



FIRST QUARTER 2018

# FINANCIAL STATEMENTS

Published 10 May 2018

*The attached 1Q2018 Results have not been reported on in accordance with Rule 25 of the Singapore Code on Take-overs and Mergers ("**Code**").*

*The Company refers to its announcement dated 10 May 2018 setting out (1) the outcome of the review by the Singapore Exchange Regulation Pte Ltd ("**SGX Regco**") and (2) the Company's intention (after consultation with the Offeror) to continue with the proposed voluntary delisting of the Company pursuant to Rules 1307 and 1309 of the SGX-ST listing manual. The Company has consulted with the Securities Industry Council on the application of Rule 25 of the Code and the reports required in connection with the 1Q2018 Results, especially given SGX Regco's requirement for an updated recommendation from the Independent Directors. In the circumstances, the Company will procure that the 1Q2018 Results are reported on in accordance with Rule 25 of the Code and announce the results of such reviews by 31 May 2018.*

**VARD**<sup>TM</sup>  
a **Fincantieri** company

**Vard Holdings Limited**

Incorporated in Singapore | Company Registration No. 201012504K  
Unaudited results for the first quarter ended 31 March 2018

**UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

*(All amounts in NOK millions unless otherwise stated)*

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**UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

(All amounts in NOK millions unless otherwise stated)

**1 UNAUDITED FINANCIAL STATEMENTS**

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

	Group		
	1Q-2018 ended 31/03/18	1Q-2017 ended 31/03/17	Change %
Revenue	2,290	1,777	29%
Materials, subcontract costs and others	(1,550)	(1,057)	47%
Salaries and related costs	(585)	(540)	8%
Other operating expenses	(130)	(140)	-7%
<b>EBITDA before restructuring cost</b>	<b>25</b>	<b>40</b>	<b>-38%</b>
Restructuring cost	(11)	(6)	n/m
Depreciation, impairment and amortization	(58)	(53)	9%
<b>Operating profit/(loss)</b>	<b>(44)</b>	<b>(19)</b>	<b>132%</b>
Financial income	163	96	70%
Financial costs	(160)	(100)	60%
<b>Net financial items</b>	<b>3</b>	<b>(4)</b>	<b>n/m</b>
Share of results of associates	-	-	n/m
<b>Profit (loss) before tax</b>	<b>(41)</b>	<b>(23)</b>	<b>78%</b>
Income tax expense	3	(4)	n/m
<b>Profit (loss) for the period</b>	<b>(38)</b>	<b>(27)</b>	<b>41%</b>
<b>Profit (loss) for the period attributable to:</b>			
Equity holders of the Company	(36)	(25)	44%
Non-controlling interest	(2)	(2)	n/m
<b>Profit (loss) for the period</b>	<b>(38)</b>	<b>(27)</b>	<b>41%</b>
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations	(62)	(4)	n/m
Net fair value change in cash flow hedge	58	6	n/m
Income tax on other comprehensive income	(2)	(9)	n/m
<i>Items that may not be reclassified subsequently to profit or loss:</i>			
Share of other comprehensive income in associated companies	-	-	n/m
<b>Other comprehensive income for the period, net of income tax</b>	<b>(6)</b>	<b>(7)</b>	<b>n/m</b>
<b>Total comprehensive income for the period</b>	<b>(44)</b>	<b>(34)</b>	<b>29%</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company	(42)	(31)	35%
Non-controlling interest	(2)	(3)	n/m
<b>Total comprehensive income for the period</b>	<b>(44)</b>	<b>(34)</b>	<b>29%</b>

**Notes:**

(\*) N/M - Not meaningful.

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

**UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

(All amounts in NOK millions unless otherwise stated)

**1 UNAUDITED FINANCIAL STATEMENTS (cont.)**

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

	Group		
	1Q-2018 ended 31/03/18	1Q-2017 ended 31/03/17	Change %
Interest income	9	8	n/m
Foreign exchange gain	153	88	74%
Other financial income	1	-	n/m
<b>Financial income</b>	<b>163</b>	<b>96</b>	<b>70%</b>
Interest expense	(23)	(13)	77%
Foreign exchange loss	(130)	(74)	76%
Other financial expenses	(7)	(13)	-46%
<b>Financial expenses</b>	<b>(160)</b>	<b>(100)</b>	<b>60%</b>
<b>Net financial items</b>	<b>3</b>	<b>(4)</b>	<b>n/m</b>
Depreciation of property, plant and equipment	(51)	(50)	2%
Amortization of intangibles	(7)	(3)	n/m
Impairment charges	-	-	n/m
<b>Depreciation, impairment charges and amortization</b>	<b>(58)</b>	<b>(53)</b>	<b>9%</b>
Provisions for doubtful debts	-	-	n/m
<b>Allowance for doubtful debts and bad debts written off</b>	<b>-</b>	<b>-</b>	<b>n/m</b>

First Quarter 2018 Financial Statements

**UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

(All amounts in NOK millions unless otherwise stated)

**1 UNAUDITED FINANCIAL STATEMENTS (cont.)**

**(b)(i) Statement of Financial Position**

	Group			Company		
	As at 31/03/18	As at 31/12/17 <i>Restated</i>	Change %	As at 31/03/18	As at 31/12/17	Change %
Property, plant and equipment	2,529	2,629	-4%	-	-	n/m
Intangible assets	474	477	-1%	-	-	n/m
Investment in subsidiary	-	-	n/m	3,518	3,518	0%
Investment in associates	192	192	0%	-	-	n/m
Other investments	12	12	0%	-	-	n/m
Interest-bearing receivables, non-current	579	581	0%	-	-	n/m
Non-current derivatives	2	-	n/m	-	-	n/m
Other non-current assets	155	158	-2%	-	-	n/m
Deferred tax assets	161	128	26%	-	-	n/m
<b>TOTAL NON-CURRENT ASSETS</b>	<b>4,104</b>	<b>4,177</b>	<b>-2%</b>	<b>3,518</b>	<b>3,518</b>	<b>0%</b>
Inventories	2,091	2,100	0%	-	-	n/m
Contract assets	7,270	6,529	11%	-	-	n/m
Trade and other receivables	913	834	9%	109	92	18%
Current derivatives	16	84	-81%	-	-	n/m
Other current assets	52	62	-16%	-	-	n/m
Interest-bearing receivables, current	316	322	-2%	-	-	n/m
Cash and cash equivalents	632	810	-22%	1	1	n/m
<b>TOTAL CURRENT ASSETS</b>	<b>11,290</b>	<b>10,741</b>	<b>5%</b>	<b>110</b>	<b>93</b>	<b>18%</b>
<b>TOTAL ASSETS</b>	<b>15,394</b>	<b>14,918</b>	<b>3%</b>	<b>3,628</b>	<b>3,611</b>	<b>0%</b>
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	(847)	(841)	-1%	-	-	n/m
Retained earnings	1,914	1,955	-2%	463	450	3%
Total equity attributable to equity holders of the Comp.	2,015	2,062	-2%	3,190	3,177	0%
Non-controlling interest	23	25	-8%	-	-	n/m
<b>TOTAL EQUITY</b>	<b>2,038</b>	<b>2,087</b>	<b>-2%</b>	<b>3,190</b>	<b>3,177</b>	<b>0%</b>
Loans and borrowings, non-current	967	1,045	-7%	-	-	n/m
Deferred tax liabilities	92	89	3%	-	-	n/m
Non-current derivatives	137	168	-18%	-	-	n/m
Other non-current liabilities	817	831	-2%	-	-	n/m
Provisions, non-current	88	87	1%	-	-	n/m
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>2,101</b>	<b>2,220</b>	<b>-5%</b>	<b>-</b>	<b>-</b>	<b>n/m</b>
Loans and borrowings, current	1,054	872	21%	432	431	0%
Construction loans	6,131	5,652	8%	-	-	n/m
Contract liabilities	848	715	19%	-	-	n/m
Trade and other payables	2,158	2,051	5%	2	1	n/m
Current derivatives	258	363	-29%	-	-	n/m
Income tax payable	30	51	-41%	-	-	n/m
Provisions, current	98	98	0%	-	-	n/m
Other current liabilities	678	809	-16%	4	2	n/m
<b>TOTAL CURRENT LIABILITIES</b>	<b>11,255</b>	<b>10,611</b>	<b>6%</b>	<b>438</b>	<b>434</b>	<b>1%</b>
<b>TOTAL LIABILITIES</b>	<b>13,356</b>	<b>12,831</b>	<b>4%</b>	<b>438</b>	<b>434</b>	<b>1%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>15,394</b>	<b>14,918</b>	<b>3%</b>	<b>3,628</b>	<b>3,611</b>	<b>0%</b>

**UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

(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 31.03.18		As at 31.12.17	
	Secured	Unsecured	Secured	Unsecured
Loans and borrowings, current	320	734	325	547
Construction loans *	6,131	-	5,652	-
<b>Total Amount repayable in one year or less, or on demand</b>	<b>6,451</b>	<b>734</b>	<b>5,977</b>	<b>547</b>

\* 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	967	-	1,045	-
<b>Total Amount repayable after one year</b>	<b>967</b>	<b>-</b>	<b>1,045</b>	<b>-</b>

<b>Total</b>	<b>7,418</b>	<b>734</b>	<b>7,022</b>	<b>547</b>
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**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	175	175	18	157
USD	102	793	80	713
EUR	33	319	222	97
<b>Total</b>		<b>1,287</b>	<b>320</b>	<b>967</b>

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

First Quarter 2018 Financial Statements

**UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

(All amounts in NOK millions unless otherwise stated)

**1 UNAUDITED FINANCIAL STATEMENTS (cont.)**

**(c) Statement of Cash Flows (Group)**

Group	
1Q-2018 ended 31/03/18	1Q-2017 ended 31/03/17

**OPERATING ACTIVITIES**

Profit (loss) before tax	(41)	(23)
<i>Adjustments for:</i>		
Net interest expense	14	5
Unrealised foreign exchange gain/loss	(52)	(13)
Depreciation, impairment and amortization	58	53
<b>Operating cash flows before movements in working capital</b>	<b>(21)</b>	<b>22</b>
Inventories	9	(103)
Construction work in progress	(645)	520
Proceeds from construction loans	747	285
Repayment of construction loans	(160)	(129)
Other working capital assets	28	(233)
Other working capital liabilities	(174)	(90)
Provisions	1	(17)
<b>Cash generated from / (used in) operations</b>	<b>(215)</b>	<b>255</b>
Interest received	9	8
Interest paid	(15)	(11)
Income tax paid	(45)	(9)
<b>Cash flows from/ (used in) operating activities</b>	<b>(266)</b>	<b>243</b>

**INVESTING ACTIVITIES**

Purchase of property, plant and equipment	(40)	(88)
Purchase of intangible assets	(2)	(4)
Issuance of new non-current interest bearing receivables	4	-
Acquisition of subsidiary, net of cash acquired	-	(1)
<b>Cash flows used in investing activities</b>	<b>(38)</b>	<b>(93)</b>

**FINANCING ACTIVITIES**

Proceeds from loans and borrowings	444	103
Repayment of loans and borrowings	(284)	(47)
<b>Cash flows from/ (used in) financing activities</b>	<b>160</b>	<b>56</b>

**NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS**

Effects of currency translation difference on cash and cash equivalents	(10)	3
Cash and cash equivalents excl. restricted cash at beginning of financial period	708	618
<b>Cash and cash equivalents excl. restricted cash at end of financial period</b>	<b>554</b>	<b>827</b>
Restricted cash at end of financial period	78	81
<b>Cash and cash equivalents at end of financial period</b>	<b>632</b>	<b>908</b>

First Quarter 2018 Financial Statements

**UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

(All amounts in NOK millions unless otherwise stated)

**1 UNAUDITED FINANCIAL STATEMENTS (cont.)**

**(d)(i) Statements of  
Changes in Equity**

	Paid up Capital	Restructuring Reserve	Other reserves			Retained Earnings	Total Equity Attributable To Equity Holders of the Company	Non-controlling Interest	Total Equity
			Currency Translation Reserve	Fair Value Reserve	Other reserves				
<b>At 31 December 2017</b>	<b>4,138</b>	<b>(3,190)</b>	<b>159</b>	<b>2</b>	<b>(1,002)</b>	<b>1,961</b>	<b>2,068</b>	<b>25</b>	<b>2,093</b>
Adoption of SFRS(I) 15	-	-	-	-	-	(6)	(6)	-	(6)
<b>At 31 December 2017 (as restated)</b>	<b>4,138</b>	<b>(3,190)</b>	<b>159</b>	<b>2</b>	<b>(1,002)</b>	<b>1,955</b>	<b>2,062</b>	<b>25</b>	<b>2,087</b>
Adoption of SFRS(I) 9	-	-	-	-	-	(5)	(5)	-	(5)
<b>At 1 January 2018 (as restated)</b>	<b>4,138</b>	<b>(3,190)</b>	<b>159</b>	<b>2</b>	<b>(1,002)</b>	<b>1,950</b>	<b>2,057</b>	<b>25</b>	<b>2,082</b>
<b>Comprehensive income</b>									
Profit (loss) for the period	-	-	-	-	-	(36)	(36)	(2)	(38)
Other comprehensive income	-	-	(50)	44	-	-	(6)	-	(6)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(50)</b>	<b>44</b>	<b>-</b>	<b>(36)</b>	<b>(42)</b>	<b>(2)</b>	<b>(44)</b>
<b>At 31 March 2018</b>	<b>4,138</b>	<b>(3,190)</b>	<b>109</b>	<b>46</b>	<b>(1,002)</b>	<b>1,914</b>	<b>2,015</b>	<b>23</b>	<b>2,038</b>
<b>At 1 January 2017</b>	<b>4,138</b>	<b>(3,190)</b>	<b>163</b>	<b>(38)</b>	<b>(1,002)</b>	<b>2,194</b>	<b>2,265</b>	<b>30</b>	<b>2,295</b>
<b>Comprehensive income</b>									
Profit (loss) for the period	-	-	-	-	-	(25)	(25)	(2)	(27)
Other comprehensive income	-	-	(3)	(3)	-	-	(6)	(1)	(7)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(3)</b>	<b>(3)</b>	<b>-</b>	<b>(25)</b>	<b>(31)</b>	<b>(3)</b>	<b>(34)</b>
<b>At 31 March 2017</b>	<b>4,138</b>	<b>(3,190)</b>	<b>160</b>	<b>(41)</b>	<b>(1,002)</b>	<b>2,169</b>	<b>2,234</b>	<b>27</b>	<b>2,261</b>

**Company**

	Paid up Capital	Restructuring Reserve	Retained Earnings	Total Equity
<b>At 1 January 2018</b>	<b>4,138</b>	<b>(1,411)</b>	<b>450</b>	<b>3,177</b>
<b>Comprehensive income</b>				
Profit (loss) for the period	-	-	13	13
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>13</b>
<b>At 31 March 2018</b>	<b>4,138</b>	<b>(1,411)</b>	<b>463</b>	<b>3,190</b>
<b>At 1 January 2017</b>	<b>4,138</b>	<b>(1,411)</b>	<b>375</b>	<b>3,102</b>
<b>Comprehensive income</b>				
Profit (loss) for the period	-	-	17	17
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>17</b>	<b>17</b>
<b>At 31 March 2017</b>	<b>4,138</b>	<b>(1,411)</b>	<b>392</b>	<b>3,119</b>



**1 UNAUDITED FINANCIAL STATEMENTS (cont.)**

**(d)(ii) Share Capital**

There were no ordinary shares issued in 1Q 2018. There are no treasury shares, nor subsidiary holdings, as at 31 March 2018 and as at 31 March 2017.

**Share Options**

There were no outstanding options to subscribe for shares as at 31 March 2018 (31 March 2017: 0).

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

The number of issued shares (excluding treasury shares) as at 31 March 2018 is 1,180,000,000 ordinary shares (31 December 2017: 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**

Except as disclosed in paragraph 5 below, 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 2017.

**5 CHANGES IN ACCOUNTING POLICIES**

The Group has adopted a new financial reporting framework, 'Singapore Financial Reporting Standards International' ("SFRS(I)s"), on January 2018 and has prepared its first set of financial information under SFRS(I)s for the quarter ended 31 March 2018.

In adopting SFRS(I)s, the Group is required to apply all of the specific transition requirements in SFRS(I)s 1 First-time Adoption of Singapore Financial Reporting Standards (International). The current Group accounting policies under the Financial Reporting Standards ("FRSs") are already aligned with the new SFRS(I)s. The only effects from the adoption of the new SFRS(I)s stemming from the concurrent application of the new major SFRS(I)s equivalents of IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers.

Adoption of SFRS(I) equivalent of IFRS 9

SFRS(I) 9 is effective for financial years beginning on or after 1 January 2018. The Group has elected to apply the short-term exemption under SFRS(I) 1, which exempt the Group from applying SFRS(I) 9 to comparative information. Accordingly, requirements of FRS 39 Financial Instruments: Recognition and Measurement will continue to apply to financial instruments up to the financial year ended 31 December 2017. SFRS(I) 9 introduces new requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The classification and measurement portion of the standard determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. The new standard introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. In addition, SFRS(I) 9 includes a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity.

Because of assessing the allowances for impairment of financial assets under the expected-loss model introduced in SFRS(I) 9, the retained earnings at 1 January 2018 has been decreased by a net amount of NOK 5 million, with a corresponding decrease by NOK 6 million of interest-bearing receivables, non-current and an increase of deferred tax assets by NOK 1 million.

Adoption of SFRS(I) equivalent of IFRS 15

SFRS(I) 15 is effective for financial years beginning on or after 1 January 2018. In accordance with the requirements of SFRS(I) 1, the Group will adopt SFRS(I) 15 retrospectively. According to SFRS(I) 15, revenue is recognized to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control of the goods or services. SFRS(I) 15 also includes guidance on the presentation of contract balances, that is, assets and liabilities arising from contracts with customers, depending on the relationship between the entity's performance and the customer's payment.

The retrospective adoption of the SFRS(I) 15 resulted in a reduction of the restated retained earnings at 31 December 2017 by a net amount of NOK 6 million because of the different timing of revenue recognition in certain contracts. Correspondingly the restated value at 31 December 2017 of contract assets has been reduced by NOK 8 million while restated deferred tax assets has been increased by NOK 2 million. No material impacts were assessed on 1Q 2017, hence the Group's Statement of Comprehensive Income was not restated.

## 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		
		1Q-2018 ended 31/03/18	1Q-2017 ended 31/03/17	Change %
(i)	Earnings for the period (in NOK millions)	(36)	(25)	44%
	Earnings for the period (in SGD millions)	(6)	(4)	n/m
	Weighted average number of shares (in millions)	1,180	1,180	0%
(ii)	Earnings per share (NOK)	(0.03)	(0.02)	50%
	Earnings per share (SGD cents)	(0.51)	(0.34)	50%
(iii)	Diluted earnings per share (NOK)	(0.03)	(0.02)	50%
	Diluted earnings per share (SGD cents)	(0.51)	(0.34)	50%
	Adjusted weighted average number of shares (in millions)	1,180	1,180	0%
Exchange rates:		31/03/18	31/03/17	
	SGD/NOK	5.947	6.137	-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 preceeding financial year:

	Group			Company		
	As at 31/03/18	As at 31/12/17	Change %	As at 31/03/18	As at 31/12/17	Change %
Net assets value at the end of the period (NOK millions)	2,015	2,062	-2%	3,190	3,177	0%
Net assets value at the end of the period (SGD millions)	339	336	1%	536	517	4%
Number of shares (millions)	1,180	1,180	0%	1,180	1,180	0%
Net assets value per ordinary share (NOK)	1.71	1.75	-2%	2.70	2.69	0%
Net assets value per ordinary share (SGD)	0.29	0.28	4%	0.45	0.44	2%
Exchange rates:		31/03/18	31/12/17	31/03/18	31/12/17	
	SGD/NOK	5.947	6.141	5.947	6.141	-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:**

Revenue for 1Q 2018 were NOK 2.29 billion, up 29% from NOK 1.78 billion in 1Q 2017. The growth compared to the 1Q 2017 reflects the increased activity, especially at the Romanian yards, mainly due to the progress of the six expedition cruise vessels currently under construction.

Materials, subcontract costs and others were NOK 1.55 billion in 1Q 2018 up 47% from NOK 1.06 billion in 1Q 2017 while salaries and related costs were NOK 585 million in 1Q 2018 up 8% from NOK 540 in 1Q 2017. Thus reflecting the increase in subcontractor and headcounts, primarily related to the high activity at the yards located in Romania.

EBITDA before restructuring cost for the quarter were NOK 25 million, compared to NOK 40 million in the corresponding period last year. The EBITDA margin decreased from 2.3% in 1Q 2017 to 1.1% in 1Q 2018.

For the Group's shipyards in Norway, while workload in engineering and procurement remained high, yard utilization is gradually increasing as hulls from Romania started to arrive in 1Q 2018. Vard Sjøviknes delivered one stern trawler to Havfisk in the beginning of the quarter and saw high activity as the first cruise hull for Ponant arrived in the beginning of the quarter. At Vard Langsten construction on the pelagic trawler which was contracted in 2017 is ongoing. Vard Brattvaag and Vard Electro have mounted and delivered all four upgrades to "Battery Power" on offshore vessels supplemented by conversion, repair and maintenance work on several vessels.

During the quarter, Vard Group AS has secured a contract for the design and construction of two additional luxury expedition cruise vessels for the French cruise company Ponant to be delivered from Vard Sjøviknes in 1Q and 2Q 2020 respectively. In addition, during the quarter VARD secured a contract for the construction of one fishing vessel for Remøybuen AS, and one fully electrical battery-powered car- and passenger ferry for Boreal. After the closing of Q1 Vard Group AS signed a Letter of Intent ("LOI") for the design and construction of two cruise vessels for the cruise company Viking and secured a new contract for the design and construction of one stern trawler for Havfisk.

Romanian yards continue to record a very high workload, and is improving the load situation by increase of headcount and adapting the organization. After delivering the hull of the second PONANT vessel to Vard Sjøviknes, Vard Tulcea is progressing with the construction of the other four expedition cruise vessels contracted in 2016. During the quarter, Vard Tulcea successfully launched and delivered a 8,900 tons hull section to Fincantieri and is progressing with the additional three hull sections under construction. During 1Q 2018 the Romanian yards successfully delivered four MCV vessels to Topaz Energy and Marine and one MCV vessel to Kazmortransflot.

Operations at the shipyard in Vung Tau remained stable as a result of good progress on the MCV projects. One MCV was delivered to Topaz Energy and Marine during 1Q 2018, while one more was delivered in April 2018. The last vessel in the series to be delivered from Vietnam is under construction, as well as the construction of the expedition cruise vessel for Coral Expeditions of Australia, contracted during 2017.

Vard Promar in Brazil registered good progress on the Pipelay Support Vessels (PLSV) under construction for Dofcon Navegação (DOF and TechnipFMC) and on the sixth LPG Carrier for Transpetro. Rightsizing of the organization continued during the quarter, reflective of the continuing lack of work in early stages of production.

The strengthened position in the fisheries and aquaculture market, yielded again results in 1Q 2018 with the already mentioned contract for the construction of one fishing vessel for Remøybuen AS. These achievements continue to strengthen the market position and reflective of the appreciation for VARD's innovative approach to these market segments.

The Group recognized restructuring cost of NOK 11 million during the quarter, related to termination benefits and statutory payments for temporary redundancies, mainly in Norway and Brazil.

Depreciations and amortization increased from NOK 53 million in 1Q 2017 to NOK 58 million in 1Q 2018 reflecting an increase of the amortization of capitalized development costs.

As a consequence of the items discussed above, the operating loss was equal to 44 million in 1Q 2018 compared to a loss of NOK 19 million in 1Q 2017.

The change in net financial items from NOK 4 million negative in 1Q 2017 to NOK 3 million positive in 1Q 2018 is primarily related to foreign exchange gains and losses. For the quarter there is a net foreign exchange gain of NOK 23 million, of which NOK 3 million relates to the yard construction loan in Vard Promar denominated in USD. In the corresponding period last year, the group had a net foreign exchange gain of NOK 14 million.

For the aforementioned reasons, the loss for the period was NOK 38 million in 1Q 2018 compared to a loss of NOK 27 million in 1Q 2017.

**(b) Statement of financial position:**

Total assets were NOK 15.39 billion as of 31 March 2018, up from NOK 14.91 billion as of 31 December 2017.

Total non-current assets were NOK 4.10 billion as of 31 March 2018 marginally down from NOK 4.17 as of 31 December 2017 mainly due to reduction of book value of property, plant and equipment.

Total current assets were NOK 11.29 billion as of 31 March 2018, up from NOK 10.74 billion as of 31 December 2017, as a result of increase in construction WIP in excess of prepayments stemming from the progress of the vessel under construction, partially offset by decrease in the positive fair value of current derivatives and by decrease of cash and cash equivalents.

Total non-current liabilities were NOK 2.10 billion as of 31 March 2018 down from NOK 2.22 billion as of 31 December 2017 due to the effect of decrease in loans and borrowings, non-current.

Total current liabilities have increased from NOK 10.61 billion end of 31 December 2017 to NOK 11.26 billion end of 31 March 2018. The increase was mainly driven by the utilization of construction loans and current loans and borrowings, partially offset by the decrease in current derivatives and other current liabilities.

**(c) Statement of cash flows:**

Cash flows from operating activities were NOK 266 million negative in 1Q 2018, compared to NOK 243 million positive in 1Q 2017. 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 38 million in 1Q 2018, compared to NOK 93 million in 1Q 2017. Investments in property, plant and equipment during 1Q 2018 were mainly related to the expansion of facilities at Vard Tulcea .

Cash flows from financing activities were NOK 160 million positive in 1Q 2018, compared to NOK 56 million positive in 1Q 2017. The Group has not obtained any new non-current loans during the quarter. During 1Q 2018 the net proceeds from short-term facilities (NOK 194 million) were mainly related to a new cash line granted by Bayerische Landesbank for EUR 20 million. Out of NOK 284 million in repayments of loans and borrowings during the first quarter of 2018, NOK 34 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 632 million for the period ended 31 March 2018 (31 March 2017: NOK 908 million).

**9 VARIANCE FROM FORECAST STATEMENT**

The Company has not disclosed any forecast to the market.

**10 PROSPECTS**

At the end of 1Q 2018, the order book value amounted to NOK 13.13 billion, stable compared to NOK 13.23 billion at the end of 2017. Aggregate order value at the end of the quarter was NOK 25.10 billion, and the order book comprised 46 vessels, of which 33 will be of VARD's own design. Order intake in the period was NOK 2.09 billion.

VARD is well positioned in the growing expedition cruise vessel market.

Risks are still inherent in the Group's existing offshore project portfolio. The Group has postponed delivery of some projects amid ongoing financial restructurings of clients in the offshore segment.

VARD would reiterate the difficult political and economic context and complex regulatory environment in Brazil, still represents a challenge to the Brazilian operation.

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

**UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

(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

**12 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)	
1Q-2018 ended 31/03/18	1Q-2017 ended 31/03/17	1Q-2018 ended 31/03/18	1Q-2017 ended 31/03/17
<b>Fincantieri Group</b>			
Secondment of personnel to VARD	-	-	3
Supply of consultancy service to VARD	-	-	2
Contract for delivery of electro package to FINCANTIERI	-	-	18
<b>Total</b>	<b>-</b>	<b>-</b>	<b>21</b>

**13 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.

**14 CONFIRMATION BY THE BOARD**

The Board of Directors hereby confirms that, to the best of its knowledge, nothing has come to its attention which may render the unaudited financial results for the first quarter ended 31 March 2018 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

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**Mr Roy Reite**  
Executive Director & CEO  
10 May 2018