATEMENT	13
10	PROSPECTS	13
11	DIVIDEND	14
12	SEGMENT ANALYSIS AND GEOGRAPHICAL INFORMATION	14
13	REVIEW OF SEGMENT PERFORMANCE	14
14	SALES BREAKDOWN	14
15	BREAKDOWN OF TOTAL ANNUAL DIVIDEND	15
16	INTERESTED PERSON TRANSACTIONS	15
17	RULE 704(13)	15

Fourth Quarter and Full Year 2015 Financial Statements

UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2015

(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS

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

	Group			Group		
	4Q-2015 ended 31/12/15	4Q-2014 ended 31/12/14	Change %	Full year ended 31/12/15	Full year ended 31/12/14	Change %
Revenue	3,320	4,500	-26%	11,143	12,923	-14%
Materials, subcontract costs and others	(2,536)	(3,528)	-28%	(8,397)	(9,457)	-11%
Salaries and related costs	(612)	(717)	-15%	(2,461)	(2,486)	-1%
Other operating expenses	(137)	(135)	1%	(606)	(551)	10%
EBITDA before restructuring cost	35	120	n/m	(321)	429	n/m
Restructuring cost	(21)	-	n/m	(77)	-	n/m
Depreciation, impairment and amortization	(81)	(35)	n/m	(235)	(189)	24%
Operating profit/(loss)	(67)	85	n/m	(633)	240	n/m
Financial income	13	146	n/m	295	204	n/m
Financial costs	(105)	(131)	n/m	(866)	(241)	n/m
Net	(92)	15	n/m	(571)	(37)	n/m
Share of results of associates	(4)	18	n/m	-	35	n/m
Profit/(loss) before tax	(163)	118	n/m	(1,204)	238	n/m
Income tax expense	(7)	(98)	-93%	(88)	(188)	-53%
Profit/(loss) for the period	(170)	20	n/m	(1,292)	50	n/m
Profit/(loss) for the period attributable to:						
Equity holders of the Company	(83)	154	n/m	(603)	349	n/m
Non-controlling interest	(87)	(134)	n/m	(689)	(299)	n/m
Profit/(loss) for the period	(170)	20	n/m	(1,292)	50	n/m
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of foreign operations	(99)	134	n/m	375	121	n/m
Items that may not be reclassified subsequently to profit or loss:						
Net fair value changes of associated companies	(3)	(5)	-40%	(3)	(25)	-88%
Other comprehensive income for the period, net of income tax	(102)	129	n/m	372	96	288%
Total comprehensive income/(loss) for the period	(272)	149	n/m	(920)	146	n/m
Total comprehensive income/(loss) attributable to:						
Equity holders of the Company	(185)	283	n/m	(334)	444	n/m
Non-controlling interest	(87)	(134)	n/m	(586)	(298)	n/m
Total comprehensive income/(loss) for the period	(272)	149	n/m	(920)	146	n/m

Notes:

(*) N/M - Not meaningful.

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

Fourth Quarter and Full Year 2015 Financial Statements

UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2015

(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-2015 ended 31/12/15	4Q-2013 ended 31/12/14	Change %	Full year ended 31/12/15	Full year ended 31/12/14	Change %
Interest income	7	10	-30%	28	33	-15%
Dividend income	-	-	n/m	-	2	n/m
Foreign exchange gain	3	122	-98%	260	141	n/m
Other financial income	3	7	-57%	7	14	-50%
Financial income	13	139	n/m	295	190	n/m
Interest expense	(28)	(16)	75%	(79)	(19)	n/m
Foreign exchange loss	(36)	(101)	n/m	(734)	(198)	n/m
Other financial expenses	(41)	(14)	n/m	(53)	(24)	n/m
Financial expenses	(105)	(131)	n/m	(866)	(241)	n/m
Net financial items	(92)	8	n/m	(571)	(51)	n/m
Depreciation of property, plant and equipment	(56)	(29)	93%	(202)	(181)	12%
Amortization of intangibles	(2)	(5)	-60%	(5)	(7)	-29%
Impairment charges	(23)	-	n/m	(28)	(1)	n/m
Depreciation, impairment charges and amortization	(81)	(34)	138%	(235)	(189)	24%
Bad debt	-	1	n/m	-	1	n/m
Provisions for doubtful debts	-	-	n/m	-	-	n/m
Allowance for doubtful debts and bad debts written off/back	-	1	n/m	-	1	n/m

Fourth Quarter and Full Year 2015 Financial Statements

UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2015

(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(b)(i) Statement of Financial Position

	Group			Company		
	As at 31/12/15	As at 31/12/14	Change %	As at 31/12/15	As at 31/12/14	Change %
Property, plant and equipment	2,382	2,535	-6%	-	-	n/m
Intangible assets	429	338	27%	-	-	n/m
Investment in subsidiary	-	-	n/m	2,142	2,142	0%
Investment in associates	341	327	4%	-	-	n/m
Other investments	39	61	-36%	-	-	n/m
Interest-bearing receivables, non-current	492	336	46%	656	632	4%
Non-current derivatives	-	1	n/m	-	-	n/m
Other non-current assets	35	55	-36%	-	-	n/m
Deferred tax assets	42	133	-68%	-	-	n/m
TOTAL NON-CURRENT ASSETS	3,760	3,786	-1%	2,798	2,774	1%
Inventories	752	466	61%	-	-	n/m
Construction WIP in excess of prepayments	12,451	9,200	35%	-	-	n/m
Trade and other receivables	913	1,638	-44%	79	49	61%
Current derivatives	331	400	-17%	-	-	n/m
Other current assets	1,281	1,427	-10%	-	-	n/m
Interest-bearing receivables, current	488	530	-8%	129	70	84%
Cash and cash equivalents	919	2,002	-54%	4	10	n/m
TOTAL CURRENT ASSETS	17,135	15,663	9%	212	129	64%
TOTAL ASSETS	20,895	19,449	7%	3,010	2,903	4%
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	531	262	103%	-	-	n/m
Retained earnings	2,319	2,922	-21%	280	170	65%
Total equity attributable to equity holders of the Company	3,798	4,132	-8%	3,007	2,897	4%
Non-controlling interest	(837)	(268)	n/m	-	-	n/m
TOTAL EQUITY	2,961	3,864	-23%	3,007	2,897	4%
Loans and borrowings, non-current	1,200	1,204	0%	-	-	n/m
Deferred tax liabilities	79	72	10%	-	2	n/m
Non-current derivatives	12	47	-74%	-	-	n/m
Other non-current liabilities	22	3	n/m	-	-	n/m
Provisions, non-current	96	126	-24%	-	-	n/m
TOTAL NON-CURRENT LIABILITIES	1,409	1,452	-3%	-	2	n/m
Loans and borrowings, current	834	406	n/m	-	-	n/m
Construction loans	9,435	7,663	23%	-	-	n/m
Prepayments in excess of construction WIP	392	848	-54%	-	-	n/m
Trade and other payables	2,290	2,418	-5%	2	1	100%
Current derivatives	3,238	2,180	49%	-	-	n/m
Income tax payable	26	192	-86%	1	2	-50%
Provisions, current	116	171	-32%	-	-	n/m
Other current liabilities	194	255	-24%	-	1	n/m
TOTAL CURRENT LIABILITIES	16,525	14,133	17%	3	4	n/m
TOTAL LIABILITIES	17,934	15,585	15%	3	6	n/m
TOTAL EQUITY AND LIABILITIES	20,895	19,449	7%	3,010	2,903	4%

Fourth Quarter and Full Year 2015 Financial Statements

UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2015

(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 31.12.15		As at 31.12.14	
	Secured	Unsecured	Secured	Unsecured
Loans and borrowings, current	446	388	406	-
Construction loans *	9,435	-	7,663	-
Total Amount repayable in one year or less, or on demand	9,881	388	8,069	-

* 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	1,200	-	1,204	-
Total Amount repayable after one year	1,200	-	1,204	-
Total	11,081	388	9,273	-

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	248	248	83	165
USD	136	1,199	231	968
EUR	21	198	131	67
BRL	0	1	1	-
Total		1,646	446	1,200

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
- Building under construction Vard Electro AS
- Equipment in Vard Niterói SA
- Shares in Vard Vung Tau Ltd.
- Shares in Vard Promar SA

Fourth Quarter and Full Year 2015 Financial Statements

UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2015

(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(c) Statement of Cash Flows (Group)

	Group		Group	
	4Q-2015 ended 31/12/15	4Q-2014 ended 31/12/14	Full year ended 31/12/15	Full year ended 31/12/14
OPERATING ACTIVITIES				
Profit before tax	(163)	118	(1,204)	238
Adjustments for:				
Net interest expense	21	(17)	51	(14)
(Gain)/loss on disposal of property, plant and equipment, net	(1)	(16)	(1)	(15)
Unrealised foreign exchange gain/loss	(6)	(12)	380	64
Depreciation, impairment and amortization	81	35	235	189
Change in pension assets and liabilities	(1)	(1)	(1)	1
Share of results of associates	4	(18)	-	(35)
Operating cash flows before movements in working capital	(65)	89	(540)	428
Inventories	(245)	(63)	(286)	(85)
Construction work in progress	(2,310)	(4,127)	(3,079)	(2,801)
Proceeds from construction loans	946	2,944	5,415	9,678
Repayment of construction loans	(247)	(315)	(4,053)	(7,083)
Other working capital assets	882	(585)	933	(1,435)
Other working capital liabilities	1,057	2,460	738	2,283
Provisions	(41)	(6)	(85)	(97)
Cash generated from / (used in) operations	(23)	397	(957)	888
Interest received	17	11	23	18
Interest paid	(26)	(4)	(61)	(7)
Income tax paid	(19)	(28)	(189)	(209)
Cash flows from/ (used in) operating activities	(51)	376	(1,184)	690
INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	1	-	2	1
Purchase of property, plant and equipment	(46)	(55)	(246)	(367)
Purchase of intangible assets	(18)	(12)	(30)	(17)
Issuance of new non-current interest bearing receivables	(5)	(20)	(8)	(40)
Proceeds from repayment of non-current interest bearing receivables	-	-	1	96
Issuance of new short-term interest-bearing receivables	(1)	(335)	(3)	(467)
Proceeds from repayment of short-term interest-bearing receivables	4	23	30	23
Acquisition of subsidiary, net of cash acquired	-	-	(45)	(61)
Acquisition of equity interest in associates	(1)	(11)	(12)	(33)
Cash flows used in investing activities	(66)	(410)	(311)	(865)
FINANCING ACTIVITIES				
Proceeds from loans and borrowings	84	457	604	682
Repayment of loans and borrowings	(92)	(19)	(385)	(259)
Cash subscribed by non-controlling shareholders	-	1	-	10
Cash flows from/ (used in) financing activities	(8)	439	219	433
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	(125)	405	(1,276)	258
Effects of currency translation difference on cash and cash equivalents	80	26	30	45
Cash and cash equivalents excl. restricted cash at beginning of financial period	765	1,535	1,966	1,663
Cash and cash equivalents excl. restricted cash at end of financial period	720	1,966	720	1,966
Restricted cash at end of financial period	199	36	199	36
Cash and cash equivalents at end of financial period	919	2,002	919	2,002

Fourth Quarter and Full Year 2015 Financial Statements

UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2015

(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(d)(i) Statements of
Changes in Equity

Group	Paid up Capital	Restructuring Reserve	Currency Translation Reserve	Fair Value Reserve	Retained Earnings	Total Equity Attributable To Equity Holders of the Company	Non-controlling Interest	Total Equity
At 1 January 2015	4,138	(3,190)	120	142	2,922	4,132	(268)	3,864
<i>Comprehensive income</i>								
Profit/(loss) for the period	-	-	-	-	(603)	(603)	(689)	(1,292)
Other comprehensive income	-	-	272	(3)	-	269	103	372
Total comprehensive income/(loss)	-	-	272	(3)	(603)	(334)	(586)	(920)
<i>Transactions with owners</i>								
Effect of business combinations	-	-	-	-	-	-	17	17
Total transaction with owners	-	-	-	-	-	-	17	17
At 31 December 2015	4,138	(3,190)	392	139	2,319	3,798	(837)	2,961
At 1 January 2014	4,138	(3,190)	-	167	2,573	3,688	20	3,708
<i>Comprehensive income</i>								
Profit/(loss) for the period	-	-	-	-	349	349	(299)	50
Other comprehensive income	-	-	120	(25)	-	95	1	96
Total comprehensive income/(loss)	-	-	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

Fourth Quarter and Full Year 2015 Financial Statements

UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2015

(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(d)(i) Statements of
Changes in Equity

Company	Paid up Capital	Res-structuring Reserve	Retained Earnings	Total Equity
At 1 January 2015	4,138	(1,411)	170	2,897
<i>Comprehensive income</i>				
Profit for the period	-	-	110	110
Total comprehensive income	-	-	110	110
At 31 December 2015	4,138	(1,411)	280	3,007
At 1 January 2014	4,138	(1,411)	116	2,843
<i>Comprehensive income</i>				
Profit for the period	-	-	54	54
Total comprehensive income	-	-	54	54
At 31 December 2014	4,138	(1,411)	170	2,897

(d)(ii) Share Capital

There were no ordinary shares issued in 4Q 2015. There are no treasury shares as at 31 December 2015 and as at 31 December 2014.

Share Options

There were no outstanding options to subscribe for shares as at 31 December 2015 (31 December 2014: 0).

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

The number of issued shares (excluding treasury shares) as at 31 December 2015 is 1,180,000,000 ordinary shares (31 December 2014: 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.

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 2014.

Fourth Quarter and Full Year 2015 Financial Statements

UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2015

(All amounts in NOK millions unless otherwise stated)

5 CHANGES IN ACCOUNTING POLICIES

As of 1 January 2015 the Group has changed the sum line "EBITDA" to "EBITDA before restructuring cost". Restructuring cost is defined as cost related to termination benefits to employees related to reduction in workforce, and other cost incurred as a consequence of temporary or permanent reduction of capacity. There were no such cost in 2014 hence the change does not require any adjustment in previous periods. "EBITDA" is used as shortform for "EBITDA before restructuring cost" throughout the remainder of this report.

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-2015 ended 31/12/15	4Q-2014 ended 31/12/14	Change %	Full year ended 31/12/15	Full year ended 31/12/14	Change %
(i) Earnings for the period (in NOK millions)	(83)	154	n/m	(603)	349	n/m
Earnings for the period (in SGD millions)	(13)	27	n/m	(97)	62	n/m
Weighted average number of shares (in millions)	1,180	1,180	0%	1,180	1,180	0%
(ii) Earnings per share (NOK)	(0.07)	0.13	n/m	(0.51)	0.30	n/m
Earnings per share (SGD cents)	(1.10)	2.29	n/m	(8.22)	5.25	n/m
(iii) Diluted earnings per share (NOK)	(0.07)	0.13	n/m	(0.51)	0.30	n/m
Diluted earnings per share (SGD cents)	(1.10)	2.29	n/m	(8.22)	5.25	n/m
Adjusted weighted average number of shares (in millions)	1,180	1,180	0%	1,180	1,180	0%
Exchange rates:	31/12/15	31/12/14		31/12/15	31/12/14	
SGD/NOK	6.239	5.622	11%	6.239	5.622	11%

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 31/12/15	As at 31/12/14	Change %	As at 31/12/15	As at 31/12/14	Change %
Net assets value at the end of the period (NOK millions)	3,798	4,132	-8%	3,007	2,897	4%
Net assets value at the end of the period (SGD millions)	609	735	-17%	482	515	-6%
Number of shares (millions)	1,180	1,180	0%	1,180	1,180	0%
Net assets value per ordinary share (NOK)	3.22	3.50	-8%	2.55	2.46	4%
Net assets value per ordinary share (SGD)	0.52	0.62	-16%	0.41	0.44	-7%
Exchange rates:	31/12/15	31/12/14		31/12/15	31/12/14	
SGD/NOK	6.239	5.622	11%	6.239	5.622	11%

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 2015 Financial Statements

UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2015

(All amounts in NOK millions unless otherwise stated)

8 REVIEW OF GROUP PERFORMANCE

(a) Statement of comprehensive income:

Revenues for 4Q 2015 were NOK 3.32 billion, down from NOK 4.50 billion in 4Q 2014. Revenues for FY2015 were NOK 11.14 billion, down 14% compared to FY2014. The decrease for the full year is mainly caused by reduced activity at some of the European shipyards. Revenues for the quarter are higher compared to the recent quarters because of progress and deliveries from subcontractors delivering high value topside equipment.

EBITDA before restructuring cost was NOK 35 million for 4Q 2015 (4Q 2014: NOK 120 million), and NOK 321 million negative for FY2015 (FY2014: NOK 429 million positive). The negative result for 2015 is caused by loss provisions related to projects at the Brazilian yards. The rest of the group contributed with a positive EBITDA, both in the quarter and on a full year basis. However, margins for the European operations were also reduced compared with FY2014, because of on average lower margins from ongoing projects, combined with the cost of increased underutilized capacity.

In VARD's European organization, comprising the shipyards in Romania and Norway, the activity level at the yards is declining as a result of the shortfall in new orders. The yards delivered no vessel in 4Q 2015 and seven vessels in FY2015. The ongoing cost reduction and efficiency improvement programs continue in all entities, targeting direct and indirect cost savings. There is a strong focus on minimizing cost related to lower capacity utilization, and the reduction of workforce is progressing in line with the reduced workload. Temporary layoffs are used to buffer the effects of underutilization in Norway. The workforce in Romania was reduced from 6398 to 4665 employees during FY2015, and in Norway from 1797 to 1657 employees, including all legal entities in the respective countries. Vard Tulcea has secured a contract to extend the FINCANTIERI-owned barge used at the yard, in order to be able to launch larger hulls. The first sections of cruise ship hulls for FINCANTIERI were successfully delivered from Vard Tulcea during 4Q 2015, and technical discussions are ongoing for construction of large outfitted sections for cruise ships for FINCANTIERI in order to secure a base load utilization for the Romanian yards. The Aukra yard in Norway has commenced work on first projects for the aquaculture sector.

Operations at the yard in Vietnam are stable, and the yard delivered one vessel during the quarter. For the full year the yard has delivered three vessels to external customers. The first of the two vessels with contracts terminated in 1Q 2015 is still owned by Vard Shipholding Singapore and operates on a charter in Australia. The vessel is still actively marketed for sale. Construction work for the second vessel continues at the yard in Vietnam, with some modifications in scope in order to be able to offer a more flexible vessel to the market.

At Vard Niterói the progress on the remaining two vessels under construction at the yard, including one LPG carrier from the order book of Vard Promar, has been according to the forecast set in the third quarter. Both vessels are expected to be delivered in 2Q 2016.

At Vard Promar, progress on the projects has been in line with the forecast from the previous quarter. The yard recorded positive developments in productivity in critical areas, but execution risks remain. Provisions for vessels under construction for Transpetro have been increased by NOK 137 million, as a consequence of the challenging negotiation climate with Transpetro. The termination of contracts for hull number EP07 and EP08 by Transpetro during 4Q 2015 is being disputed by VARD, but the termination does not have a material impact on the results for the quarter as the vessels were in early stages of construction. VARD has initiated legal proceedings against Transpetro in order to secure its contractual rights and recover cost incurred for all items discussed above. The expected recovery from these legal proceedings have not been reflected in the accounts. Following the delivery of EP03 in January 2016, the yard has four LPG carriers and two PLSV projects in the order book, including the one LPG carrier undergoing completion at Vard Niterói.

Restructuring cost of NOK 21 million in the quarter and NOK 77 million for the year ended 31 December 2015 are mainly related to termination benefits and statutory payments for temporary lay-offs.

Depreciation of property, plant and equipment for the quarter is NOK 56 million compared to NOK 29 million in the corresponding quarter last year, because of a change in estimated useful lives at some of the yards done at year-end 2014.

The impairment charges of NOK 23 million in 4Q 2015 and NOK 28 million in FY2015 relate to assets in Vard Niterói.

As a consequence of the items discussed above, the operating result decreased from a profit of NOK 85 million in 4Q 2014 to an operating loss of NOK 67 million in 4Q 2015. Correspondingly, the operating result for the full year decreased from a profit of NOK 240 million for FY2014 to an operating loss of 633 million for FY2015.

Fourth Quarter and Full Year 2015 Financial Statements

UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2015

(All amounts in NOK millions unless otherwise stated)

8 REVIEW OF GROUP PERFORMANCE (cont.)

(a) Statement of comprehensive income (cont.)

Interest expense was NOK 28 million in 4Q 2015 and NOK 79 million for FY2015. The interest expense has increased as a consequence of increased borrowings, and reduced capitalization of borrowing cost related to assets under construction.

The Group has a net foreign exchange loss of NOK 474 million for FY2015, of which NOK 380 million are unrealized. NOK 315 million of the unrealized loss is related to the yard construction loan in Vard Promar denominated in USD, while NOK 28 million of realized losses relate to instalments paid in 4Q 2015 on the same loan. In 4Q 2015 there is a net unrealized foreign exchange gain of NOK 22 million related to the loan.

The Group recorded a loss before tax of NOK 163 million in 4Q 2015 and NOK 1.20 billion for FY2015, compared to a profit before tax of NOK 118 million in 4Q 2014 and NOK 238 million for FY2014.

Income tax expense was NOK 7 million in 4Q 2015 and NOK 88 million for FY2015, compared to NOK 98 million and NOK 188 million in the corresponding periods last year. The effective tax rate is high because no deferred tax asset has been recognized in relation to the entities generating losses in Brazil. The full year effective tax rate is also affected by de-recognition of deferred tax assets recognised in previous years.

For the aforementioned reasons, the profit of NOK 20 million in 4Q 2014 turned to a loss of NOK 170 million in 4Q 2015, and a profit of NOK 50 million for FY2014 turned to a loss of NOK 1.29 billion for FY2015.

(b) Statement of financial position:

Total non-current assets were stable when comparing 31 December 2015 with 31 December 2014.

Total current assets have increased from NOK 15.66 billion as of 31 December 2014 to NOK 17.14 billion as of 31 December 2015. Cash and cash equivalents are reduced by NOK 1.08 billion, while other working capital assets have increased by NOK 2.56 billion. The increase related to other working capital assets is caused by an increase in construction WIP caused by higher value of the production than the projects delivered, and hedge accounting effects. The vessel transferred to Vard Shipholding Singapore is presented as inventories. For the vessel owned by Vard Shipholding the presentation has changed in 4Q 2015 compared to 3Q 2015, as an updated assessment has concluded that the vessel is still within the scope of FRS 2, not FRS 105 that was assumed in 3Q 2015. The change in classification has no impact on the measurement of the asset.

Total non-current liabilities in total are stable when comparing 31 December 2015 with 31 December 2014

Total current liabilities have increased from NOK 14.13 billion on 31 December 2014 to NOK 16.53 billion on 31 December 2015. Current derivatives have increased from NOK 2.18 billion to NOK 3.24 billion, mainly because of the weakening of NOK compared to USD. There is a corresponding increase in construction WIP assets and other current assets (firm commitment related to hedge accounting). The remaining increase in current liabilities is driven by the increase in net construction WIP described above.

(c) Statement of cash flows:

Cash flow from operating activities was NOK 51 million negative in 4Q 2015 compared to NOK 376 million positive in 4Q 2014. For FY2015 cash flow from operating activities was NOK 1.18 billion negative, compared to NOK 690 million positive for FY2014. Cash flow from operating activities can fluctuate significantly from period to period due to changes in working capital. The movements in working capital are negative mainly because of some large projects that require high working capital investments exceeding the available construction loan financing of these projects. In addition, the cash impact of previously reported losses in Brazil has now started to materialize.

Cash flow used in investing activities was NOK 66 million in 4Q 2015, compared to NOK 410 million in 4Q 2014. Cash flow used in investing activities was NOK 311 million for FY2015, compared to NOK 865 million for FY2014. Investments in property plant and equipment are at a lower level in 2015 than in the previous year. In 2014 there were higher investments related to the new yard in Promar, and the modernization of the yard in Tulcea, in addition there were higher cash outflows related to interest bearing receivables. Net cash outflow related to the acquisition of ICD Software of NOK 45 million was recorded during 2Q 2015.

Cash flow from financing activities was NOK 8 million negative in 4Q 2015, compared to NOK 439 million in 4Q 2014. For the FY2015 the Group had a positive cash flow from financing activities of NOK 219 million, compared to NOK 433 million in FY2014. For the FY 2014, NOK 533 million of the proceeds from loans and borrowings and NOK 234 million of repayments relates to current financing.

A net decrease in cash and cash equivalents by NOK 125 million in 4Q 2015, and a net decrease of NOK 1.28 billion for FY2015 was recorded due to the aforementioned reasons. Including movements in restricted cash and effects of currency translation differences on cash and cash equivalents, there was an increase of NOK 13 million in 4Q 2015 and a decrease of NOK 1.08 billion for FY2015.

Fourth Quarter and Full Year 2015 Financial Statements

UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2015

(All amounts in NOK millions unless otherwise stated)

(d) Brazil tax claim

The previously reported tax claim in Brazil is still awaiting a decision in the second out of three levels of appeals within the Brazilian administrative tax authorities. 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 favourable ruling in the second or third appeal as more likely than not and hence no provision for the claim has been made.

9 VARIANCE FROM FORECAST STATEMENT

The financial results are in line with the profit warning issued on 15 October 2015.

10 PROSPECTS

At the end of 2015, the order book value amounted to NOK 10.23 billion, compared to NOK 14.01 billion at the end of 3Q 2015 and NOK 17.74 billion at the end of 2014. Aggregate order value at the end of the quarter was NOK 24.42 billion, and the order book comprised 29 vessels, of which 18 will be of VARD's own design.

Cash preservation and financing of the operations have been a focus area also during 4Q 2015, and the Group ended the year with a cash balance of NOK 919 million, slightly above the cash levels seen in 2Q and 3Q 2015. Because of an expected decrease in net working capital, the Group obtained waivers from banks providing non-current loans with working capital covenants before year-end 2015. The Group has also obtained waivers for all the current facilities with working capital covenants before concluding on the balance sheet as at 31 December 2015. During 1Q 2016 the Group has taken actions that have strengthened the balance sheet and liquidity, but the Group may still need to obtain new waivers during 2016. As a result of the actions taken, new construction loans needed to finance projects currently in the order book and expected future projects are expected to be available. As the projects requiring the highest working capital investments are nearing completion, they continue to tie up a significant amount of cash; however this is expected to change towards the end of 2Q 2016 when these projects are being delivered.

VARD's core market for high-end vessels catering to the offshore oil and gas market continues to be weak in the short term, with oil prices and Offshore Support Vessel (OSV) fleet utilization hovering at 10-year lows. Exploration and Production (E&P) spending dropped by approximately 25% in 2015, and a further tightening is expected. The oversupply situation in the OSV market in the short to medium term is compounded by a large order book still to be delivered from yards around the world. Utilization of OSCVs, which typically do not operate in the spot market, is expected to drop further when more vessels come off contracts during 2016-17. In the short term, ship owners are aiming to postpone delivery of vessels already contracted, and VARD is facing an elevated counterparty risk. In the medium term, a recovery is expected to be driven by a shake-out in the OSV market during 2016-17, with older vessels being withdrawn from active supply. OSCV newbuilding demand is driven by the Inspection, Maintenance and Repair (IMR) market, and the need for purpose built vessels.

VARD has launched a diversification strategy in order to reduce its dependency on the offshore business during the downturn. The diversification into other engineering- and technology-heavy shipbuilding segments is aimed at maintaining the Group's expertise and secure utilization of existing capacity. New focus segments have been identified where VARD can leverage existing relationships and capabilities, and realize synergies with the parent group, FINCANTIERI. Technical discussions are ongoing for construction of large outfitted sections for cruise ships for FINCANTIERI, and this is expected to secure base load utilization of those yards for the medium term. Cost reduction and efficiency improvement programs are being intensified in order to enhance the Group's competitiveness in core and new markets. The yard portfolio is being adapted, with the Aukra shipyard being dedicated to projects in the aquaculture sector. In Brazil, the short term focus is on on-time delivery of the current order book. Operations in Brazil will be maintained at Vard Promar, while newbuilding activities at Vard Niterói will be phased out with completion of the projects currently under construction at the yard.

VARD expects revenues for 2016 to drop to between eight and nine billion NOK, with a positive EBITDA margin. With the implementation of the new business plan, revenues are targeted to recover to previous highs of between 12 and 13 billion NOK by 2020, also on the back of an expected recovery of the offshore market from 2018.

Fourth Quarter and Full Year 2015 Financial Statements

UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2015

(All amounts in NOK millions unless otherwise stated)

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 13 countries (2014: 10). Segmental revenue is based on the geographical location of companies within the Group.

	Group	
	FY 2015	FY 2014
Revenues from external customers		
Norway	7,628	10,249
Romania	189	127
Singapore*	726	681
Vietnam*	-	-
Brazil	2,438	1,812
Canada	144	43
USA	12	9
Other countries	6	2
Total	11,143	12,923

* 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		Change %
	FY 2014	FY 2014	
Sales reported first half year	5,552	5,614	-1%
Operating profit first half year before deducting non-controlling interests	(12)	263	n/m
Sales reported second half year	5,591	7,309	-24%
Operating profit second half before deducting non-controlling interests	(621)	(23)	n/m

Fourth Quarter and Full Year 2015 Financial Statements

UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2015

(All amounts in NOK millions unless otherwise stated)

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 2015 SGD million	FY 2013 SGD million
Interim special dividend	-	-
Final ordinary dividend	-	-
Total	-	-

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-2015 ended 31/12/15	Full year ended 31/12/15	4Q-2015 ended 31/12/15	Full year ended 31/12/15
Fincantieri Group				
Sale of electrical equipment to FINCANTIERI	-	-	65	94
Sale of electrical package to FINCANTIERI	-	-	-	4
Agreement for construction of hull blocks to FINCANTIERI	-	-	23	46
Service agreement	-	-	1	2
Secondment of personnel to VARD	-	-	2	7
Secondment of personnel to FINCANTIERI	-	-	2	7
Rental of barge from FINCANTIERI	-	-	7	7
Agreement regarding extension of barge	-	-	204	204
Support service to Yard Management in Vard	-	-	1	2
Total	-	-	305	373

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).

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
29 February 2016