**CIRCULAR DATED 13 APRIL 2018**

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.**

**If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.**

If you have sold or transferred all your Shares (as defined herein) held through The Central Depository (Pte) Limited ("**CDP**"), you need not forward this Circular to the purchaser or transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares which are not deposited with CDP, you should immediately forward this Circular to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made or reports contained or opinions expressed in this Circular.

This Circular, the Exit Offer Letter and the Acceptance Forms (all as defined herein) shall not be construed as, may not be used for the purpose of, and do not constitute, a notice or proposal or advertisement or an offer or invitation or solicitation in any jurisdiction or in any circumstance in which such a notice or proposal or advertisement or an offer or invitation or solicitation is unlawful or not authorised, or to any person to whom it is unlawful to make such a notice or proposal or advertisement or an offer or invitation or solicitation.

VARD™

a **Fincantieri** company

# VARD HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.: 201012504K)

# CIRCULAR TO SHAREHOLDERS

## IN RELATION TO

## THE PROPOSED VOLUNTARY DELISTING OF VARD HOLDINGS LIMITED PURSUANT TO RULES 1307 AND 1309 OF THE SGX-ST LISTING MANUAL

Independent Financial Adviser to the Independent Directors of Vard Holdings Limited

CIMB

**CIMB BANK BERHAD (13491-P)**
**Singapore Branch**
(Incorporated in Malaysia)

**IMPORTANT DATES, TIMES AND VENUE**

| | | |
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| Last date and time for lodgment of Proxy Form | : | 27 April 2018 at 1.00 p.m. |
| Date and time of Extraordinary General Meeting | : | 30 April 2018 at 1.00 p.m. |
| Venue of Extraordinary General Meeting | : | Mochtar Riady Auditorium<br>Singapore Management University<br>Administration Building, Level 5<br>81 Victoria Street<br>Singapore 188065 |

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# DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Circular:

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| "**Acceptance Forms**" | : | FAA and/or FAT, as the case may be |
| "**Board**" | : | The board of Directors |
| "**Business Day**" | : | A day other than Saturday, Sunday or a public holiday on which banks are open for business in Singapore |
| "**CDP**" | : | The Central Depository (Pte) Limited |
| "**CIMB**" | : | CIMB Bank Berhad, Singapore Branch, the independent financial adviser to the Independent Directors in relation to the Exit Offer |
| "**Circular**" | : | This circular to Shareholders dated 13 April 2018 issued by the Company for the purpose of convening the EGM to obtain Shareholders' approval for the Delisting |
| "**Citigroup**" | : | Citigroup Global Markets Singapore Pte. Ltd., the financial adviser to the Offeror in connection with the Delisting and the Exit Offer |
| "**Closing Date**" | : | 5.30 p.m. (Singapore time) on 14 May 2018, or such later date(s) as may be announced from time to time by or on behalf of the Offeror, being the last day for the lodgment of acceptances of the Exit Offer |
| "**Code**" | : | The Singapore Code on Take-overs and Mergers |
| "**Companies Act**" | : | Companies Act (Chapter 50 of Singapore) |
| "**Company**" | : | Vard Holdings Limited |
| "**Company Securities**" | : | (a) Shares;<br>(b) other securities which carry voting rights in the Company; and<br>(c) convertible securities, warrants, options and derivatives in respect of the Shares or securities which carry voting rights in the Company |
| "**Constitution**" | : | The constitution of the Company |
| "**Controlling Shareholders**" | : | Shareholders who:<br>(a) hold directly or indirectly 15% or more of the total number of the issued Shares; or<br>(b) in fact exercise control over the Company |
| "**CPF**" | : | Central Provident Fund |
| "**CPF Agent Banks**" | : | The banks approved by the CPF to be its agent banks, being DBS Bank Ltd, Oversea-Chinese Banking Corporation Limited and United Overseas Bank Limited |
| "**CPFIS**" | : | The Central Provident Fund (Investment Schemes) |

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| **"CPFIS Investors"** | : | Investors who purchased Shares using their CPF contributions pursuant to the CPFIS |
| **"Delisting"** | : | The voluntary delisting of the Company from the Official List of the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual |
| **"Delisting Materials"** | : | The Exit Offer Letter, Acceptance Forms and any related documents |
| **"Delisting Proposal"** | : | The proposal dated 10 November 2017 presented by the Offeror to the Board to seek the Delisting |
| **"Delisting Resolution"** | : | The resolution to be proposed at the EGM to approve the Delisting |
| **"Despatch Date"** | : | 13 April 2018, being the date of despatch of the Exit Offer Letter |
| **"Directors"** | : | Directors of the Company as at the Latest Practicable Date |
| **"Dissenting Shareholders"** | : | Shall have the meaning ascribed to it in Section 5.2 of this Circular |
| **"Distributions"** | : | Shall have the meaning ascribed to it in Section 3.3 of this Circular |
| **"EGM"** | : | The extraordinary general meeting of the Company to be held on 30 April 2018, notice of which is set out on page N-1 of this Circular, and any adjournment thereof |
| **"Encumbrances"** | : | Shall have the meaning ascribed to it in Section 3.3 of this Circular |
| **"Exit Offer"** | : | The exit offer made by Citigroup, for and on behalf of the Offeror to acquire the Offer Shares on the terms and subject to the conditions set out in the Exit Offer Letter and the Acceptance Forms |
| **"Exit Offer Letter"** | : | The letter dated 13 April 2018 from the Offeror to the Shareholders setting out the terms and conditions of the Exit Offer, which is despatched to Shareholders concurrently with this Circular, including the FAA, the FAT and any other document(s) which may be issued by or on behalf of the Offeror to amend, revise, supplement or update this document(s) from time to time |
| **"Exit Offer Price"** | : | Shall have the meaning ascribed to it in Section 3.3 of this Circular |
| **"FAA"** | : | Form of Acceptance and Authorisation for Offer Shares in respect of the Exit Offer which forms part of the Exit Offer Letter and which is issued to Shareholders whose Shares are deposited with CDP |
| **"FAT"** | : | Form of Acceptance and Transfer for Offer Shares in respect of the Exit Offer which forms part of the Exit Offer Letter and which is to be issued to Shareholders whose Shares are not deposited with CDP |
| **"Fincantieri"** | : | Fincantieri S.p.A., being the holding company of the Offeror |
| **"Fincantieri Group"** | : | Collectively, Fincantieri and its subsidiaries |
| **"FY"** | : | Financial year ended or ending (as the case may be) on 31 December of a particular year as stated |
| **"FY2017 Results"** | : | The audited consolidated financial statements of the Group for FY2017 |

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| "**Group**" | : | Collectively, the Company, its subsidiaries and associated companies |
| "**IFA Letter**" | : | The letter dated 13 April 2018 from CIMB to the Independent Directors in relation to the Exit Offer as set out in Appendix I to this Circular |
| "**in scrip form**" | : | Shall have the meaning ascribed to it in Section 9.2 of this Circular |
| "**Independent Directors**" | : | The Directors who are considered to be independent for the purposes of making recommendations to Shareholders in respect of the Exit Offer, namely Mr. Roy Reite, Mr. Sok Sung Hyon and Mr. Lee Keen Whye |
| "**Interested Person**" | : | As defined in the Note on Rule 23.12 of the Code, an Interested Person, in relation to a company, is:<br>(a) a director, chief executive officer, or substantial shareholder of the company;<br>(b) the immediate family of a director, the chief executive officer, or a substantial shareholder (being an individual) of the company;<br>(c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a substantial shareholder (being an individual) and his immediate family is a beneficiary;<br>(d) any company in which a director, the chief executive officer or a substantial shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more;<br>(e) any company that is the subsidiary, holding company or fellow subsidiary of the substantial shareholder (being a company); or<br>(f) any company in which a substantial shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more |
| "**Joint Announcement**" | : | Joint announcement dated 13 November 2017 issued by the Offeror and the Company on the Delisting Proposal and the Exit Offer |
| "**Joint Announcement Date**" | : | 13 November 2017, being the date of the Joint Announcement |
| "**Latest Practicable Date**" | : | 4 April 2018, being the latest practicable date prior to the printing of this Circular |
| "**Listing Manual**" | : | The listing manual of the SGX-ST |
| "**NOK**" | : | Norwegian Krone, being the lawful currency of Norway |
| "**NTA**" | : | Net tangible assets |
| "**Offer Shares**" | : | Shall have the meaning ascribed to it in Section 3.1 of this Circular |
| "**Offeror**" | : | Fincantieri Oil & Gas S.p.A. |

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| "**Offeror Securities**" | : | (a) Offeror Shares;<br>(b) other securities which carry voting rights in the Offeror; and<br>(c) convertible securities, warrants, options and derivatives in respect of the Offeror Shares or securities which carry voting rights in the Offeror |
| "**Offeror Shares**" | : | Existing ordinary shares in the share capital of the Offeror |
| "**Overseas Shareholder**" | : | Shall have the meaning ascribed to it in Section 9.1 of this Circular |
| "**Option Scheme**" | : | The Company's share option scheme for employees |
| "**Relevant Directors**" | : | The Directors who are exempted from the requirement to make a recommendation on the Exit Offer to the Shareholders, namely Mr. Giuseppe Coronella, Mr. Vittorio Zane and Mr. Claudio Cisilino |
| "**RR Service Agreement**" | : | Shall have the meaning ascribed to it in paragraph 6.2(a) of **Appendix III** to this Circular |
| "**Securities Account**" | : | Securities account maintained by a Depositor with CDP, but does not include a securities sub-account |
| "**SFA**" | : | Securities and Futures Act (Chapter 289 of Singapore) |
| "**SGX-ST**" | : | Singapore Exchange Securities Trading Limited |
| "**Shareholders**" | : | Registered holders of the Shares, except that where the registered holder is CDP, the term "**Shareholders**" shall, where the context admits, mean the Depositors who have Shares entered against their names in the Depository Register |
| "**Shares**" | : | Issued ordinary shares in the share capital of the Company |
| "**SIC**" | : | Securities Industry Council of Singapore |
| "**SRS**" | : | The Supplementary Retirement Scheme |
| "**SRS Agent Banks**" | : | Agent banks included under the SRS |
| "**SRS Investors**" | : | Investors who purchased Shares pursuant to the SRS |
| "**S$**" | : | Singapore dollars, being the lawful currency of the Republic of Singapore |
| "**Valuation Reports**" | : | Shall have the meaning ascribed to it in Section 17(h) of this Circular |
| "**Valuers**" | : | (a) American Appraisal Serviços de Avaliação Ltda.;<br>(b) Cushman & Wakefield VHS Pte. Ltd.;<br>(c) Cushman & Wakefield Vietnam Limited; and<br>(d) Cushman & Wakefield Realkapital AS |

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|---|---|---|
| "**VWAP**" | : | Volume weighted average price |
| "**%**" or "**per cent.**" | : | Per centum or percentage |

Unless otherwise defined, the term "**acting in concert**" shall have the meaning ascribed to it in the Code.

References to the making of an announcement or the giving of a notice by the Offeror shall include the release of an announcement by Citigroup or advertising agents, for and on behalf of the Offeror, to the press or the delivery of or transmission by telephone, telex, facsimile, SGXNET or otherwise of an announcement to the SGX-ST. An announcement made otherwise than to the SGX-ST shall be notified simultaneously to the SGX-ST.

The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

The terms "**subsidiary**" and "**related corporation**" have the meanings ascribed to them respectively in Section 5 and Section 6 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing one gender shall include the other gender. References to persons shall, where applicable, include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined in the Companies Act, the SFA, the Listing Manual or the Code or any modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act, the SFA, the Listing Manual or the Code or any modification thereof, as the case may be, unless the context otherwise requires.

Any reference to a time of day and date in this Circular is made by reference to Singapore time and date, unless otherwise stated.

Any discrepancies in this Circular between the listed amounts and the total thereof are due to rounding. Accordingly, figures shown as totals may not reflect an arithmetic aggregation of the figures that precede them.

**Statements which are reproduced in their entirety from the Exit Offer Letter, the IFA Letter and the Constitution are set out in this Circular within quotes and in italics and capitalised terms used within these reproduced statements bear the meanings ascribed to them in the Exit Offer Letter, the IFA Letter and the Constitution, as the case may be.**

In this Circular, the issued and paid-up share capital of the Company as at the Latest Practicable Date is S$932,200,000 comprising 1,180,000,000 Shares.

*Forward-Looking Statements*

*All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as "seek", "expect", "anticipate", "estimate", "believe", "intend", "project", "plan", "potential", "strategy", "forecast" and similar expressions or future or conditional verbs such as "will", "would", "should", "could", "may" and "might". These statements reflect the current expectations, beliefs, hopes, intentions or strategies of the party making the statements regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders and investors should not place undue reliance on such forward-looking statements, and neither the Company nor the Offeror undertake any obligation to update publicly or revise any forward-looking statements.*

# INDICATIVE TIMETABLE

| | | |
|---|---|---|
| Last date and time for lodgment of proxy forms for the EGM[(1)] | : | 27 April 2018 at 1.00 p.m. |
| Date and time of the EGM | : | 30 April 2018 at 1.00 p.m. |
| Expected Closing Date and time | : | 14 May 2018 at 5.30 p.m., or such other date(s) as may be announced from time to time by or on behalf of the Offeror |
| Expected date and time of the suspension of trading of the Shares by the SGX-ST[(2)] | : | 8 May 2018 at 9.00 a.m., or such other date(s) as may be announced from time to time by or on behalf of the Company |
| Expected date for the Delisting of the Shares | : | Approximately two (2) to three (3) weeks after the Closing Date, or such other date as may be announced from time to time by or on behalf of the Company |
| Expected date(s) for the payment of the Exit Offer Price, in respect of valid acceptances of the Exit Offer | : | Within seven (7) Business Days:<br><br>(a) after the Delisting Resolution has been passed at the EGM (where valid acceptances of the Exit Offer are tendered on or prior to the date of the Delisting Resolution being passed at the EGM); or<br><br>(b) after the date of receipt of valid acceptances of the Exit Offer (where such acceptances are tendered after the Delisting Resolution has been passed at the EGM but before the close of the Exit Offer) |

Shareholders should note that, save for the last date and time for lodgment of proxy forms for the EGM, the date and time of the EGM and the date(s) for the payment of the Exit Offer Price in respect of valid acceptances of the Exit Offer, the above timetable is indicative only and may be subject to change. For the events listed above which are described as "expected", please refer to future announcement(s) by the Company for the exact dates and times of these events.

**Note:**

(1) The instrument appointing a proxy must be deposited at the registered office of the Company's share registrar, RHT Corporate Advisory Pte. Ltd., at 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619 not less than 72 hours before the time appointed for holding the EGM.

(2) The current expected date of the suspension of trading of the Shares is based on an expected Closing Date of 14 May 2018.

**PLEASE NOTE THAT THE EXIT OFFER IS CONDITIONAL UPON THE DELISTING RESOLUTION BEING PASSED AT THE EGM. PURSUANT TO RULE 1307 OF THE LISTING MANUAL, THE DELISTING RESOLUTION IS CONSIDERED PASSED IF IT IS APPROVED BY A MAJORITY OF AT LEAST 75 PER CENT. OF THE TOTAL NUMBER OF SHARES (EXCLUDING TREASURY SHARES AND SUBSIDIARY HOLDINGS) HELD BY THE SHAREHOLDERS PRESENT AND VOTING, ON A POLL, EITHER IN PERSON OR BY PROXY AT THE EGM, AND IF THE DELISTING RESOLUTION HAS NOT BEEN VOTED AGAINST BY 10 PER CENT. OR MORE OF THE TOTAL NUMBER OF SHARES (EXCLUDING TREASURY SHARES AND SUBSIDIARY HOLDINGS) HELD BY THE SHAREHOLDERS PRESENT AND VOTING, ON A POLL, EITHER IN PERSON OR BY PROXY, AT THE EGM. IF THIS CONDITION IS NOT SATISFIED AT THE EGM TO BE CONVENED, THE DELISTING WILL NOT PROCEED, AND THE COMPANY WILL REMAIN LISTED ON THE SGX-ST AND THE EXIT OFFER WILL LAPSE.**

**PLEASE ALSO NOTE THAT APPROVING THE DELISTING RESOLUTION AT THE EGM DOES NOT AUTOMATICALLY MEAN THAT YOU HAVE ACCEPTED THE EXIT OFFER. PLEASE REFER TO APPENDIX 1 TO THE EXIT OFFER LETTER IF YOU WISH TO ACCEPT THE EXIT OFFER.**

# VARD HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.: 201012504K)

| **Board of Directors:** | **Registered Office:** |
|---|---|
| Mr. Giuseppe Coronella (Chairman and Non-Executive Director) | 6 Battery Road |
| Mr. Roy Reite (Chief Executive Officer and Executive Director) | #10-01 |
| Mr. Vittorio Zane (Executive Vice President and Executive Director) | Singapore 049909 |
| Mr. Claudio Cisilino (Non-Executive Director) | |
| Mr. Sok Sung Hyon (Independent Director) | |
| Mr. Lee Keen Whye (Lead Independent Director) | |

**13 April 2018**

To: The Shareholders of the Company

Dear Sir / Madam

**PROPOSED VOLUNTARY DELISTING OF VARD HOLDINGS LIMITED PURSUANT TO RULES 1307 AND 1309 OF THE LISTING MANUAL**

## 1. INTRODUCTION

1.1 On 13 November 2017, the Company and the Offeror jointly announced that the Offeror had presented to the Board the Delisting Proposal.

Under the Delisting Proposal, Citigroup, for and on behalf of the Offeror, will make an exit offer to acquire the Offer Shares at the Exit Offer Price of S$0.25 in cash for each Offer Share. A copy of the Joint Announcement is available on the website of the SGX-ST at www.sgx.com.

1.2 The Directors have reviewed the Delisting Proposal and resolved to seek an application to the SGX-ST for the Delisting and convene an EGM of the Company to seek the approval of Shareholders for the Delisting.

1.3 The purpose of this Circular is to provide Shareholders with relevant information regarding the Delisting Proposal and the Exit Offer and to seek Shareholders' approval for the Delisting at the EGM to be held on 30 April 2018.

## 2. THE DELISTING PROPOSAL

Under the terms of the Delisting Proposal, the Offeror is making the Exit Offer to acquire the Offer Shares. The Delisting and Exit Offer are conditional on (a) the SGX-ST agreeing to the application by the Company to delist from the Official List of the SGX-ST; and (b) the Delisting Resolution being passed at the EGM. Pursuant to Rule 1307 of the Listing Manual, the Delisting Resolution is considered passed if it is approved by a majority of at least 75 per cent. of the total number of Shares (excluding treasury shares and subsidiary holdings) held by the Shareholders present and voting, on a poll, either in person or by proxy at the EGM, and if the Delisting Resolution has not been voted against by 10 per cent. or more of the total number of Shares (excluding treasury shares and subsidiary holdings) held by the Shareholders present and voting, on a poll, either in person or by proxy, at the EGM. The Delisting Resolution, if passed by Shareholders at the EGM, will result in the delisting of the Company from the Official List of the SGX-ST.

2.1 <u>Rules 1307 and 1309 of the Listing Manual</u>

Under Rule 1307 of the Listing Manual, the SGX-ST may agree to an application for the Company to delist from the Official List of the SGX-ST if:

(a) the Company convenes the EGM to obtain Shareholders' approval for the Delisting;

(b) the Delisting Resolution has been approved by a majority of at least 75 per cent. of the total number of issued Shares (excluding treasury shares and subsidiary holdings) held by Shareholders present and voting, on a poll, either in person or by proxy at the EGM (the Directors and the Controlling Shareholder need not abstain from voting on the Delisting Resolution); and

(c) the Delisting Resolution has not been voted against by 10 per cent. or more of the total number of issued Shares (excluding treasury shares and subsidiary holdings) held by Shareholders present and voting, on a poll, either in person or by proxy at the EGM.

In addition, under Rule 1309 of the Listing Manual, if the Company is seeking to delist from the SGX-ST:

(i) a reasonable exit alternative, which should normally be in cash, should be offered to Shareholders; and

(ii) the Company should normally appoint an independent financial adviser to advise on the Exit Offer.

2.2 Application to the SIC

As stated in the Exit Offer Letter, an application was made by the Offeror to the SIC to seek certain rulings in relation to the Delisting Proposal and the Exit Offer. The SIC ruled on 23 October 2017, *inter alia*, that:

(a) the Exit Offer is exempted from compliance with the following provisions of the Code:

(i) Rule 20.1 on keeping the Exit Offer open for 14 days after it is revised;

(ii) Rule 22 on the offer timetable;

(iii) Rule 28 on acceptances; and

(iv) Rule 29 on the right of acceptors to withdraw their acceptances,

subject to the following conditions:

(A) the Exit Offer remaining open for at least:

(1) 21 days after the date of the despatch of the Exit Offer Letter if the Exit Offer Letter is despatched after Shareholders' approval for the Delisting has been obtained; or

(2) 14 days after the date of the announcement of Shareholders' approval of the Delisting if the Exit Offer Letter is despatched on the same date as the Circular; and

(B) disclosure in the Circular of:

(1) the consolidated NTA per Share of the Group based on the latest published accounts prior to the date of the Circular; and

(2) particulars of all known material changes as of the Latest Practicable Date which may affect the consolidated NTA per Share referred to in paragraph 2.2(a)(B)(1) above or a statement that there are no such known material changes; and

(b) the Relevant Directors are exempted from the requirement to make a recommendation on the Exit Offer to the Shareholders as the Relevant Directors face a conflict of interests in view of them being directors of the Offeror and employees of the Fincantieri Group. Nevertheless, each of the Relevant Directors must still assume responsibility for the accuracy of facts stated or opinions expressed in documents and advertisements issued by, or on behalf of, the Company in connection with the Exit Offer.

Please refer to paragraph 9 of the Exit Offer Letter for further details of the rulings of the SIC.

## 3. THE EXIT OFFER

3.1 The Exit Offer

As stated in the Exit Offer Letter, the Exit Offer is extended to:

(a) all Shares held by the Shareholders, other than those Shares already owned, controlled or agreed to be acquired by the Offeror, its related corporations and their respective nominees; and

(b) if applicable, all Shares issued or to be issued pursuant to the valid exercise, on or prior to the Closing Date, of any option to subscribe for new Shares under the Option Scheme,

(all such shares, the "**Offer Shares**") on the terms and subject to the conditions set out in the Exit Offer Letter, the FAA and the FAT, as such Exit Offer may be amended, extended and revised from time to time by or on behalf of the Offeror.

3.2 Information on the Offeror

As stated in paragraph 4.1 of the Exit Offer Letter, the Offeror is incorporated in Italy and is a direct wholly-owned subsidiary of Fincantieri. The corporate purpose of the Offeror is the manufacturing (directly or through its subsidiaries) of highly technological equipment, systems and components for the oil & gas sector, including construction, maintenance and transformation of offshore vessels and/or rigs. The Offeror may also acquire, manage and sell participations in the industrial, real estate or services sectors, provide administrative and consulting services to its subsidiaries and affiliates, manage real estate property of any kind, and acquire, manage and develop intellectual property rights.

As at the Latest Practicable Date:

(a) the Offeror is the majority shareholder of Vard, holding 980,075,610 Shares (representing approximately 83.06 per cent. of the issued Shares); and

(b) the directors of the Offeror are Mr. Enrico Buschi, Mr. Giuseppe Dado, Mr. Vitaliano Pappaianni, Mr. Riccardo Bonalumi and Ms. Monica Polidori.

For more details on the Offeror, please refer to paragraph 4.1 of and Appendix 2 to the Exit Offer Letter.

3.3 Terms of the Exit Offer

As stated in the Exit Offer Letter, the price for each Offer Share will be as follows:

**For each Offer Share: S$0.25 in cash ("Exit Offer Price").**

The Exit Offer Price shall be applicable to any number of Offer Shares that are tendered in acceptance of the Exit Offer.

The Offeror shall pay the Exit Offer Price in cash for the Offer Shares which are validly tendered in acceptance of the Exit Offer.

The Exit Offer is extended to all Offer Shares. The Shareholders may accept the Exit Offer in respect of all or part of their holdings of Offer Shares. **The Exit Offer is <u>not</u> conditional upon a minimum number of acceptances being received by the Offeror.**

The Offer Shares will be acquired (a) fully paid, (b) free from all claims, charges, liens, mortgages, encumbrances, hypothecation, retention of title, power of sale, equity, options, rights of pre-emption, rights of first refusal or other third party rights or interests of any nature whatsoever ("**<u>Encumbrances</u>**"), and (c) together with all rights, benefits and entitlements attached thereto as at the Joint Announcement Date and thereafter attaching thereto, including but not limited to the right to receive and retain (if any) all dividends, rights, other distributions and return of capital ("**<u>Distributions</u>**") announced, declared, paid or made by the Company on or after the Joint Announcement Date. If any Distribution is announced, declared, made or paid by the Company on or after the Joint Announcement Date to a Shareholder who accepts or has accepted the Exit Offer and the settlement date in respect of the Offer Shares accepted pursuant to the Exit Offer falls after the books closure date for the determination of entitlements to such Distribution, the Offeror reserves the right to reduce the Exit Offer Price payable to such accepting Shareholder by the amount of such Distribution.

Further details on the Exit Offer are set out in the Exit Offer Letter.

3.4 <u>Conditions</u>

(a) As stated in the Exit Offer Letter, the Delisting and Exit Offer are conditional upon (i) the SGX-ST agreeing to the application by the Company to delist from the Official List of the SGX-ST; and (ii) the Delisting Resolution being passed at the EGM in the manner described in Section 2.1 of this Circular.

(b) Shareholders should note that the Directors, the Offeror and its related corporations and their respective nominees are entitled to vote on the Delisting Resolution.

The Offeror, which owns 980,075,610 Shares as at the Latest Practicable Date, representing approximately 83.06 per cent. of the total number of issued Shares, intends to vote all of these Shares and any other Shares which may be acquired by the Offeror after the Latest Practicable Date in favour of the Delisting Resolution at the EGM.

On 20 February 2018, the Company submitted an application to the SGX-ST to delist the Company from the Official List of the SGX-ST. On 4 April 2018, the SGX-ST responded to the Company that it has no objection to the Delisting, subject to, *inter alia*, the approval by the Company's shareholders in accordance with Rule 1307 of the Listing Manual. However, the SGX-ST's decision is not an indication of the merits of the Delisting.

**Shareholders are to note that the Delisting and the Exit Offer will be conditional upon the Delisting Resolution being passed at the EGM. If this condition is not fulfilled, the Delisting will not proceed and the Company will remain listed on the Official List of the SGX-ST. The Exit Offer will also lapse and all acceptances of the Exit Offer will be returned.**

**Shareholders are to also note that approving the Delisting Resolution at the EGM does NOT automatically mean that you have accepted the Exit Offer. Please refer to Section 14 of this Circular entitled "Action to be taken by Shareholders" and Appendix 1 to the Exit Offer Letter entitled "Procedures for Acceptance and Settlement of the Exit Offer" for further details on the actions to take if you wish to accept the Exit Offer.**

3.5 <u>Warranty by Shareholders</u>

As stated in the Exit Offer Letter, a Shareholder who tenders his Offer Shares in acceptance of the Exit Offer will be deemed to unconditionally and irrevocably warrant that the Offer Shares in respect of which the Offer is accepted will be (a) fully paid, (b) free from all Encumbrances, and (c) transferred together with all rights, benefits and entitlements attached thereto as at the Joint Announcement Date and thereafter attaching thereto, including but not limited to the right to receive and retain (if any) all Distributions announced, declared, paid or made by the Company on or after the Joint Announcement Date.

3.6 Duration

As stated in the Exit Offer Letter, the Exit Offer is open for acceptance by Shareholders from the Despatch Date. Shareholders may choose to accept the Exit Offer before the EGM. However, such acceptances are conditional and if the Delisting Resolution is not approved at the EGM, the condition to the Delisting and Exit Offer will not have been fulfilled and the Exit Offer will lapse, and both the Shareholders and the Offeror will cease to be bound by any prior acceptances of the Exit Offer by any Shareholder.

As stated in the Exit Offer Letter, if the Delisting Resolution is approved by the Shareholders at the EGM, the Exit Offer will be open for acceptance by the Shareholders for a period of at least 14 days after the date of the announcement of the Shareholders' approval of the Delisting Resolution at the EGM. Accordingly, if the Delisting Resolution is approved by the Shareholders at the EGM, the Exit Offer will close at 5.30 p.m. (Singapore time) on 14 May 2018 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

If the Exit Offer is extended, an announcement will be made of such extension and the Exit Offer will remain open for acceptance for such period as may be announced.

## 4. OPTIONS

As at the Latest Practicable Date, there are no outstanding options exercisable in respect of the Shares under the Option Scheme.

The Exit Offer will be extended to, if applicable, all Shares issued or to be issued pursuant to the valid exercise, on or prior to the Closing Date, of any option to subscribe for new Shares under the Option Scheme.

## 5. IMPLICATIONS OF COMPULSORY ACQUISITION AND DELISTING FOR SHAREHOLDERS

5.1 Delisting

Shareholders should note that shares of unlisted companies are generally valued at a discount to the shares of comparable listed companies as a result of the lack of marketability. **Following the Delisting, it is likely to be difficult for Shareholders who do not accept the Exit Offer to sell their Shares in the absence of a public market for the Shares as there is no arrangement for Shareholders to exit. If the Company is delisted, even if such Shareholders were able to sell their Shares, they may receive a lower price as compared to the Exit Offer Price.** Further, any transfer or sale of Shares represented by share certificates will be subject to stamp duty.

Shareholders should also note that, under the Code, except with the consent of the SIC, neither the Offeror nor any person acting in concert with it may, within six (6) months of the closure of the Exit Offer, make a second offer to, or acquire any Shares from, any Shareholder on terms better than those made available under the Exit Offer.

As an unlisted company, the Company will no longer be obliged to comply with the listing requirements of the SGX-ST, in particular the continuing corporate disclosure requirements under Chapter 7 and Appendices 7.1, 7.2, 7.4.1 and 7.4.2 of the Listing Manual. Nonetheless, the Company will still need to comply with the Companies Act and its Constitution, and the interests of Shareholders who do not accept the Exit Offer will be protected to the extent provided for by the Companies Act.

If the Company is delisted from the Official List of the SGX-ST, each Shareholder who holds Shares that are deposited with CDP and does not accept the Exit Offer will be entitled to one (1) share certificate representing his delisted Shares. The Company's share registrar, RHT Corporate Advisory Pte. Ltd., will arrange to forward the share certificates to such Shareholders who are not CPFIS Investors or SRS Investors, by ordinary post and at the Shareholders' own risk, to their respective addresses as such addresses appear in the records of CDP for their physical safekeeping. The share certificates belonging to CPFIS Investors and SRS Investors will be forwarded to their respective CPF/SRS Agent Banks for their safekeeping.

**Shareholders who are in doubt of their position should seek independent professional advice.**

5.2 Compulsory Acquisition

Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances pursuant to the Exit Offer or acquires such number of Offer Shares from the Despatch Date otherwise than through valid acceptances of the Exit Offer in respect of not less than 90 per cent. of the total number of Shares (excluding treasury Shares) as at the final Closing Date (other than those already held by the Offeror, its related corporations and their respective nominees as at the Despatch Date), the Offeror will be entitled to exercise the right to compulsorily acquire all the Shares of the Shareholders who have not accepted the Exit Offer (the "**Dissenting Shareholders**") on the same terms as those offered under the Exit Offer.

**In the event that the Offeror becomes entitled to exercise its right under Section 215(1) of the Companies Act to compulsorily acquire all the Offer Shares of the Dissenting Shareholders, the Offeror intends to exercise its right of compulsory acquisition. In such event, the Company will become a wholly-owned subsidiary of the Offeror pursuant to such compulsory acquisition.**

In addition, pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of Shares which, together with the Shares held by it, its related corporations and their respective nominees, comprise 90 per cent. or more of the total number of Shares, the Dissenting Shareholders have a right to require the Offeror to acquire their Shares at the Exit Offer Price. Dissenting Shareholders who wish to exercise such a right are advised to seek their own independent legal advice.

**Shareholders are advised to seek their own independent legal advice in relation to the compulsory acquisition provisions under the Companies Act.**

Please refer to paragraphs 7.3 and 7.4 of the Exit Offer Letter for details on, *inter alia*, the rights of the Offeror and Shareholders under the Companies Act.

## 6. INFORMATION ON THE OFFEROR AND THE PARTIES ACTING IN CONCERT WITH IT

Please refer to paragraph 12 of the Exit Offer Letter and Appendix 9 to the Exit Offer Letter for information and further disclosures on the Offeror as well as the other parties acting in concert with the Offeror.

## 7. INFORMATION ON THE COMPANY AND THE GROUP

The Company is incorporated in Singapore and listed on the Main Board of the SGX-ST since 12 November 2010 and is the parent company of the Group. Headquartered in Norway and with approximately 9,000 employees, the Group operates nine (9) strategically located shipbuilding facilities, including five (5) in Norway, two (2) in Romania, one (1) in Brazil and one (1) in Vietnam. The core business of the Group is the design and construction of complex and highly customised specialised vessels. Through its specialised subsidiaries, the Group develops power and automation systems, deck handling equipment, and vessel accommodation solutions, and provides design and engineering services to the global maritime industry.

Additional information on the Company is set out in **Appendix III** to this Circular.

## 8. RATIONALE FOR THE DELISTING AND THE OFFEROR'S INTENTIONS RELATING TO THE COMPANY AND THE GROUP

8.1 The following section on the rationale for the Exit Offer and the Offeror's intentions relating to the Company and the Group is reproduced from paragraphs 6 and 7.2 of the Exit Offer Letter, and all terms and expressions used in the extract below shall bear the same meanings as attributed to them in the Exit Offer Letter unless otherwise stated:

"*6.1* ***Opportunity for Shareholders to Exit their Investment slightly above the NTA value of the Shares.*** *The Exit Offer represents a cash exit opportunity for Shareholders to liquidate and realise their entire investment slightly above the NTA value of the Shares as of the fourth quarter ended 31 December 2017, without incurring brokerage and other trading costs.*

| | *Quarter* | *NTA per Share (S$)(1)* |
|---|---|---|
| *(a)* | *As of the fourth quarter ended 31 December 2017* | ***0.23*** |
| *(b)* | *As of the third quarter ended 30 September 2017* | ***0.25*** |
| *(c)* | *As of the second quarter ended 30 June 2017* | ***0.25*** |
| *(d)* | *As of the first quarter ended 31 March 2017* | ***0.25*** |
| *(e)* | *As of the fourth quarter ended 31 December 2016* | ***0.25*** |

***Note:***

*(1) Assuming an exchange rate of NOK1 = S$0.1676 as at the Latest Practicable Date.*

***6.2 Low Free Float and Low Trading Liquidity of Shares.*** *Recent market data shows that the Shares have been generally thinly traded on the SGX-ST and with only sporadic trading volume.*

*For the six-month period prior to and including the Last Trading Day, the average trading volume for the market days on which the Shares were traded was 675,277 Shares, representing approximately 0.28 per cent. of the Company's free float[1] of Shares. During this six-month period, the Offeror bought 57,481,500 Shares on the market at a price of S$0.24. Excluding the Shares bought by the Offeror, the average trading volume for the market days on which the Shares were traded was 175,437 Shares, representing approximately 0.07 per cent. of the Company's free float of Shares.*

| | *Period prior to and including the Last Trading Day* | *Average daily trading volume(1)* | *Approximate percentage of total number of free float Shares (%)* | *Average daily trading volume excluding Shares bought by the Offeror(1)* | *Approximate percentage of total number of free float of Shares (%)* |
|---|---|---|---|---|---|
| *(a)* | *Last one-month* | *239,305* | *0.10* | *212,632* | *0.09* |
| *(b)* | *Last three-months* | *343,907* | *0.14* | *174,861* | *0.07* |
| *(c)* | *Last six-months* | *675,277* | *0.28* | *175,437* | *0.07* |

***Note:***

*(1) Source: Bloomberg L.P.. The average daily volume is computed based on the total trading volume of the Shares for all market days for the relevant parties immediately prior to and including the Last Trading Day, divided by the total number of market days during the respective periods.*

*The Exit Offer therefore represents a clean cash exit opportunity for Shareholders (without incurring any brokerage and other trading costs) to realise their entire investment in the Shares above the latest announced NTA value of the Shares as of the fourth quarter ended 31 December 2017, an opportunity that otherwise may not be available due to the low trading liquidity and low free float of the Shares.*

[1] *The free float of Vard represents the total number of Shares which are held by the public, being 243,774,290 Shares as at the Joint Announcement Date.*

*6.3* ***Business Rationale and Greater Management Flexibility.*** *As previously mentioned in the offer document dated 1 December 2016 issued by Credit Suisse (Singapore) Limited for and on behalf of the Offeror in relation to the Offeror's voluntary conditional cash offer for the Shares, the Offeror has long been convinced of a strong business rationale in fully integrating Vard within the Fincantieri Group. Since the acquisition of the majority stake in Vard in 2013, the Offeror's objective has been to delist Vard and to implement a series of synergies in engineering and production. Such industrial rationale has only become stronger in the context of the persisting unfavourable oil & gas market conditions. The Offeror believes that the delisting would provide the management of Vard with the flexibility to manage and develop its existing businesses while exploring further opportunities without the attendant cost, regulatory restrictions and compliance issues associated with its listed status on the SGX-ST. With the current backdrop of unfavourable oil & gas market conditions, such management flexibility is of paramount importance in order for Vard, with the support of the Fincantieri Group, to be able to develop industrial and commercial initiatives, optimise the use of their resources and generate mutual business opportunities to help secure Vard's future.*

*6.4* ***Costs of Maintaining Listing Status.*** *In maintaining its listed status, Vard incurs compliance and associated costs. The Delisting would allow Vard to dispense with expenses relating to the maintenance of a listed status and focus its resources on its business operations. Furthermore, for so long as Vard operates as a separate SGX-ST listed entity, efforts to fully integrate Vard's activities with those of the Fincantieri Group would remain subject to Vard's continuing compliance with the requirements of the Listing Manual.*

*6.5* ***Funding Requirements.*** *The Offeror believes that by delisting Vard and fully integrating Vard with the Fincantieri Group, Vard will have improved access to funding on terms consistent with its needs in the event market conditions continue to deteriorate and the Fincantieri Group will be in a better position to provide financial support to its wholly-owned subsidiary. If Vard is not privatised and fully integrated with the Fincantieri Group, the Offeror believes that, in the event market conditions continue to deteriorate and Vard is unable to raise debt financing at terms consistent with its needs, Vard may be required to seek alternative avenues of funding, including equity fund raising on the SGX-ST, in order to support current business operations and requirements of Vard and its subsidiaries.*

*…*

*7.2* ***Offeror's Future Plans for Vard.*** *The Offeror intends for Vard to continue its existing business activities and there are no plans to (i) introduce any major changes to the business of Vard or the operations of any of its subsidiaries, (ii) re-deploy any of the fixed assets of Vard or (iii) discontinue the employment of any of the existing employees of Vard and/or its subsidiaries, other than in the ordinary course of business. However, the Offeror retains the flexibility at any time to consider any options or opportunities in relation to Vard which may present themselves and which the Offeror may regard to be in the best interests of Vard.*"

8.2 The Directors note that the Offeror has stated its intentions in relation to the operations and businesses of the Company as well as the employees of the Group in paragraph 7.2 of the Exit Offer Letter.

**SHAREHOLDERS ARE URGED TO READ PARAGRAPHS 6 AND 7 OF THE EXIT OFFER LETTER CAREFULLY.**

## 9. OVERSEAS SHAREHOLDERS

The following section on Overseas Shareholders is reproduced from paragraph 13 of the Exit Offer Letter, and all terms and expressions used in the extract below shall bear the same meanings ascribed to them in the Exit Offer Letter unless otherwise stated:

*"13.1* ***Overseas Shareholders.*** *The Delisting Materials do not constitute an offer to sell or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in the Delisting Materials in any jurisdiction in contravention of applicable law.*

***For the avoidance of doubt, the Exit Offer is open to all Shareholders, including those to whom the Delisting Materials may not be sent.***

*The availability of the Exit Offer to Overseas Shareholders may be affected by the laws of the relevant overseas jurisdictions. Accordingly, all Overseas Shareholders should inform themselves about, and observe, any applicable requirements in their own jurisdictions.*

***13.2 Copies of the Delisting Materials.*** *Where there are potential restrictions on sending the Delisting Materials to any overseas jurisdiction, the Offeror and Citigroup each reserves the right not to send the Delisting Materials to the Shareholders in such overseas jurisdictions. Any affected Overseas Shareholder may nonetheless obtain copies of the Delisting Materials during normal business hours from (i) CDP (if he is a Depositor) at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588; or (ii) the office of the Receiving Agent (if he is holding Shares which are not deposited with CDP ("****in scrip form****")) at 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619. Alternatively, an affected Overseas Shareholder may write to the Offeror through the Receiving Agent (if he is holding Shares in scrip form) or CDP (if he is a Depositor) to request for the Delisting Materials to be sent to an address in Singapore by ordinary post at his own risk, up to five Market Days prior to the Closing Date.*

***13.3 Overseas Jurisdiction.*** *It is the responsibility of any Overseas Shareholder who wishes to accept the Exit Offer to satisfy himself as to the full observance of the laws of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consent which may be required, or compliance with other necessary formalities or legal requirements. Such Overseas Shareholder shall be liable for any such taxes, imposts, duties or other requisite payments payable in such jurisdictions and the Offeror, its related corporations, Citigroup, CDP, the Receiving Agent and/or any other person acting on its behalf shall be fully indemnified and held harmless by such Overseas Shareholders for any such taxes, imposts, duties or other requisite payments as the Offeror, its related corporations, Citigroup, CDP, the Receiving Agent and/or any other person acting on its behalf may be required to pay. In (i) requesting for the Delisting Materials and (ii) accepting the Exit Offer, the Overseas Shareholder represents and warrants to the Offeror and Citigroup that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements. If any Shareholder is in any doubt about his position, he should consult his professional adviser in the relevant jurisdiction.*

***13.4 Notice.*** *The Offeror and Citigroup each reserves the right to notify any matter, including the fact that the Exit Offer has been made, to any or all of the Shareholders (including Overseas Shareholders) by announcement to the SGX-ST or paid advertisement in a daily newspaper published and circulated in Singapore, in which case, such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder (including an Overseas Shareholder) to receive or see such announcement or advertisement.*

***Overseas Shareholders who are in doubt about their positions should consult their own professional advisers in the relevant jurisdictions."***

## 10. INFORMATION IN RESPECT OF THE DIRECTORS

10.1 Independence of Directors

The Independent Directors are independent for the purposes of the Exit Offer and are required to make a recommendation to Shareholders in relation to the Exit Offer. The SIC has ruled on 23 October 2017 that the Relevant Directors will be exempted from the requirement to make a recommendation on the Exit Offer to the Shareholders as they face a conflict of interests in view of them being directors of the Offeror and employees of the Fincantieri Group. Nevertheless, each of the Relevant Directors must still assume responsibility for the accuracy of facts stated or opinions expressed in documents and advertisements issued by, or on behalf of, the Company in connection with the Exit Offer.

10.2 Directors' Interests

As at the Latest Practicable Date, none of the Directors has any direct or deemed interests in any Company Securities.

Further details on the Directors including, *inter alia*, the Directors' direct and deemed interests in the Offeror Securities as at the Latest Practicable Date are set out in **Appendix III** to this Circular.

10.3 Intentions of the Directors in respect of their Shares

None of the Directors has any direct or indirect interests in the Offer Shares.

## 11. ADVICE OF CIMB TO THE INDEPENDENT DIRECTORS

CIMB has been appointed as the independent financial adviser to the Independent Directors in relation to the Exit Offer. The advice of CIMB to the Independent Directors on the Exit Offer is set out in the IFA Letter annexed as **Appendix I** to this Circular. Shareholders are advised to read and consider carefully, in its entirety, the advice of CIMB contained in the IFA Letter. An extract of CIMB's advice in relation to the Exit Offer and the key factors it has taken into consideration are reproduced in italics below:

"***8. SUMMARY OF OUR ANALYSIS***

*In arriving at our advice to the Independent Directors on the Exit Offer, we have considered, inter alia, the following factors which should be read in the context of the full text of this letter:*

*(i) The Exit Offer Price represents a premium of between approximately 16.2% and 35.1% over the various VWAPs of the Shares in the 1-year period prior to the 2016 Vard Offer Announcement Date;*

*(ii) The Exit Offer Price represents a premium of approximately 4.0% over the VWAP of the Shares between the close of the 2016 Vard Offer and the Joint Announcement Date;*

*(iii) Between 27 March 2017 (being the market day immediately after the close of the 2016 Vard Offer) and the Latest Practicable Date, the Offeror made open market purchases of the Shares, amounting to approximately 8.6% of total share capital of the Company and which accounted for 70.5% of all transactions in the Shares;*

*(iv) Save for the 1-month period prior to the Joint Announcement Date where the Exit Offer Price represents a discount of approximately 0.9% over the corresponding VWAP of the Shares, the Exit Offer Price generally represents a premium of between approximately 0.0% and 3.6% over the various VWAPs of the Shares in the 6-month period prior to the Joint Announcement Date;*

*(v)* *The ADTV of the Shares ranged between approximately 0.10% and 0.26% of the Company's free float, over the various historical periods in the 6-month period prior to the Joint Announcement Date, with the Offeror accounting for approximately 75.1% of total Shares traded during this 6-month period;*

*(vi)* *For the past 3 years leading up to the Last Trading Day, the Shares has underperformed the FSSTI and the SGXMA;*

*(vii)* *The Share prices as at the Last Trading Day and as at the Latest Practicable Date is likely supported by the Exit Offer and purchases by the Offeror and hence may not be sustained at these levels after the close of the Exit Offer should the Offeror reduce the volume and/or the prices of its purchase of Shares;*

*(viii)* *The Exit Offer Price represents a discount of approximately 14.9% to the NAV per Share and a premium of approximately 10.6% to the NTA per Share as at 31 December 2017;*

*(ix)* *The Exit Offer Price is at a discount of approximately 19.2% to the RNAV per Share of S$0.309 as at 31 December 2017;*

*(x)* *The P/NAV multiple implied by the Exit Offer Price is higher than the average P/NAV multiples of the Shares for the 3-year and 1-year periods prior to the Last Trading Day;*

*(xi)* *The EV/EBITDA multiple implied by the Exit Offer Price is above the corresponding range of multiples of the Comparable Companies;*

*(xii)* *The P/NAV multiple implied by the Exit Offer Price is above the corresponding median multiple but below the mean multiple of the Comparable Companies;*

*(xiii)* *The EV/EBITDA multiple implied by the Exit Offer Price is above the corresponding range of multiples of the Precedent Transactions;*

*(xiv)* *The P/NAV multiple implied by the Exit Offer Price is above the corresponding mean and median multiples of the Precedent Transactions;*

*(xv)* *The P/RNAV multiple implied by the Exit Offer Price is below the corresponding mean and median multiples of the Precedent Transactions but nevertheless within its range of multiples;*

*(xvi)* *The market premium implied by the Exit Offer Price, over the last transacted price and 1-month VWAPs of the Shares prior to the Joint Announcement Date are below the corresponding range of premia of the Precedent Transactions;*

*(xvii)* *The market premium implied by the Exit Offer Price, over the last transacted price and 1-month VWAPs prior to the 2016 Vard Offer Announcement Date are below the corresponding mean and median premia of the Precedent Transactions;*

*(xviii)* *The market price premium implied by the Exit Offer Price over the last transacted Share price, 1-month and 3-month VWAPs prior to the Joint Announcement Date are well below the corresponding range of premia of the Precedent Takeovers;*

*(xix)* *The market price premium implied by the Exit Offer Price over the last transacted Share price, 1-month and 3-month VWAPs prior to the 2016 Vard Offer are below the corresponding overall mean and median premia of the Precedent Takeovers;*

*(xx)* *The EV/EBITDA multiple of the Company implied by the Exit Offer Price is lower than that in the 2016 Vard Offer but is higher than that in the 2012 Vard Offer;*

*(xxi) The P/NAV multiple of the Company implied by the Exit Offer Price is higher than that in the 2016 Vard Offer but is lower than that in the 2012 Vard Offer;*

*(xxii) The market price premium implied by the Exit Offer Price, over the last transacted price and 1-month VWAPs of Shares prior to the Joint Announcement Date are below the corresponding range of premia in the 2016 Vard Offer, but above the corresponding range of premia in the 2012 Vard Offer;*

*(xxiii) The Company has not paid any dividends since 2012;*

*(xxiv) As at the Latest Practicable Date, the Offeror and its concert parties owns approximately 83.06 per cent. of the total number of Shares which they are entitled and intends to vote in favour of the Delisting Resolution;*

*(xxv) Following the Delisting, it is likely to be difficult for Shareholders who do not accept the Exit Offer to sell their Shares in the absence of a public market for the Shares, as there is no ready mechanism for such Shareholders to exit their investment in the Shares. They may also have to sell their Shares at a lower price;*

*(xxvi) In the event that the Offeror becomes entitled to exercise its right of compulsory acquisition under Section 215(1) of the Companies Act, the Offeror intends to exercise such right;*

*(xxvii) As at the Latest Practicable Date, there is no alternative or competing takeover offer for the Shares;*

*(xxviii) General trend of improvements in the Group's recent financial performance and order book and the Group's success in its diversification strategy; and*

*(xxix) The Offeror currently has no intention to propose any major changes to the business of the Group.*

***Based upon, and having considered, inter alia, the factors described above and the information that has been made available to us as at the Latest Practicable Date, we are of the opinion that as of the Latest Practicable Date, the Exit Offer is NOT FAIR BUT REASONABLE.***

*In determining that the Exit Offer is **NOT FAIR**, we have considered the following pertinent factors:*

*(i) The market price premium implied by the Exit Offer Price is significantly lower than the corresponding mean and median premia in the Precedent Transactions and Precedent Takeovers;*

*(ii) The Exit Offer Price is at a discount to NAV per Share;*

*(iii) The Group's financial performance in terms of revenue and EBITDA have seen improvements in FY2017;*

*(iv) The Group's current order book continues its upward trend with CAGR of 13.7% between FY2015 and FY2017; and*

*(v) The Group has successfully executed its diversification strategy since 2016 to reduce its dependency on the offshore business and entering into new markets in exploration cruises, fishing and aquaculture.*

*In determining that the Exit Offer is* ***REASONABLE****, we have considered the following pertinent factors:*

*(i) The Offeror already owns 83.06 per cent. of the Shares and has statutory control of the Company with ability to pass all resolutions on matters which the Offeror do not have an interest at general meetings of Shareholders;*

*(ii) The Company has not paid any dividends since 2012 and there is no assurance that dividends will be paid in the future;*

*(iii) There is no alternative takeover offer for the Shares as at Latest Practicable Date;*

*(iv) The market price of the Shares since the close of the 2016 Vard Offer is likely to have been supported by market purchases by the Offeror and the Offer and hence may not be sustained at current levels in the absence of the Exit Offer or if the Offeror reduces its purchase price or volumes for the Shares;*

*(v) The P/NAV implied in the Exit Offer Price is higher than the 1 and 3-year average P/NAV of the Shares;*

*(vi) The P/NAV implied in the Exit Offer Price is within the corresponding range of ratios of the Comparable Companies and above that in the 2016 Vard Offer;*

*(vii) The PNAV and P/RNAV ratios implied in the Exit Offer Price are within the corresponding range of ratios of the Precedent Transactions; and*

*(viii) The Exit Offer Price is equivalent to the analyst's target price of the Shares.*

***Accordingly, we advise the Independent Directors to recommend that Shareholders should either ACCEPT the Exit Offer or sell their Shares on the open market if they can obtain a price equal to or higher than the Exit Offer Price (after deducting related transaction expenses) in the event that the Delisting Resolution is passed and they do not intend or are not prepared to hold unlisted Shares. Shareholders should note that there is no assurance that the market prices and trading volumes of the Shares will be maintained at current levels prevailing as at the Latest Practicable Date after the close of the Exit Offer.***

***We wish to highlight that unless the Delisting Resolution is voted against by 10 per cent. or more of the total number of Shares held by the Shareholders present and voting, on a poll, either in person or by proxy at the EGM, the Delisting Resolution is certain of being passed at the EGM.***

***In the event that the requirements of Delisting under Rules 1307 and 1309 of the Listing Manual are met, the Company will be delisted from the Official List of the SGX-ST.***

***We would also advise the Independent Directors to caution the Shareholders that they should not rely on our advice to the Independent Directors as the sole basis for deciding whether or not to accept the Exit Offer.***

*In rendering the advice above, we have not had regard to the specific investment objectives, financial situation, tax position or particular needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, we would advise that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately. Shareholders should note that the opinion and advice of CIMB should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Exit Offer.*"

## 12. INDEPENDENT DIRECTORS' RECOMMENDATION

Shareholders are advised by the Independent Directors to read and consider carefully the following recommendation of the Independent Directors and the advice of CIMB contained in the IFA Letter as reproduced in **Appendix I** to this Circular in its entirety. The Independent Directors advise the Shareholders to review paragraph 6 of the Exit Offer Letter carefully. The Independent Directors also draw the attention of the Shareholders to Section 5 of this Circular entitled "Implications of Compulsory Acquisition and Delisting for Shareholders".

In reaching the recommendation set out below, the Independent Directors have considered carefully, amongst other things, the terms of the Delisting Proposal including the Exit Offer and the advice given by CIMB.

**Having taken the above matters into consideration, the Independent Directors concur with the advice of CIMB in relation to the Exit Offer.**

**Accordingly, the Independent Directors recommend that Shareholders VOTE IN FAVOUR of the Delisting Resolution and either ACCEPT the Exit Offer or sell their Shares on the open market if they can obtain a price equal to or higher than the Exit Offer Price (after deducting related transaction expenses) in the event that the Delisting Resolution is passed and they do not intend or are not prepared to hold unlisted Shares. Shareholders should note that there is no assurance that the market prices and trading volume of the Shares will be maintained at current levels prevailing as at the Latest Practicable Date after the close of the Exit Offer.**

Shareholders should note that they should not rely on the advice of CIMB to the Independent Directors as the **sole** basis for deciding whether or not to accept the Exit Offer.

In rendering the above advice and giving the above recommendations, the Independent Directors have not taken into consideration nor had regard to the general or specific investment objectives, financial situation, risk profiles, tax position and/or particular or unique needs and constraints of any individual Shareholder. As different Shareholders have different investment profiles and objectives, the Independent Directors recommend that any Shareholder who may require specific advice in relation to the Exit Offer consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

## 13. EXTRAORDINARY GENERAL MEETING

The EGM, as convened by the notice attached to this Circular, will be held at the Mochtar Riady Auditorium, Singapore Management University Administration Building, Level 5, 81 Victoria Street, Singapore 188065 on 30 April 2018 at 1.00 p.m.. The purpose of the EGM is for Shareholders to consider and, if thought fit, pass, on a poll, with or without amendments, the Delisting Resolution set out in the notice of EGM on page N-1 of this Circular.

## 14. ACTION TO BE TAKEN BY SHAREHOLDERS

14.1 <u>Voting at the EGM</u>

Shareholders will find enclosed with this Circular, the Notice of EGM and a proxy form. If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached proxy form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the Company's share registrar, RHT Corporate Advisory Pte. Ltd., at 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619, not later than 72 hours before the time of the EGM on 30 April 2018 at 1.00 p.m.. Completion and return of a proxy form by a Shareholder will not prevent him from attending and voting in person at the EGM if he so wishes, in place of his proxy.

14.2 Acceptance of the Exit Offer

The Exit Offer Letter and the Acceptance Forms have been despatched together with this Circular.

As stated in the Exit Offer Letter, if you have Offer Shares standing to the credit of the "Free Balance" of your Securities Account, you should receive the Exit Offer Letter together with the FAA. If you have not received the FAA, you may obtain a copy, upon production of satisfactory evidence that you are a Shareholder, from CDP at **9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588**.

If you hold Offer Shares in scrip form, you should receive the Exit Offer Letter together with the FAT. If you have not received a FAT, you may obtain a copy, upon production of satisfactory evidence that you are a Shareholder, from RHT Corporate Advisory Pte. Ltd., at **9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619**.

If you wish to accept the Exit Offer, you should complete, sign and deliver the relevant Acceptance Form in accordance with the provisions and instructions in the Exit Offer Letter and that Acceptance Form.

**Shareholders may choose to accept the Exit Offer before the EGM. However, such acceptances are conditional and if the Delisting Resolution is not approved at the EGM, the condition to the Delisting and the Exit Offer will not have been fulfilled and the Exit Offer will lapse, and both the Shareholders and the Offeror will cease to be bound by any prior acceptances of the Exit Offer by any Shareholder.**

**Those Offer Shares in respect of which acceptances have been received shall be returned to the relevant Shareholders in accordance with the procedures set out in the Exit Offer Letter and the Acceptance Forms.**

**If you decide to accept the Exit Offer**, you should complete, sign and deliver the relevant Acceptance Form in accordance with the provisions and instructions in the Exit Offer Letter and that Acceptance Form. If you hold Offer Shares in scrip form, the Offer Shares may not be credited to your Securities Account with CDP in time for you to accept the Exit Offer if you were to deposit your share certificate(s) with CDP after the Despatch Date. If you wish to accept the Exit Offer in respect of such Offer Shares, you should complete the FAT by following the procedures set out in the Exit Offer Letter.

**If you decide not to accept the Exit Offer**, you do not have to take any action. In the event that the Delisting Resolution is passed at the EGM, and the Company is delisted, you will continue to hold unlisted Shares in the Company as an unlisted company. If you hold Shares that are deposited with CDP, one (1) share certificate representing your delisted Shares will be sent, by ordinary post and at your own risk, to your address as such address appears in the records of CDP, for your physical safekeeping after the Company has been delisted from the Official List of the SGX-ST.

The detailed procedures for acceptance and additional information on settlement of the Exit Offer are set out in (a) Appendix 1 to the Exit Offer Letter entitled "Procedures for Acceptance and Settlement of the Exit Offer" to the Exit Offer Letter and (b) **Appendix II** to this Circular entitled "Procedures for Acceptance of the Exit Offer" for your information.

14.3 Information pertaining to CPFIS Investors and SRS Investors

Information on the Exit Offer pertaining to CPFIS Investors and SRS Investors is set out in paragraph 14.2 of the Exit Offer Letter entitled "Information Pertaining to CPFIS Investors and SRS Investors".

## 15. DIRECTORS' RESPONSIBILITY STATEMENT

The recommendation of the Independent Directors to Shareholders set out in Section 12 of this Circular entitled "Independent Directors' Recommendation" is the sole responsibility of the Independent Directors. Save for the foregoing, the Directors have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Circular (other than those relating to the Offeror, the parties acting in concert with it, the Exit Offer, the Delisting Proposal and **Appendices I, II and IV** to this Circular) are fair and accurate, and there are no other facts not contained in this Circular, the omission of which would make any statement in this Circular (other than those relating to the Offeror, the parties acting in concert with it, the Exit Offer, the Delisting Proposal and **Appendices I, II and IV** to this Circular) misleading.

In respect of the IFA Letter (set out in **Appendix I** to this Circular) and the Valuation Reports issued by the respective Valuers (set out in **Appendix IV** to this Circular), the sole responsibility of the Directors has been to ensure that the facts stated therein with respect to the Company are, to the best of their knowledge and belief, fair and accurate in all material respects.

Where any information in this Circular has been extracted or reproduced from published or otherwise publicly available sources or obtained from a named source (including from the Delisting Proposal, the Offeror or the parties acting, or deemed to be acting, in concert with the Offeror), the sole responsibility of the Directors has been to ensure through reasonable enquiries that such information has been accurately and correctly extracted from those sources and/or reflected or reproduced in this Circular in its proper form and context. The Directors do not accept any responsibility for any information relating to the Delisting Proposal, the Exit Offer, the rationale for the Delisting Proposal and the Exit Offer, the Offeror, Fincantieri and/or the Fincantieri Group or any opinion expressed by the Offeror.

## 16. CONSENTS

16.1 The independent financial adviser, CIMB, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name in this Circular, its advice to the Independent Director set out in Section 11 of this Circular, the "Letter from CIMB to the Independent Directors of Vard Holdings Limited in relation to the Exit Offer" set out in **Appendix I** to this Circular and all references thereto in the form and context in which they appear in this Circular.

16.2 Each of the Valuers has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name in this Circular, the Valuation Reports set out in **Appendix IV** to this Circular and all references thereto in the form and context in which they appear in this Circular.

16.3 The Company's share registrar, RHT Corporate Advisory Pte. Ltd., has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name in this Circular, and all references thereto in the form and context in which they appear in this Circular.

## 17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company's share registrar, RHT Corporate Advisory Pte. Ltd., at 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619 during normal business hours, from the date of this Circular until the date of the EGM:

(a) the Constitution;

(b) the annual reports of the Company for FY2014, FY2015 and FY2016;

(c) the FY2017 Results;

(d) the letter from the Offeror to the Company dated 10 November 2017 in respect of the Delisting Proposal;

(e) the Exit Offer Letter from the Offeror to the Company dated 13 April 2018 in respect of the Delisting Proposal;

(f) the letters of consent referred to in Sections 16.1, 16.2 and 16.3 of this Circular;

(g) the IFA Letter as set out in **Appendix I** to this Circular;

(h) the following valuation reports:

    (i) valuation report dated 4 April 2018 from American Appraisal Serviços de Avaliação Ltda.;

    (ii) valuation reports dated 4 April 2018 from Cushman & Wakefield VHS Pte. Ltd.;

    (iii) valuation report dated 4 April 2018 from Cushman & Wakefield Vietnam Limited; and

    (iv) valuation reports dated 4 April 2018 from Cushman & Wakefield Realkapital AS,

    (collectively, the "**Valuation Reports**"), and

(i) the Joint Announcement.

**18. ADDITIONAL INFORMATION**

Your attention is drawn to the Appendices which form part of this Circular.

Yours faithfully
For and on behalf of the Board

Roy Reite
Chief Executive Officer and Executive Director
**VARD HOLDINGS LIMITED**

# LETTER FROM CIMB TO THE INDEPENDENT DIRECTORS IN RELATION TO THE EXIT OFFER

**CIMB BANK BERHAD** (13491-P)
Singapore Branch
(Incorporated in Malaysia)

50 Raffles Place #09-01
Singapore Land Tower
Singapore 048623

13 April 2018

To: **The Independent Directors**
**Vard Holdings Limited**
6 Battery Road #10-01
Singapore 049909

Dear Sirs,

**PROPOSED VOLUNTARY DELISTING OF VARD HOLDINGS LIMITED ("VARD" OR THE "COMPANY") PURSUANT TO RULES 1307 AND 1309 OF THE LISTING MANUAL OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED**

## 1. INTRODUCTION

On 13 November 2017 (the "**Joint Announcement Date**"), the Company and Fincantieri Oil & Gas S.p.A. (the "**Offeror**"), jointly announced (the "**Joint Announcement**") that the Offeror had presented to the board of directors of the Company (the "**Board**") a proposal to seek the privatisation (the "**Delisting Proposal**") of Vard by way of a voluntary delisting (the "**Delisting**") from the Official List of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Delisting is proposed to be made pursuant to Rules 1307 and 1309 of the listing manual of the SGX-ST ("**Listing Manual**").

Under the Delisting Proposal, Citigroup Global Markets Singapore Pte. Ltd. ("**Citigroup**"), for and on behalf of the Offeror, will make an exit offer (the "**Exit Offer**") to acquire:

(a) all the issued ordinary shares in Vard ("**Shares**") held by the shareholders of Vard (the "**Shareholders**"), other than those Shares already owned, controlled or agreed to be acquired by the Offeror, its related corporations and their respective nominees; and

(b) if applicable, all Shares issued or to be issued pursuant to the valid exercise, on or prior to the closing date of the Exit Offer, of any option to subscribe to new Shares under Vard's share option scheme for employees (the "**Option Scheme**"),

on the terms and subject to the conditions set out in the letter dated 13 April 2018 from the Offeror to Shareholders (the "**Exit Offer Letter**"), the Form of Acceptance and Authorisation for Offer Shares in respect of the Exit Offer ("**FAA**") and the Form of Acceptance and Transfer for Offer Shares in respect of the Exit Offer ("**FAT**"), as such Exit Offer may be amended, extended and revised from time to time by or on behalf of the Offeror.

The directors of the Company ("**Directors**") have reviewed the Delisting Proposal and resolved to make an application to the SGX-ST for approval of the Delisting and to convene an extraordinary general meeting ("**EGM**") of the Company to seek the approval of the Shareholders in respect of the resolution for the Delisting (the "**Delisting Resolution**").

In connection with the Exit Offer, CIMB Bank Berhad, Singapore Branch ("**CIMB**") has been appointed as the independent financial adviser pursuant to Rule 1309 of the Listing Manual and Rule 7.1 of the Singapore Code on Take-overs and Mergers (the "**Code**") and to advise the Directors who are considered independent for the purposes of the Exit Offer (the "**Independent Directors**") in respect of their recommendation on the actions to be taken by the Shareholders in relation to the Exit Offer.

This letter sets out, *inter alia*, our evaluation of the financial terms of the Exit Offer and our advice thereon. It forms part of the circular dated 13 April 2018 issued by the Company to its Shareholders setting out, *inter alia*, details of the Delisting Proposal and the Exit Offer, as well as the recommendation of the Independent Directors in respect thereof (the "**Circular**").

Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meanings herein. Any differences between the amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures that precede them.

**To ensure that this letter is comprehensive and concise, details contained in the Circular and Exit Offer Letter, where necessary or relevant are not wholly reproduced, but instead, are referenced to or summarised throughout this letter. We recommend that the Independent Directors advise Shareholders to read these contextual references and summaries with due care.**

## 2. TERMS OF REFERENCE

We have been appointed as the Independent Financial Adviser pursuant to Rule 1309 of the Listing Manual and Rule 7.1 of the Code and to advise the Independent Directors in respect of their recommendation on the actions to be taken by the Shareholders in relation to the Exit Offer.

We have confined our evaluation to the financial terms of the Exit Offer and our terms of reference do not require us to evaluate or comment on the commercial risks and/or commercial merits of the Exit Offer or the future prospects of the Company and its subsidiaries (the "**Group**") and we have not made such evaluation or comment. However, we may draw upon the views of the Directors and/or the management of the Company (the "**Management**") (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this letter. We have not been requested, and we do not express any opinion on the relative merits of the Exit Offer as compared to any other alternative transaction. We have not been requested or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Shares.

We have held discussions with the Directors and the Management and have examined publicly available information collated by us as well as information, both written and verbal, provided to us by the Directors, the Management and the Company's other professional advisers. We have not independently verified such information, whether written or verbal, and accordingly we cannot and do not warrant or make any representation (whether express or implied) regarding, or accept any responsibility for, the accuracy, completeness or adequacy of such information. However, we have made such enquiries and exercised our judgment as we deem necessary on such information and have found no reason to doubt the reliability of the information.

We have relied upon the assurances of the Directors (including those who may have delegated supervision of the Circular) that they have taken all reasonable care to ensure that the facts stated and opinions expressed by them or the Company in the Circular are fair and accurate in all material respects. The Directors have confirmed to us, that to the best of their knowledge and belief, all material information relating to the Group, the Delisting Proposal and the Exit Offer have been disclosed to us, that such information is fair and accurate in all material respects and that there are no other material facts and circumstances the omission of which would make any statement in the Circular inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted such responsibility accordingly.

We have not made any independent evaluation or appraisal of the assets and liabilities (including without limitation, land and building) of the Group. We have not been furnished with any such evaluation or appraisal, except for the reports ("**Valuation Reports**") from the valuers appointed by the Company in connection with the Exit Offer (the "**Independent Valuers**") (which are set out in Appendix IV of the Circular) on which we have placed sole reliance in the evaluation or appraisal of the assets concerned. We have not made any independent verification of the contents of the Valuation Reports.

Our analysis and opinion is based upon market, economic, industry, monetary and other conditions prevailing as at 4 April 2018 (the "**Latest Practicable Date**"), as well as the information made available to us as at the Latest Practicable Date. Such conditions may change significantly over a short period of time. Accordingly, we do not express any opinion or view on the future prospects, financial performance and/or financial position of the Group. Shareholders should take note of any announcement and/or documents relevant to their consideration of the Exit Offer which may be released or published by or on behalf of the Company and/or the Offeror after the Latest Practicable Date.

In rendering our advice, we have not had regard to the specific investment objectives, financial situation, tax position, risk profile or particular needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, any Shareholder who may require specific advice in the context of his specific investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been separately advised in relation to the preparation of the Circular (other than this letter). We were not involved in and have not provided any advice in the preparation, review and verification of the Circular (other than this letter). Accordingly, we take no responsibility for, and express no views (express or implied) on, the contents of the Circular (other than this letter).

## 3. THE EXIT OFFER

As set out in Section 3 of the Circular, *inter alia*, the key terms and conditions of the Exit Offer are as follows:

### 3.1 The Exit Offer

As stated in the Exit Offer Letter, the Exit Offer is extended to:

(a) all Shares held by the Shareholders, other than those Shares already owned, controlled or agreed to be acquired by the Offeror, its related corporations and their respective nominees; and

(b) if applicable, all Shares issued or to be issued pursuant to the valid exercise, on or prior to the Closing Date, of any option to subscribe for new Shares under the Option Scheme,

(all such Shares, the "**Offer Shares**"), on the terms and subject to the conditions set out in the Exit Offer Letter, the FAA and the FAT, as such Exit Offer may be amended, extended and revised from time to time by or on behalf of the Offeror.

### 3.2 Terms of the Exit Offer

As stated in the Exit Offer Letter, the price for each Offer Share will be as follows:

**For each Offer Share : S$0.25 in cash ("Exit Offer Price").**

The Exit Offer Price shall be applicable to any number of Offer Shares that are tendered in acceptance of the Exit Offer.

The Offeror shall pay the Exit Offer Price in cash for the Offer Shares which are validly tendered in acceptance of the Exit Offer.

The Exit Offer is extended to all Offer Shares. The Shareholders may accept the Exit Offer in respect of all or part of their holdings of Offer Shares**. The Exit Offer is not conditional upon a minimum number of acceptances being received by the Offeror.**

The Offer Shares will be acquired (a) fully paid, (b) free from all claims, charges, liens, mortgages, encumbrances, hypothecation, retention of title, power of sale, equity, options, rights of pre-emption, rights of first refusal or other third party rights or interests of any nature whatsoever ("**Encumbrances**"), and (c) together with all rights, benefits and entitlements attached thereto as at the Joint Announcement Date and thereafter attaching thereto, including but not limited to the right to receive and retain (if any) all dividends, rights, other distributions and return of capital ("**Distributions**") announced, declared, paid or made by the Company on or after the Joint Announcement Date. If any Distribution is announced, declared, made or paid by the Company on or after the Joint Announcement Date to a Shareholder who accepts or has accepted the Exit Offer and the settlement date in respect of the Offer Shares accepted pursuant to the Exit Offer falls after the books closure date for the determination of entitlements to such Distribution, the Offeror reserves the right to reduce the Exit Offer Price payable to such accepting Shareholder by the amount of such Distribution.

Further details on the Exit Offer are set out in the Exit Offer Letter.

**3.3 Conditions**

As stated in the Exit Offer Letter, the Delisting and Exit Offer are conditional upon (i) the SGX-ST agreeing to the application by the Company to delist from the Official List of the SGX-ST; and (ii) the Delisting Resolution being approved by a majority of at least 75 per cent. of the total number of issued Shares (excluding treasury shares and subsidiary holdings) held by Shareholders present and voting, on a poll, either in person or by proxy at the EGM, and if the Delisting Resolution not being voted against by 10 per cent. or more of the total number of issued Shares (excluding treasury shares and subsidiary holdings) held by Shareholders present and voting, on a poll, either in person or by proxy, at the EGM.

Shareholders should note that the Directors, the Offeror and its related corporations and their respective nominees are entitled to vote on the Delisting Resolution. The Offeror, which owns 980,075,610 Shares as at the Latest Practicable Date, representing approximately 83.06 per cent. of the total number of issued Shares, intends to vote all of these Shares and any other Shares which may be acquired by the Offeror after the Latest Practicable Date in favour of the Delisting Resolution at the EGM.

On 20 February 2018, the Company submitted an application to the SGX-ST to delist the Company from the Official List of the SGX-ST. On 4 April 2018, the SGX-ST responded to the Company that it has no objection to the Delisting, subject to, *inter alia*, the approval by the Company's shareholders in accordance with Rule 1307 of the Listing Manual. However, the SGX-ST's decision is not an indication of the merits of the Delisting.

**Shareholders are to note that the Delisting and the Exit Offer will be conditional upon the Delisting Resolution being passed at the EGM. If this condition is not fulfilled, the Delisting will not proceed and the Company will remain listed on the Official List of the SGX-ST. The Exit Offer will also lapse and all acceptances of the Exit Offer will be returned.**

**3.4 Warranty by Shareholders**

As stated in the Exit Offer Letter, a Shareholder who tenders his Offer Shares in acceptance of the Exit Offer will be deemed to unconditionally and irrevocably warrant that the Offer Shares in respect of which the Offer is accepted will be (a) fully paid, (b) free from all Encumbrances, and (c) transferred together with all rights, benefits and entitlements attached thereto as at the Joint Announcement Date and thereafter attaching thereto, including but not limited to the right to receive and retain (if any) all Distributions announced, declared, paid or made by the Company on or after the Joint Announcement Date.

### 3.5 Duration

As stated in the Exit Offer Letter, the Exit Offer is open for acceptance by Shareholders from the date of despatch of the Exit Offer Letter. Shareholders may choose to accept the Exit Offer before the EGM. However, such acceptances are conditional and if the Delisting Resolution is not approved at the EGM, the condition to the Delisting and Exit Offer will not have been fulfilled and the Exit Offer will lapse, and both the Shareholders and the Offeror will cease to be bound by any prior acceptances of the Exit Offer by any Shareholder.

As stated in the Exit Offer Letter, if the Delisting Resolution is approved by the Shareholders at the EGM, the Exit Offer will be open for acceptance by the Shareholders for a period of at least 14 days after the date of the announcement of the Shareholders' approval of the Delisting Resolution at the EGM. Accordingly, if the Delisting Resolution is approved by the Shareholders at the EGM, the Exit Offer will close at 5.30 p.m. (Singapore time) on 14 May 2018 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

If the Exit Offer is extended, an announcement will be made of such extension and the Exit Offer will remain open for acceptance for such period as may be announced.

## 4. RATIONALE FOR THE DELISTING AND THE OFFEROR'S INTENTIONS RELATING TO THE COMPANY AND THE GROUP

The full text on the rationale for the Exit Offer and the Offeror's intention relating to the Company and the Group is reproduced from paragraphs 6 and 7.2 of the Exit Offer Letter and is set out in italics below. All terms and expressions used in the extract below shall bear the same meanings as attributed to them in the Exit Offer Letter unless otherwise stated. Shareholders are advised to read the extract below carefully.

***"6.1 Opportunity for Shareholders to Exit their Investment slightly above the NTA value of the Shares.***

*The Exit Offer represents a cash exit opportunity for Shareholders to liquidate and realise their entire investment slightly above the NTA value of the Shares as of the fourth quarter ended 31 December 2017, without incurring brokerage and other trading costs.*

| | ***Quarter*** | ***NTA per Share (S$)[(1)]*** |
|---|---|---|
| *(a)* | *As of the fourth quarter ended 31 December 2017* | *0.23* |
| *(b)* | *As of the third quarter ended 30 September 2017* | *0.25* |
| *(c)* | *As of the second quarter ended 30 June 2017* | *0.25* |
| *(d)* | *As of the first quarter ended 31 March 2017* | *0.25* |
| *(e)* | *As of the fourth quarter ended 31 December 2016* | *0.25* |

***Note:***

*(1) Assuming an exchange rate of NOK1 = S$0.1676 as at the Latest Practicable Date.*

***6.2 Low Free Float and Low Trading Liquidity of Shares.***

*Recent market data shows that the Shares have been generally thinly traded on the SGX-ST and with only sporadic trading volume.*

*For the six-month period prior to and including the Last Trading Day, the average trading volume for the market days on which the Shares were traded was 675,277 Shares, representing approximately 0.28 per cent. of the Company's free float[1] of Shares. During this six-month period, the Offeror bought 57,481,500 Shares on the market at a price of S$0.24. Excluding the Shares bought by the Offeror, the average trading volume for the market days on which the Shares were traded was 175,437 Shares, representing approximately 0.07 per cent. of the Company's free float of Shares.*

| | *Period prior to and including the Last Trading Day* | *Average daily trading volume[(1)]* | *Approximate percentage of total number of free float Shares (%)* | *Average daily trading volume excluding Shares bought by the Offeror[(1)]* | *Approximate percentage of total number of free float of Shares (%)* |
|---|---|---|---|---|---|
| *(a)* | *Last one-month* | *239,305* | *0.10* | *212,632* | *0.09* |
| *(b)* | *Last three-months* | *343,907* | *0.14* | *174,861* | *0.07* |
| *(c)* | *Last six-months* | *675,277* | *0.28* | *175,437* | *0.07* |

***Note:***

*(1) Source: Bloomberg L.P.. The average daily volume is computed based on the total trading volume of the Shares for all market days for the relevant parties immediately prior to and including the Last Trading Day, divided by the total number of market days during the respective periods.*

*The Exit Offer therefore represents a clean cash exit opportunity for Shareholders (without incurring any brokerage and other trading costs) to realise their entire investment in the Shares above the latest announced NTA value of the Shares as of the fourth quarter ended 31 December 2017, an opportunity that otherwise may not be available due to the low trading liquidity and low free float of the Shares.*

*1 The free float of Vard represents the total number of Shares which are held by the public, being 243,774,290 Shares as at the Joint Announcement Date.*

***6.3 Business Rationale and Greater Management Flexibility.***

*As previously mentioned in the offer document dated 1 December 2016 issued by Credit Suisse (Singapore) Limited for and on behalf of the Offeror in relation to the Offeror's voluntary conditional cash offer for the Shares, the Offeror has long been convinced of a strong business rationale in fully integrating Vard with Fincantieri Group. Since the acquisition of the majority stake in Vard in 2013, the Offeror's objective has been to delist Vard and to implement a series of synergies in engineering and production. Such industrial rationale has only become stronger in the context of the persisting unfavourable oil & gas market conditions. The Offeror believes that the delisting would provide the management of Vard with the flexibility to manage and develop its existing businesses while exploring further opportunities without the attendant cost, regulatory restrictions and compliance issues associated with its listed status on the SGX-ST. With the current backdrop of unfavourable oil & gas market conditions, such management flexibility is of paramount importance in order for Vard, with the support of the Fincantieri Group, to be able to develop industrial and commercial initiatives, optimise the use of their resources and generate mutual business opportunities to help secure Vard's future.*

***6.4 Costs of Maintaining Listing Status.***

*In maintaining its listed status, Vard incurs compliance and associated costs. The Delisting would allow Vard to dispense with expenses relating to the maintenance of a listed status and focus its resources on its business operations. Furthermore, for so long as Vard operates as a separate SGX-ST listed entity, efforts to fully integrate Vard's activities with those of the Fincantieri Group would remain subject to Vard's continuing compliance with the requirements of the Listing Manual.*

| | |
|---|---|
| ***6.5*** | ***Funding Requirements.*** |
| | *The Offeror believes that by delisting Vard and fully integrating Vard with the Fincantieri Group, Vard will have improved access to funding on terms consistent with its needs in the event market conditions continue to deteriorate and the Fincantieri Group will be in a better position to provide financial support to its wholly-owned subsidiary. If Vard is not privatised and fully integrated with the Fincantieri Group, the Offeror believes that, in the event market conditions continue to deteriorate and Vard is unable to raise debt financing at terms consistent with its needs, Vard may be required to seek alternative avenues of funding, including equity fund raising on the SGX-ST, in order to support current business operations and requirements of Vard and its subsidiaries.* |
| *…* | |
| ***7.2*** | ***Offeror's Future Plans for Vard*** |
| | *The Offeror intends for Vard to continue its existing business activities and there are no plans to (i) introduce any major changes to the business of Vard or the operations of any of its subsidiaries, (ii) re-deploy any of the fixed assets of Vard or (iii) discontinue the employment of any of the existing employees of Vard and/or its subsidiaries, other than in the ordinary course of business. However, the Offeror retains the flexibility at any time to consider any options or opportunities in relation to Vard which may present themselves and which the Offeror may regard to be in the best interests of Vard."* |

## 5. INFORMATION ON THE OFFEROR AND ITS CONCERT PARTIES

Please refer to Sections 3.2 and 6 of the Circular for information on the Offeror as well as the other parties acting in concert with the Offeror.

## 6. GENERAL INFORMATION ON THE COMPANY AND THE GROUP

Please refer to Section 7 and Appendix III to the Circular for general information on the Company.

## 7. FINANCIAL EVALUATION OF THE TERMS OF THE EXIT OFFER

***Methodology***

In assessing the financial terms of the Exit Offer, we have considered the following:

(i) Historical trading performance of the Shares on the SGX-ST;

(ii) Net asset value ("**NAV**"), net tangible asset ("**NTA**") and revalued net asset value ("**RNAV**") of the Group;

(iii) Historical trailing P/NAV multiples of the Shares;

(iv) Valuation multiples of selected listed companies which are broadly comparable to the Company (the "**Comparable Companies**");

(v) Valuation multiples implied in selected transactions involving target companies which are in an industry similar to that of the Company (the "**Precedent Transactions**");

(vi) Premia / discounts paid in recent delistings or privatisations of listed companies on the SGX-ST (the **"Precedent Takeovers**");

(vii) Comparison with prior offers for the Company;

(viii) Analyst's price target for the Shares;

(ix) The Group's historical financial performance, financial position and outlook; and

(x) Other relevant considerations which have a bearing on our assessment.

*General bases and assumptions*

We wish to highlight that unless specified otherwise, we have relied on the following general bases in our analysis:

(i) As at the Latest Practicable Date, the issued and paid-up capital of the Company comprises 1,180,000,000 Shares, and the Company does not hold any treasury shares;

(ii) As at the Latest Practicable Date, there are no outstanding options exercisable in respect of the Shares under the Option Scheme; and

(iii) The underlying figures, financial and market data used in our analysis, including securities prices, trading volumes, free float data and foreign exchange rates have been extracted from Bloomberg L.P., Mergermarket Limited, SGXNET and/or other public filings as at the Latest Practicable Date or provided by the Company where relevant. CIMB makes no representations or warranties, express or implied, as to the accuracy or completeness of such information.

*Valuation multiples*

We have applied the following valuation multiples in our analysis:

| Valuation Multiples | General Description |
|---|---|
| **P/E** | The "**P/E**" or "**price-to-earnings**" multiple illustrates the ratio of the market price of a company's share relative to its earnings per share. The P/E multiple is affected by, *inter alia*, the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and amortisation. |
| **EV/EBITDA** | "**EV**" or "**enterprise value**" is the sum of a company's market capitalisation, preferred equity, minority interest, short and long term debt less cash and cash equivalents. "**EBITDA**" stands for earnings before interest, tax, depreciation and amortisation expenses, inclusive of share of results of joint ventures, net of tax.<br><br>The EV/EBITDA multiple illustrates the market value of a company's business relative to its pre-tax operating cashflow performance, without regard to the company's capital structure. |
| **P/NAV** | The "**P/NAV**" or "**price-to-NAV**" multiple illustrates the ratio of the market price of a company's share relative to its historical NAV per share as recorded in its financial statements.<br><br>The NAV of a company is defined as its total assets (including intangible assets) less its total liabilities, and excludes, where applicable, minority interests. The NAV figure provides an estimate of the value of a company assuming the sale of all its assets at book value, the proceeds of which are first used to settle liabilities and obligations with the balance available for distribution to shareholders. Comparisons of companies using their NAVs are affected by differences in accounting policies, in particular depreciation and amortisation policies. |

| Valuation Multiples | General Description |
|---|---|
| P/RNAV | The "**P/RNAV**" or "**price-to-RNAV**" multiple illustrates the ratio of the market price of a company's share relative to its revalued NAV per share.<br><br>The RNAV approach is a common method of valuing a company's key assets at their market or realisable value, which may exceed their net book or carrying value. The market values would typically be calculated by expert valuers on the basis of market benchmarks or by discounting future cash flows. |

**7.1 Historical trading performance of the Shares on the SGX-ST**

We have compared the Exit Offer Price to the historical price performance of the Shares and considered the historical trading volume of the Shares.

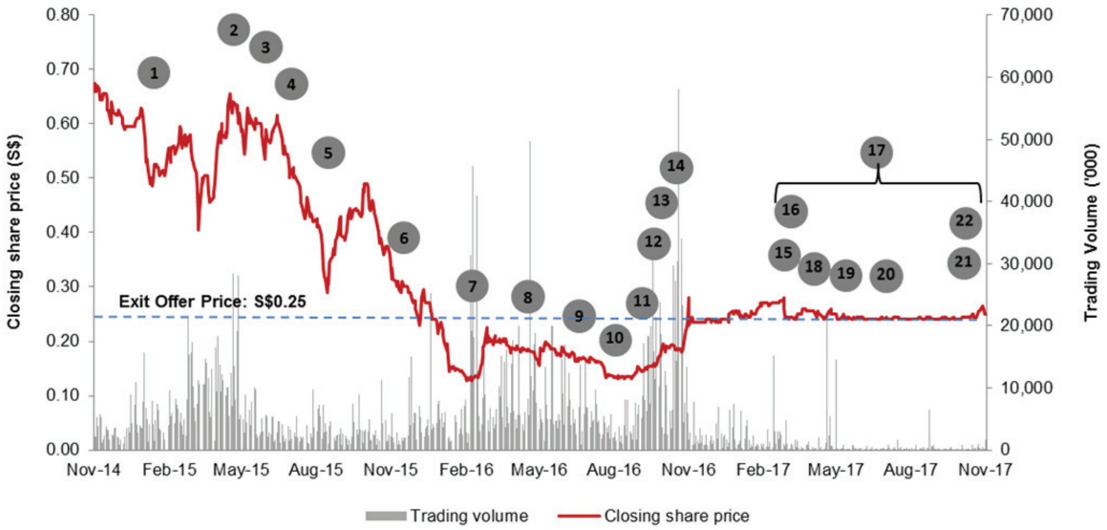
**Shareholders should note that past trading performance of the Shares should not, in any way, be relied upon as an indication of its future trading performance. The price performance of the Shares may be due to market factors and other individual factors which may not be easily isolated and identified with certainty.**

**7.1.1 Price performance and trading activity of the Shares**

In evaluating the Exit Offer Price, it is relevant to examine the price performance and trading volume of the Shares over a reasonable period, during which the market price of the Shares may ordinarily reflect public investors' valuation of the Shares, based on publicly available information.

***Share price performance***

We set out below the daily closing prices and trading volumes of the Shares for the 3-year period between 11 November 2014 and 10 November 2017 (being the last full trading day on which the Shares were traded prior to the release of the Joint Announcement) (the "**Last Trading Day**") and highlight certain key events during this period.




*Source: Bloomberg L.P. and the Company's filings*

**Notes:**

(1) **27 February 2015:** The Company released its unaudited results for the financial year ended 31 December ("**FY**") 2014 and reported a profit attributable to Shareholders ("**PAT**") of NOK 349 million compared to a PAT in the previous corresponding period of NOK 357 million.

(2) **13 May 2015:** The Company released its unaudited results for the three months ended 31 March ("**3M**") 2015 and reported a loss attributable to Shareholders ("**LAT**") of NOK 92 million compared to a PAT in the previous corresponding period of NOK 92 million.

(3) **24 June 2015:** The Company announced the acquisition of the entire shareholding interest in ICD Software AS, a leading provider of automation and control system software for the offshore and marine sectors.

(4) **22 July 2015:** The Company released its unaudited results for the six months ended 30 June ("**6M**") 2015 and reported a LAT of NOK 34 million compared to a PAT in the previous corresponding period of NOK 232 million.

(5) **22 September 2015:** The Company announced the incorporation of a new subsidiary, Vard Shipholding Singapore Pte. Ltd..

(6) **11 November 2015:** The Company released its unaudited results for the nine months ended 30 September ("**9M**") 2015 and reported a LAT of NOK 520 million compared to a PAT in the previous corresponding period of NOK 195 million and announced the appointment of its new Chief Financial Officer, Mr Geir Ingebrigtsen.

(7) **29 February 2016:** The Company released its unaudited results for FY2015 and reported a LAT of NOK 603 million compared to a PAT in the previous corresponding period of NOK 349 million.

(8) **12 May 2016:** The Company released its unaudited results for the 3M2016 and reported a PAT of NOK 37 million compared to a LAT in the previous corresponding period of NOK 92 million.

(9) **21 July 2016:** The Company released its unaudited results for 6M2016 and reported a LAT of NOK 16 million compared to a LAT in the previous corresponding period of NOK 34 million.

(10) **5 August 2016:** The Company announced that its wholly-owned subsidiary, Vard Group AS, has increased its shareholdings in the Company's indirect subsidiary, Vard Promar SA.

(11) **3 October 2016:** The Company announced changes in the Board and the board committees.

(12) **1 November 2016:** The Company announced the acquisition of the entire shareholding interest in Storvik Aqua AS, a leading supplier of equipment within feeding, measurement and control solutions to the aquaculture industry.

(13) **11 November 2016:** The Company released its unaudited results for 9M2016 and reported a LAT of NOK 96 million compared to a LAT in the previous corresponding period of NOK 520 million.

(14) **13 November 2016** (the "**2016 Vard Offer Announcement Date**"): The Offeror made a voluntary conditional cash offer for all of the issued Shares in the capital of the Company, other than those already owned, controlled or agreed to be acquired by the Offeror, its related corporations and their respective nominees ("**2016 Vard Offer**").

(15) **1 March 2017:** The Company released its unaudited results for FY2016 and reported a LAT of NOK 163 million compared to a LAT in the previous corresponding period of NOK 603 million.

(16) **25 March 2017:** The Offeror announced that as at the close of the 2016 Vard Offer on 24 March 2017, the total number of Shares owned, controlled or agreed to be acquired by the Offeror and its concert parties (including valid acceptances of the 2016 Vard Offer) amounted to an aggregate of 878,523,910 Shares, representing approximately 74.45 per cent. of the total number of Shares.

(17) **27 March 2017 to 10 November 2017:** The Offeror purchased a total of 57,701,800 Shares during this period.

(18) **10 April 2017:** The Company announced that its wholly-owned subsidiary Vard Group AS had divested its entire shareholding stake in Multifag AS.

(19) **12 May 2017:** The Company released its unaudited results for 3M2017 and reported a LAT of NOK 25 million compared to a PAT in the previous corresponding period of NOK 37 million.

(20) **25 July 2017:** The Company released its unaudited results for 6M2017 and reported a LAT of NOK 94 million compared to a LAT in the previous corresponding period of NOK 16 million.

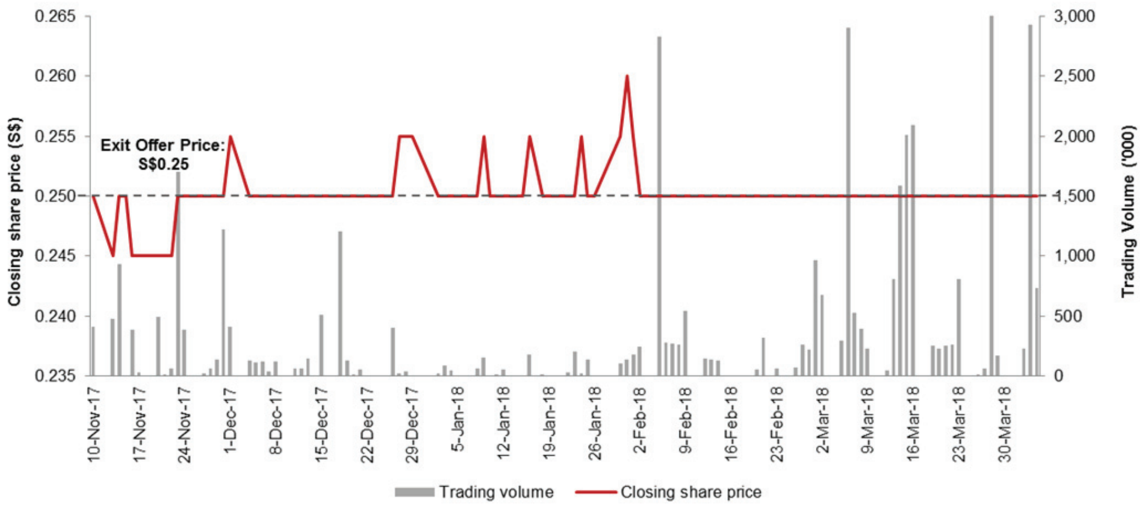
(21) **10 November 2017:** The Company released its unaudited results for 9M2017 and reported a LAT of NOK 102 million compared to a LAT in the previous corresponding period of NOK 96 million.

(22) **13 November 2017:** The Company released a joint announcement with the Offeror in relation to the Delisting Proposal.

We observed that the Share price declined significantly between November 2014 and August 2016, falling from a high of S$0.675 to a low of S$0.128. However, the Share price subsequently increased sharply leading up to the announcement of the 2016 Vard Offer in November 2016 and traded within a tight range of between S$0.235 and S$0.28 during the 2016 Vard Offer period. Following the close of the 2016 Vard Offer, we noted that the Offeror had continued to make significant market purchases of the Shares at prices ranging from S$0.24 to S$0.25 per Share, accounting for approximately 61.49% of total trading volume between 27 March 2017 (being the market day immediately after the close of the 2016 Vard Offer) and the Last Trading Day, which we believe had provided support for the Share prices during the said period.

In light of the above, we consider it appropriate to consider both the 2016 Vard Offer Announcement Date as well as the Joint Announcement Date as reference dates for the purpose of assessing the Exit Offer Price against the historical market price of the Shares.

We set out below the daily closing prices and trading volumes of the Shares for the period after the Last Trading Day and up to the Latest Practicable Date:




*Source: Bloomberg L.P. and the Company's filings*

Between the Joint Announcement Date and the Latest Practicable Date, we note the following:

(i) The Shares traded in a tight range between S$0.245 and S$0.260;

(ii) The Shares closed above the Exit Offer Price on only 10 market days representing 10.9% of the total number of market days during this period; and

(iii) The closing price of the Shares on both the Last Trading Day and the Latest Practicable Date, are the same at S$0.25.

***Price premia and trading volume***

We set out below (i) the premia implied by the Exit Offer Price over the historical volume-weighted average transacted price ("**VWAP**"); and (ii) historical average daily trading volume ("**ADTV**") of the Shares for various periods over the last 3 years prior and up to the Latest Practicable Date.

| | VWAP (1) (S$) | (Discount) / Premium of Exit Offer Price to VWAP (%) | Highest price (S$) | Lowest price (S$) | ADTV (2) ('000) | ADTV as a percentage of free float (3) (%) |
|---|---|---|---|---|---|---|
| **Periods prior to the 2016 Vard Offer Announcement Date** | | | | | | |
| Last 1 year | 0.191 | 30.7% | 0.360 | 0.124 | 7,851 | 1.51% |
| Last 6 months | 0.185 | 35.1% | 0.290 | 0.130 | 8,829 | 1.70% |
| Last 3 months | 0.193 | 29.3% | 0.290 | 0.130 | 9,902 | 1.91% |
| Last 1 month | 0.215 | 16.2% | 0.290 | 0.176 | 16,472 | 3.17% |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Period between the close of 2016 Vard Offer and Joint Announcement Date** | | | | | | |
| Between the close of 2016 Vard Offer and Joint Announcement Date | 0.240 | 4.0% | 0.265 | 0.240 | 647 | 0.23% |
| **Periods prior to the Joint Announcement Date** | | | | | | |
| Last 6 months | 0.241 | 3.6% | 0.265 | 0.240 | 675 | 0.26% |
| Last 3 months | 0.244 | 2.5% | 0.265 | 0.240 | 349 | 0.14% |
| Last 1 month | 0.252 | (0.9%) | 0.265 | 0.240 | 241 | 0.10% |
| Closing price on the Last Trading Day | 0.250 | 0.0% | 0.260 | 0.250 | 413 | 0.17% |
| **Periods after the Joint Announcement Date** | | | | | | |
| Between the Joint Announcement Date and the Latest Practicable Date | 0.250 | 0.0% | 0.260 | 0.245 | 553 | 0.24% |
| Last traded price on the Latest Practicable Date | 0.250 | 0.0% | 0.250 | 0.250 | 736 | 0.36% |

*Source: Bloomberg L.P.*

**Notes:**

1 The historical VWAPs are rounded to the nearest three (3) decimal places for the purpose of calculating the corresponding premium.

2 The ADTV of the Shares is calculated based on the total volume of the Shares traded during the period divided by the number of market days during that period.

3 Based on the public float of the Shares during each relevant period.

Based on the above, we note the following:

(i) The Exit Offer Price represents a premium of between approximately 16.2% and 35.1% over the various VWAPs of the Shares in the 1-year period prior to the 2016 Vard Offer Announcement Date;

(ii) Save for the 1-month period prior to the Joint Announcement Date where the Exit Offer Price represents a small discount of approximately 0.9% to the corresponding VWAP of the Shares, the Exit Offer Price was generally at a premium of between approximately 0.0% and 3.6% over the various VWAPs of the Shares in the 6-month period prior to the Joint Announcement Date;

(iii) The Exit Offer Price represents a premium of approximately 4.0% over the VWAP of the Shares between the close of the 2016 Vard Offer and the Joint Announcement Date;

(iv) The Shares closed at the Exit Offer Price on the Last Trading Day;

(v) The Exit Offer Price is the same level as the VWAP of the Shares between the Joint Announcement Date and the Latest Practicable Date; and

(vi) The Shares closed at the Exit Offer Price on the Latest Practicable Date.

We further note that:

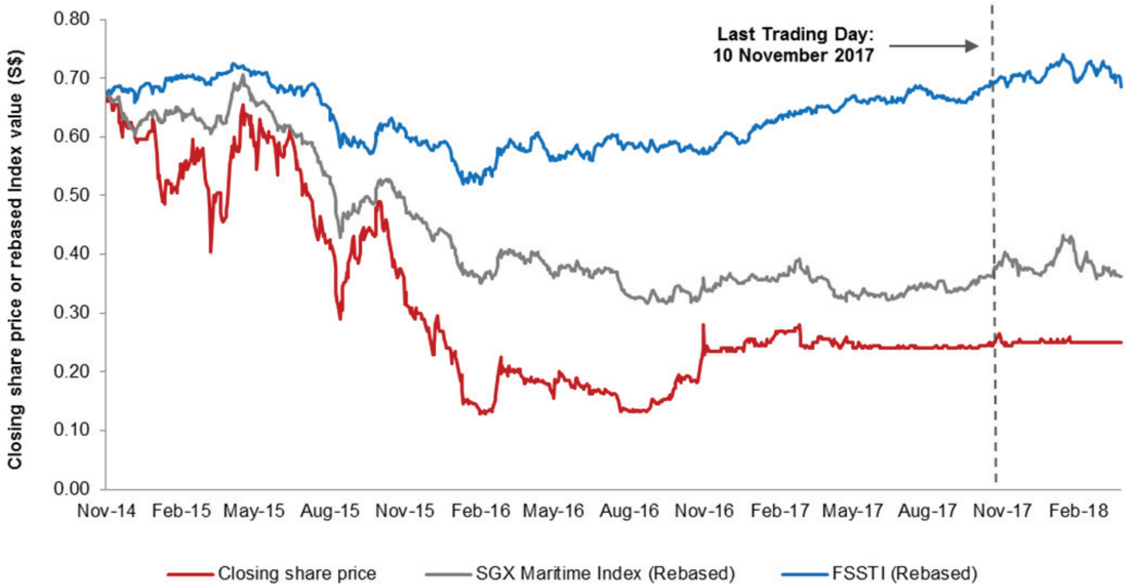
(i) The ADTV of the Shares ranged between 7.9 million Shares and 16.5 million Shares, or between approximately 1.51% and 3.17% of the Company's free float, over the various historical periods in the 1-year period prior to the 2016 Vard Offer Announcement Date;

(ii) The ADTV of the Shares ranged between 240,583 Shares and 675,279 Shares, or between approximately 0.10% and 0.26% of the Company's free float, over the various historical periods in the 6-month period prior to the Joint Announcement Date, with the Offeror accounting for a significant proportion of market purchases of the Shares; and

(iii) During the 3-year period prior to the Last Trading Day, trading in the Shares occurred on approximately 98.00% of all market days in that period.

**7.1.2 Price performance of the Shares relative to broad market performance**

To gauge the price performance of the Shares relative to the general price performance of the stock market and of maritime related companies listed on the SGX-ST, we set out below the market price movement of the Shares against the FTSE Straits Times Index ("**FSSTI**") and the SGX Maritime Index ("**SGXMA**") for the period between 11 November 2014 (being 3 years prior to the Last Trading Day) and the Latest Practicable Date.




*Source: Bloomberg L.P.*

**Notes:**

1 The FSSTI is a market capitalisation weighted index based on the stocks of 30 representative companies listed on the Mainboard of the SGX-ST.

2 The SGXMA is a free-float market capitalisation weighted index that measures the performance of listed maritime companies in Singapore.

We note that:

(i) For the past 3 years leading up to the Last Trading Day, the Shares has underperformed the FSSTI and the SGXMA; and

(ii) Between the Last Trading Day and the Latest Practicable Date, the Shares recorded no change in price, which is better than the relative price performance of the FSSTI and the SGXMA which decreased by approximately 2.4% and 7.3%, respectively, over the same period.

### 7.1.3 Purchases made by the Offeror after the announcement of the 2016 Vard Offer

We note that after the announcement of the 2016 Vard Offer on 13 November 2016, the Offeror had made significant open market purchases of the Shares, in addition to the acceptances received pursuant to the 2016 Vard Offer. We set out below the number of Shares acquired and the price paid by the Offeror, where available (i) from the 2016 Vard Offer Announcement Date till the Last Trading Day, and (ii) from the Joint Announcement Date till the Latest Practicable Date.

| Date of acquisition | Description | Number of Shares acquired | As percentage of total Shares [(1)] (%) | As percentage of total Shares traded (%) | Consideration paid per Share (S$) |
|---|---|---|---|---|---|
| Between 13 November 2016 (being the 2016 Vard Offer Announcement Date) and 24 March 2017 (being the closing date of the 2016 Vard Offer) | Open market purchases | 6,106,400 | 0.52 | 2.24 | 0.24 |
| 24 March 2017 (being the closing date of the 2016 Vard Offer) | Acceptances received by the Offeror as at the close of the 2016 Vard Offer | 215,946,242 | 18.30 | n.a. | 0.24 |
| Between 27 March 2017 and 11 May 2017 | Open market purchases | 220,300 | 0.02 | 0.57 | n.a. [(2)] |
| Between 12 May 2017 and 10 November 2017 (being the Last Trading Day) | Open market purchases | 57,481,500 | 4.87 | 75.09 | 0.24 |
| Between 13 November 2017 (being the Joint Announcement Date) and the Latest Practicable Date | Open market purchases | 43,849,900 | 3.72 | 87.14 | 0.25 |
| **Total** | | **322,868,342** | **27.36** | | |
| Between 27 March 2017 to Last Trading Day | | 57,701,800 | 4.89 | 61.49 | |
| Between 27 March 2017 to Latest Practicable Date | | 101,551,700 | 8.61 | 70.45 | |

*Source: SGXNET announcements*

**Notes:**

"n.a." – Not applicable or not available, as the case may be.

1 Based on Vard's issued and paid-up share capital comprising 1,180,000,000 Shares (excluding treasury shares) as at the Latest Practicable Date.

2 There are no publicly available information or disclosures in relation to the Offeror's open market purchases between 27 March 2017 and 11 May 2017 period. Determination of the number of shares acquired was based on the change in the Offeror's shareholding interest in the Company announced on 16 May 2017.

We note that the Offeror was able to increase its aggregate interest in the Company from 74.45 per cent. to 83.06 per cent. between 27 March 2017 (being the market day immediately after the close of the 2016 Vard Offer) to the Latest Practicable Date. During this period, purchases by the Offeror accounted for 70.45 per cent. of the total number of Shares traded on the SGX-ST.

Based on the above, it would appear that the Share prices as at the Last Trading Day and as at the Latest Practicable Date may be supported by the Exit Offer and purchases by the Offeror and may not be sustained at these levels after the close of the Exit Offer should the Offeror reduce the volume and/or the prices of its purchase of Shares.

## 7.2 NAV, NTA, and RNAV of the Group

### 7.2.1 NAV and NTA

Based on the Company's audited consolidated financial statements for FY2017, the audited consolidated NAV of the Group as at 31 December 2017 was approximately NOK 2,068 million (equivalent to approximately S$347 million [(1)]) or approximately S$0.29 per Share, while the audited consolidated NTA of the Group as at 31 December 2017 was approximately NOK 1,591 million (equivalent to approximately S$267 million [(1)]) or approximately S$0.23 per Share.

The table below sets out the discount of the Exit Offer Price over the NAV per Share and NTA per Share as at 31 December 2017.

| | NAV (S$ million) | NTA (S$ million) |
|---|---|---|
| As at 31 December 2017 [(1)] | 347 | 267 |
| NAV / NTA per Share (S$) [(2)] | 0.294 | 0.226 |
| Premium / (Discount) implied by the Exit Offer Price | (14.9%) | 10.6% |

**Notes:**

1 Converted at a SGD/NOK foreign exchange rate of 5.967.

2 Based on Vard's issued and paid-up share capital comprising 1,180,000,000 Shares (excluding treasury shares) as at the Latest Practicable Date.

Based on the analysis in Section 7.2.1, we note that the Exit Offer Price represents a discount of approximately 14.9% to the NAV per Share and a premium of approximately 10.6% to the NTA per Share as at 31 December 2017.

We note that the tangible assets of the Group as at 31 December 2017 comprise mainly: (i) construction work in progress in excess of prepayments (approximately 43.8% of total assets); (ii) property, plant and equipment (approximately 17.6% of total assets); (iii) inventories (approximately 14.1% of total assets); and (iv) cash and cash equivalents (approximately 5.4% of total assets). We further note that there are intangible assets of NOK 477 million comprising mainly goodwill.

We also note that the Group accounts for revenue from construction contracts based on the stage-of-completion of the construction contract, which is measured generally by reference to contract costs incurred to date, as compared to the estimated costs for the contracts. Accordingly, the NAV/NTA, which comprise, *inter alia*, the construction work in progress, is based on the stage-of-completion method of revenue recognition.

### 7.2.2 RNAV

Given the asset-intensive nature of the Group's operations, we have also considered the RNAV of the Group taking into consideration the prevailing market value of the Group's significant properties. In connection with the Exit Offer, the Company has commissioned independent valuations to determine the market value of the Group's significant properties in which the Group has interests, comprising mainly of buildings and quays in Brazil, Norway, Romania, and Vietnam (the "**Revalued Properties**"). A summary of the valuation figures for the Revalued Properties and the Company's effective share of the revaluation surplus/deficit is set out below.

| | Shipyards/Entities holding the Revalued Properties | Company's effective interest (%) | Valuation [(1)] (NOK million) | Share of net revaluation surplus/ (deficit) [(2)] (NOK million) | Percentage of NAV to total assets [(3)] (%) |
|---|---|---|---|---|---|
| 1. | Vard Promar (Brazil) | 100 | 550 | 16 | 3.6% |
| 2. | Vard Vung Tau Ltd. (Vietnam) | 100 | 117 | (10) | 0.9% |
| 3. | Vard Aukra (Norway) | 100 | 79 | 25 | 0.4% |
| 4. | Vard Brattvaag (Norway) | 100 | 46 | (3) | 0.3% |
| 5. | Vard Brevik (Norway) | 100 | 12 | 6 | 0.0% |
| 6. | Vard Langsten (Norway) | 100 | 120 | 51 | 0.5% |
| 7. | Vard Søviknes (Norway) | 100 | 104 | 1 | 0.7% |
| 8. | Vard Electro AS (Norway) | 100 | 83 | (21) | 0.7% |
| 9. | Vard Tulcea SA (Romania) | 100 | 433 | (38) | 3.2% |
| 10. | Vard Braila SA (Romania) | 100 | 169 | 114 | 0.4% |
| | **Total net revaluation surplus/(deficit)** | | | **141** | |

*Source: The Company's filings, the Valuation Reports and Management's computations*

**Notes:**

1 Unless otherwise provided, the valuations reflect market value as indicated in the Valuation Reports.

2 The net revaluation surplus/deficit for each of the Revalued Properties is computed by the Management after taking into consideration the net book value of such Revalued Properties as at 31 December 2017 and their respective current valuations as indicated in the Valuation Reports.

3 The Revalued Properties have no intangible assets.

The valuation of the Revalued Properties as set out above is based on the Valuation Reports issued by the Independent Valuers. Further information on the Revalued Properties including the basis for such valuation is set out in the respective Valuation Reports which are set out in Appendix IV of the Circular.

We note that, based on information provided by the Company, the potential tax liabilities that may be incurred by the Group on the hypothetical disposal of the Revalued Properties amount to approximately NOK 29 million, comprising mainly income tax on the taxable profit from the sale of the Revalued Properties. The aforesaid tax liabilities will not crystallise if the Group does not dispose of its interests in the Revalued Properties. We also note the Company's confirmation that it has no current plans to dispose of its interests in the Revalued Properties.

Based on the above, the following adjustments have been made to determine the RNAV of the Group for the purpose of our analysis:

| | |
|---|---|
| The Group's NAV as at 31 December 2017 (NOK million) | 2,068 |
| Add: Net revaluation surplus arising from Revalued Properties (NOK million) | 141 |
| Less: Potential tax liabilities on sale (NOK million) | (29) |
| **RNAV as at 31 December 2017 (NOK million)** | **2,180** |
| **RNAV as at 31 December 2017 (S$ million) (1)** | **365** |
| **RNAV per Share (S$)** | **0.309** |
| **Discount to RNAV as implied by the Exit Offer Price** | **19.2%** |

*Source: The Management's estimates, the Company's filings and CIMB's analysis*

**Note:**

1 Converted at a SGD/NOK foreign exchange rate of 5.967.

We wish to highlight that the RNAV per Share shown above includes the net revaluation surpluses on the Revalued Properties. Shareholders should be aware that the Group has not earned or recorded such net revaluation surpluses as at the Latest Practicable Date. There is no assurance that any surpluses or income will eventually be recorded by the Group on the Revalued Properties, or if any surpluses or income are to be recorded by the Group on the Revalued Properties, the surpluses or income will be the same as those indicated in the table above. Save for the Revalued Properties, the other assets of the Group have not been revalued for the purpose of determining the RNAV of the Group. The Company has confirmed to us that to the best of their knowledge: (i) the Group's assets are primarily used in the core operations of the Group in the ordinary course of business and that as at the Latest Practicable Date, the Group does not have any current plan for an imminent material disposal and/or conversion of the use of the Group's assets and/or material change in the nature of the Group's business as at the Latest Practicable Date; (ii) save for the Revalued Properties, the Company does not expect any material differences between the realisable value of the Group's other assets and their respective book values as at 31 December 2017 which would have a material impact on the NAV of the Group; (iii) there have been no material acquisitions and/or disposals of assets by the Group between 31 December 2017 and the Latest Practicable Date; and (iv) there are no material contingent liabilities which are likely to have a material impact on the NAV of the Group as at the Latest Practicable Date.

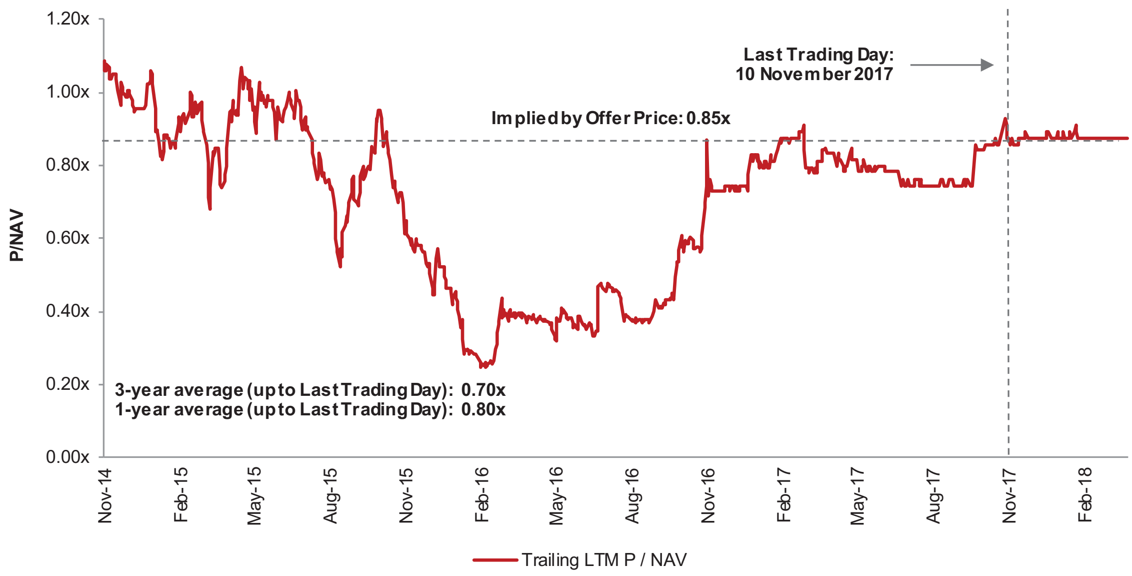
In addition, the Company has confirmed to us that inventories as at 31 December 2017 of NOK 2,100 million comprise mainly work in progress for two (2) vessels under construction and one (1) completed vessel, which are measured at the lower of cost and net realisable value and there is no further impairment in the carrying value of these vessels as at the Latest Practicable Date.

We also note from the Exit Offer Letter that the Offeror presently intends for the Company to continue with its existing business activities and has no plans to (i) introduce any major changes to the business of Vard or the operations of any of its subsidiaries, (ii) re-deploy any of the fixed assets of Vard or (iii) discontinue the employment of any of the existing employees of Vard and/or its subsidiaries, other than in the ordinary course of business. However, the Offeror retains the flexibility at any time to consider any options or opportunities in relation to Vard which may present themselves and which the Offeror may regard to be in the best interests of Vard.

We note that the Exit Offer Price is at a discount of approximately 19.2% to the RNAV per Share of S$0.309 as at 31 December 2017.

### 7.3 Historical trailing P/NAV multiples of the Shares

We have compared the P/NAV of the Shares implied by the Exit Offer Price against the trailing P/NAV multiples of the Shares calculated based on the daily closing prices of the Shares and the trailing NAV per Share of the Group as announced in its quarterly results, over the 3-year period prior to the Last Trading Day, as well as till the Latest Practicable Date, as set out below.




*Source: Bloomberg L.P. and the Company's filings*

**Notes:**

1 The NAV per Share for the relevant historical periods is calculated using the equity attributable to owners of the Company and the issued capital of the Company on the respective dates.

2 The P/NAV multiple implied by the Exit Offer Price has been calculated using the issued share capital of the Company of 1,180,000,000 Shares.

Based on the above, we note the following:

(i) The average P/NAV multiple for the 3-year and 1-year periods up to the Last Trading Day are 0.70x and 0.80x, respectively; and

(ii) At 0.85x, the P/NAV multiple implied by the Exit Offer Price is higher than the average P/NAV multiples of the Shares for the 3-year and 1-year periods prior to the Last Trading Day.

### 7.4 Valuation multiples of Comparable Companies

We have compared the valuation multiples of the Company implied by the Exit Offer Price with those of selected listed companies, which we consider to be broadly comparable to the Company. These Comparable Companies are similarly involved in the business of shipbuilding.

We wish to highlight that the Comparable Companies listed below are not exhaustive and they differ from the Company in terms of, *inter alia*, market capitalisation, size of operations, composition of business activities, asset base, geographical spread, track record, financial performance, operating and financial leverage, risk profile, liquidity, accounting policies, future prospects and other relevant criteria. As such, any comparison made is necessarily limited and merely serves as an illustrative guide.

A brief description of the Comparable Companies is set out below.

| Comparable companies | Listing venue | Business description |
|---|---|---|
| Yangzijiang Shipbuilding Holdings Ltd | Singapore | A corporate group, with shipbuilding and offshore engineering as its core business and with four additional sections: financial investment, metal trading, real estate and shipping combined ship-leasing as supplementary business. |
| Sembcorp Marine Ltd | Singapore | Provides integrated marine and offshore engineering services with a focus on rig building, offshore conversion, repair and maintenance services, offshore platforms, vessel design and construction, LNG modules, and other related marine services. |
| Samsung Heavy Industries Co Ltd | Korea | A shipbuilder that principally manufactures crude oil tankers, container vessels, bulk carriers, cruisers, and passenger ferries and produces steel and bridge structures, and material handling equipment. |
| Daewoo Shipbuilding & Marine Engineering Co Ltd | Korea | Manufactures naval and commercial ships, including products such as crude oil tankers, bulk carriers, container ships, gas carriers, multi-purpose cargo ships, chemical tankers, and other vessels. |
| Fincantieri S.p.A. | Italy | A shipbuilder principally engaged in designing and building merchant and naval vessels, including ship repairs and conversion services, manufacturing systems and components and provides after-sales services. |
| Cochin Shipyard Limited | India | Operates as a shipbuilding company that offers ship repairs, offshore, testing, and marine engineering services and produces tankers, product carries, vessels, bollard pull tugs, and air defense ships. |
| ASL Marine Holdings Limited | Singapore | A vertically-integrated marine services group principally engaged in shipbuilding, ship repair and conversion, ship chartering, engineering and other marine related services. |
| Kim Heng Offshore & Marine Holdings Limited | Singapore | An established integrated offshore and marine value chain services provider that offers offshore rig services and supply chain management, and focuses on the provision of marine engineering, installation of offshore systems, refurbishment of vessels and port operations. |

*Source: Bloomberg L.P. ,and Comparable Companies' websites and filings*

The valuation multiples of the Comparable Companies set out below are based on their respective last transacted share prices as at the Latest Practicable Date. The valuation multiples of the Company (as implied by the Exit Offer Price) are also set out below for comparison.

The valuation multiples of the Comparable Companies do not incorporate the premium typically required to acquire control as they reflect the traded prices of non-controlling stakes.

| | Market Capitalisation (S$ million) | Historical P/E [(1)] (times) | Historical EV/ EBITDA [(2,3)] (times) | Historical P/ NAV [(4)] (times) |
|---|---|---|---|---|
| Yangzijiang Shipbuilding Holdings Ltd | 4,484.8 | 7.5 | 5.2 | 0.8 |
| Sembcorp Marine Ltd | 4,322.0 | 172.2[(5)] | 34.5 | 1.2 |
| Samsung Heavy Industries Co Ltd | 4,135.2 | 41.2 | 13.0 | 0.5 |
| Daewoo Shipbuilding & Marine Engineering Co Ltd | 3,388.3 | 14.7 | 14.4 | 0.6 |
| Fincantieri SpA | 3,102.8 | 99.1[(5)] | 8.1 | 1.6 |
| Cochin Shipyard Ltd | 1,404.3 | n.m. | 14.0 | 3.4 |
| ASL Marine Holdings Ltd | 61.7 | n.m. | n.m. | 0.2 |
| Kim Heng Offshore & Marine Holdings Ltd | 58.8 | n.m. | n.m. | 0.8 |
| **High** | | 41.2 | 34.5 | 3.4 |
| **Low** | | 7.5 | 5.2 | 0.2 |
| **Median** | | 14.7 | 13.5 | 0.8 |
| **Mean** | | 21.1 | 14.9 | 1.1 |
| **Company (implied by the Exit Offer Price)** | **295.0** | **n.m.** | **53.0** | **0.9** |

*Source: Bloomberg L.P., companies' filings and CIMB's analysis*

**Notes:**

"n.m." – Not meaningful

1 Based on earnings over the most recent twelve months as reported by each of the respective Comparable Companies and adjusted for non-recurring items.

2 The EV of the respective Comparable Companies and the Company are based on their market capitalisations as at the Latest Practicable Date as extracted from Bloomberg L.P. (except for the Company where its market capitalisation is based on the Exit Offer Price) and the consolidated net debt and minority interest figures set out in their latest available results as at the Latest Practicable Date.

3 The EBITDA of the respective Comparable Companies and the Company are based over the most recent twelve months as reported by each of the respective Comparable Companies and adjusted for non-recurring items.

4 The P/NAV multiples of the Comparable Companies and the Company are based on their respective NAV values as set out in their latest available financial statements as at the Latest Practicable Date.

5 Excluded from calculation of the high, mean and median computations as they are outliers.

Based on the above, we note that:

(i) The P/E ratio of the Company implied by the Exit Offer Price is not meaningful given the Company's losses over the most recent twelve months as reported;

(ii) The EV/EBITDA multiple implied by the Exit Offer Price is above the corresponding range of multiples of the Comparable Companies; and

(iii) The P/NAV multiple implied by the Exit Offer Price is above the corresponding median multiple but below the mean multiple of the Comparable Companies.

### 7.5 Valuation multiples implied in Precedent Transactions

We have reviewed selected recent transactions involving the acquisition of controlling or majority equity interests in companies listed on the SGX-ST that are broadly comparable to the Company, and for which information is publicly available. A comparison of the Exit Offer against the Precedent Transactions is set out below.

| | | | | | | Premium / (Discount) of offer price over / (to) [4]: | |
|---|---|---|---|---|---|---|---|
| **Announcement Date** | **Target** | **Historical P/E [1] (times)** | **Historical EV/ EBITDA [1] (times)** | **Historical P/NAV [2] (times)** | **Historical P/RNAV [3] (times)** | **Last transacted price (%)** | **1 month VWAP (%)** |
| 05-May-17 | Shipyard business of COSCO Shipping International (Singapore) Co., Ltd. | n.m. | n.m. | 0.9 | 0.9 | n.a. | n.a. |
| 06-Jun-16 | Otto Marine Limited | n.m. | 17.5 | 0.3 | 0.8 [5] | 39.1 | 44.8 |
| 11-Dec-14 | CH Offshore Ltd. | 13.0 | n.m. | 1.3 | 1.0 | 18.3 | 20.1 |
| 25-Feb-14 | All subsidiaries of Jaya Holdings Limited | 7.5 | 5.0 | 0.6 | n.a. | n.a. | n.a. |
| **High** | | 13.0 | 17.5 | 1.3 | 1.0 | 39.1 | 44.8 |
| **Low** | | 7.5 | 5.0 | 0.3 | 0.8 | 18.3 | 20.1 |
| **Median** | | 10.3 | 11.2 | 0.8 | 0.9 | 28.7 | 32.5 |
| **Mean** | | 10.3 | 11.2 | 0.8 | 0.9 | 28.7 | 32.5 |
| **Company** (Implied by the Exit Offer Price) | | n.m. | 53.0 | 0.9 | 0.8 | 0.0 [6]<br>8.7 [7] | (0.9) [6]<br>16.2 [7] |

*Source: Bloomberg L.P., Mergermarket Limited and the companies' filings*

**Notes:**

"n.a." – Not applicable in the case of Jaya Holdings Limited and COSCO Shipping International (Singapore) Co., Ltd., as the transactions relate to acquisitions of the business of the listed companies, while RNAV figure was not available in the Jaya Holdings Limited transaction.

"n.m." – Not meaningful

1 Based on earnings or EBITDA over the most recent twelve months prior to the respective acquisition announcement as reported by the target company and adjusted for non-recurring items.

2 Based on the most recently available NAV as reported by the target company prior to the respective announcement date.

3 Based on RNAV as highlighted in the IFA opinion letter, where applicable.

4 Market premium/discount is calculated based on the share price on either the last trading day or unaffected day for the given periods prior to the respective announcements, as defined in the respective circulars.

5 Excludes goodwill for the chartering business to reflect the downward adjustment in the values of the vessels as highlighted in the IFA opinion letter.

6 Based on Share prices prior to the Joint Announcement Date.

7 Based on Share prices prior to the 2016 Vard Offer Announcement Date.

We wish to highlight that the Precedent Transactions differ from the Exit Offer in terms of, *inter alia*, the characteristics of the target companies, the nature of the respective transaction and other relevant criteria. In particular, the scale of business operations and geographical coverage of operations of the respective target companies may not be directly comparable to those of the Company. As such, any comparison made is necessarily limited and merely serves as an illustrative guide.

Based on the above, we note that:

(i) The EV/EBITDA multiple implied by the Exit Offer Price is above the corresponding range of multiples of the Precedent Transactions;

(ii) The P/NAV multiple implied by the Exit Offer Price is above the corresponding mean and median multiples of the Precedent Transactions;

(iii) The P/RNAV multiple implied by the Exit Offer Price is below the corresponding mean and median multiples of the Precedent Transactions but nevertheless within its range of multiples; and

(iv) The market premium implied by the Exit Offer Price, over the last transacted price and 1-month VWAPs of Shares prior to the Joint Announcement Date are below the corresponding range of premia of the Precedent Transactions.

### 7.6 Premia / Discounts paid in Precedent Takeovers

We note that it is the intention of the Offeror to delist the Company from the Official List of the SGX-ST. In this regard and for the purpose of providing an illustrative guide as to how the financial terms of the Exit Offer compare relative to other delistings and successful privatisations, we have compared the financial terms of the Exit Offer with those of recent successful privatisations and delistings of companies listed on the SGX-ST over the period beginning 1 January 2016 to the Latest Practicable Date.

We wish to highlight that the premium that an offeror pays in any particular takeover depends on various factors such as the potential synergy that the offeror can gain by acquiring the target, the presence of competing bids for the target, prevailing market conditions and sentiments, attractiveness and profile of the target's business and assets, size of consideration and existing and desired level of control in the target. The comparison below is made without taking into consideration the underlying liquidity of the shares and the performance of the shares of the relevant companies below. Further, the list of target companies involved in the Precedent Takeovers set out in the analysis below are not directly comparable with the Company in terms of size of operations, market capitalisation, business activities, asset base, geographical spread, track record, accounting policies, financial performance, operating and financial leverage, future prospects and other relevant criteria. Hence, the comparison of the Exit Offer with the Precedent Takeovers set out below is for illustrative purposes only. Any conclusions drawn from the comparisons made may not reflect any perceived valuation of the Company.

A summary of the relevant financial terms of the Precedent Takeovers is set out below.

| | | Premium/(Discount) of Offer Price over / (to): | | |
|---|---|---|---|---|
| **Name of Company** | **Announcement Date** | **Last transacted price prior to announcement (%)** | **1 month VWAP prior to announcement (%)** | **3 month VWAP prior to announcement (%)** |
| **Delistings** | | | | |
| Xyec Holdings Co., Ltd | 29-Mar-16 | 50.0 | 49.3 | 49.3 |
| Otto Marine Limited | 08-Jun-16 | 39.1 | 44.8 | 43.5 |
| Aztech Group | 20-Sep-16 | 29.2 | 38.6 | 21.0 |
| China New Town Development Company Limited | 18-Oct-16 | 18.6 | 20.5 | 27.0 |
| Advanced Integrated Manufacturing Corp. Ltd. | 24-Nov-16 | 22.8 | 20.7 | 20.7 |
| **High** | | **50.0** | **49.3** | **49.3** |
| **Low** | | **18.6** | **20.5** | **20.7** |
| **Mean** | | **31.9** | **34.8** | **32.3** |
| **Median** | | **29.2** | **38.6** | **27.0** |

| Name of Company | Announcement Date | Premium/(Discount) of Offer Price over / (to): Last transacted price prior to announcement (%) | 1 month VWAP prior to announcement (%) | 3 month VWAP prior to announcement (%) |
|---|---|---|---|---|
| **Privatisations** | | | | |
| Tiger Airways Holdings Limited | 04-Jan-16 | 45.2 | 48.5 | 56.3 |
| HTL International Holdings Limited | 07-Jan-16 | 46.0 | 69.2 | 98.4 |
| Lantrovision (S) Ltd | 27-Jan-16 | 47.7 | 42.8 | 46.2 |
| China Yongsheng Limited | 24-Feb-16 | 52.4 | 67.4 | 62.4 |
| Xinren Aluminium Holdings Limited | 25-Feb-16 | 31.3 | 49.6 | 50.0 |
| OSIM International Ltd | 07-Mar-16 | 27.0 | 40.9 | 42.5 |
| Select Group Limited | 23-Mar-16 | 23.5 | 38.2 | 43.4 |
| Pteris Global Limited | 21-Apr-16 | 33.9 | 38.0 | 44.1 |
| Indiabulls Properties Investment Trust | 27-Apr-16 | 25.0 | 26.9 | 26.3 |
| China Merchants Holdings (Pacific) Limited | 09-May-16 | 22.9 | 21.8 | 25.3 |
| Eu Yan Sang International Ltd | 16-May-16 | 2.6 | 8.5 | 16.5 |
| SMRT Corporation Ltd | 20-Jul-16 | 8.7 | 10.8 | 10.7 |
| Sim Lian Group Limited | 08-Aug-16 | 14.9 | 16.6 | 19.5 |
| GMG Global Limited | 23-Aug-16 | 10.8 | 25.2 | 39.9 |
| China Auto Electronics Group Limited | 24-Oct-16 | 23.1 | 50.9 | 65.0 |
| Innovalues Limited | 26-Oct-16 | 13.5 | 19.0 | 21.6 |
| Super Group Ltd | 03-Nov-16 | 62.5 | 60.5 | 62.5 |
| ARA Asset Management Limited | 08-Nov-16 | 26.2 | 29.6 | 30.3 |
| China Mingzhong Food Corporation Limited | 15-Nov-16 | 25.0 | 24.8 | 23.1 |
| Auric Pacific Group Limited | 07-Feb-17 | 13.4 | 17.7 | 23.8 |
| Global Premium Hotels Limited | 23-Feb-17 | 14.1 | 18.1 | 21.7 |
| Nobel Design Holdings Ltd | 02-May-17 | 8.5 | 9.4 | 15.9 |
| Changtian Plastic & Chemical Limited | 29-May-17 | 45.3 | 46.6 | 48.2 |
| China Flexible Packaging Holdings Limited | 19-Jun-17 | 23.2 | 24.3 | 28.2 |
| Croesus Retail Trust | 28-Jun-17 | 24.5 | 26.2 | 32.1 |
| Global Logistic Properties Limited | 14-Jul-17 | 25.2 | 19.4 | 17.8 |
| Fischer Tech Limited | 27-Jul-17 | 31.3 | 46.9 | 63.6 |
| CWT Limited | 07-Sep-17 | 5.9 | 6.4 | 14.8 |
| Poh Tiong Choon Logistics Limited | 20-Sep-17 | 1.6 | 30.1 | 41.3 |
| GP Batteries International Limited | 22-Sep-17 | 62.5 | 62.9 | 62.7 |
| Cogent Holdings Limited | 03-Nov-17 | 5.2 | 6.2 | 12.7 |
| CWG International Ltd. | 28-Dec-17 | 27.5 | 29.5 | 29.2 |
| **High** | | **62.5** | **69.2** | **98.4** |
| **Low** | | **1.6** | **6.2** | **10.7** |
| **Mean** | | **25.9** | **32.3** | **37.4** |
| **Median** | | **24.8** | **28.2** | **31.2** |
| **Overall - High** | | **62.5** | **69.2** | **98.4** |
| **Overall - Low** | | **1.6** | **6.2** | **10.7** |
| **Overall - Mean** | | **26.8** | **32.6** | **36.7** |
| **Overall - Median** | | **25.0** | **29.5** | **30.3** |
| **Company** (implied by the Exit Offer Price and based on Share prices prior to the 2016 Vard Offer Announcement Date) | | 8.7 | 16.2 | 29.3 |
| **Company** (implied by the Exit Offer Price and based on Share prices prior to the Joint Offer Announcement Date) | | 0.0 | (0.9) | 2.5 |

*Source: Bloomberg L.P. and the companies' offer documents and circulars*

**Note:**

1 Market premium/discount is calculated based on the share price on either the last trading day or unaffected day for the given periods, as defined in the respective circulars.

Based on the above, we note that:

(i) The market price premium / discount implied by the Exit Offer Price over the last transacted Share price, 1-month and 3-month VWAPs prior to the Joint Announcement Date are well below the corresponding range of premia of the Precedent Takeovers; and

(ii) The market price premium implied by the Exit Offer Price over the last transacted Share price, 1-month and 3-month VWAPs prior to the 2016 Vard Offer are below the corresponding overall mean and median premia of the Precedent Takeovers.

## 7.7 Comparison with prior offers for the Company

On 21 December 2012 (the "**2012 Vard Offer Date**"), the Offeror announced a pre-conditional mandatory cash offer for all the issued Shares in the capital of the Company, other than those already owned, controlled or agreed to be acquired by the Offeror, its related corporations and their respective nominees (the "**2012 Vard Offer**"). The price for each Share is S$1.22 in cash.

In the 2016 Vard Offer announced on 13 November 2016, the Offeror made a voluntary conditional cash offer for all of the issued Shares in the capital of the Company, other than those already owned, controlled or agreed to be acquired by the Offeror, its related corporations and their respective nominees. The price for each Share is S$0.24 in cash.

The table below sets out a comparison of the financial terms of the 2012 Vard Offer, 2016 Vard Offer and the Exit Offer.

| | | | | | | | Premium / (Discount) of offer price over / (to) [3]: | |
|---|---|---|---|---|---|---|---|---|
| **Announcement Date** | **Target** | **Description (at the time of acquisition)** | **Offer Price (S$)** | **Historical P/E [1] (times)** | **Historical EV/EBITDA [1] (times)** | **Historical P/NAV [2] (times)** | **Last transacted price (%)** | **1 month VWAP (%)** |
| 21-Dec-12 | Vard | 2012 Vard Offer | 1.22 | 7.4 | 5.5 | 2.0 | (12.9) | (12.9) |
| 13-Nov-16 | Vard | 2016 Vard Offer | 0.24 | n.m. | 188.1 | 0.7 | 4.4 | 11.6 |
| **Company** (Implied by the Exit Offer Price) | | | **0.25** | **n.m.** | **53.0** | **0.9** | **0.0** | **(0.9)** |

*Source: The Company's announcements and CIMB's analysis*

**Notes:**

"n.m." – Not meaningful

1 Based on earnings or EBITDA over the most recent twelve months prior to the respective acquisition announcement as reported by the target company and adjusted for non-recurring items.

2 Based on the most recently available NAV as reported by the target company prior to the respective announcement date.

3 Market premium/discount is calculated based on the share price on either the last trading day or unaffected day for the given periods prior to the respective announcements, as defined in the respective circulars.

Based on the above, we note that:

(i) The Exit Offer Price is marginally higher than the offer price of the 2016 Vard Offer but is significantly lower than that in the 2012 Vard Offer;

(ii) The P/E multiple of the Company implied by the Exit Offer Price is not meaningful given the Company's losses over the most recent twelve months as reported;

(iii) The EV/EBITDA multiple of the Company implied by the Exit Offer Price is lower than that in the 2016 Vard Offer but is higher than that in the 2012 Vard Offer;

(iv) The P/NAV multiple of the Company implied by the Exit Offer Price is higher than that in the 2016 Vard Offer but is lower than that in the 2012 Vard Offer; and

(v) The market price premium / (discount) implied by the Exit Offer Price, over the last transacted price and 1-month VWAPs of Shares prior to the Joint Announcement Date are below the corresponding range of premia in the 2016 Vard Offer, but above the corresponding range of premia in the 2012 Vard Offer.

### 7.8 Analyst's price target for the Shares

We have compared a recent research report by an analyst in relation to the Company, based on information on Bloomberg L.P.. The table below summarises the key points of the research report.

| Analyst | Date of research report | Rating | Target Price (S$) |
|---|---|---|---|
| DBS Vickers | 14-Nov-17 | Hold | 0.25 |

We note that the Exit Offer Price is the same as the target price indicated by DBS Vickers.

We wish to highlight that as research coverage of the Company is limited, the above target price may not be representative of market consensus. Further, the estimated target price for the Shares and other statements or opinions in the relevant report represent the individual view of the analyst (and not those of CIMB in its capacity as independent financial adviser for the purposes of this letter) based on the circumstances (including, *inter alia*, market, economic, industry and monetary conditions as well as market sentiment and investor perceptions regarding the future prospects of the Company) prevailing at the date of the publication of the relevant analyst's research report. The opinion of the analyst may change over time as a result of, *inter alia*, changes in market conditions, the Company's corporate developments and the emergence of new information relevant to the Company.

### 7.9 The Group's historical financial performance, financial position and outlook

#### 7.9.1 Review of performance

A summary of the financial performance of the Group between FY2015 and FY2017 is set out below.

| (NOK mn) | Audited FY2015 | Audited FY2016 | Audited FY2017 |
|---|---|---|---|
| Revenue | 11,307 | 7,894 | 8,603 |
| EBITDA before restructuring costs | (321) | 168 | 163 |
| Restructuring costs | (77) | (105) | (33) |
| EBITDA after restructuring costs | (398) | 63 | 130 |
| Depreciation, impairment and amortisation | (235) | (205) | (221) |
| Net financial income / (loss) | (571) | 41 | (106) |
| PAT / LAT | (603) | (163) | (233) |
| *EBITDA margin [(1)]* | *(2.8%)* | *2.1%* | *1.9%* |
| *Net profit / (loss) margin [(2)]* | *(5.3%)* | *(2.1%)* | *(2.7%)* |

A summary of the financial position of the Group as at 31 December 2015, 31 December 2016 and 31 December 2017 is set out below.

| (NOK mn) | Audited 31-Dec-15 | Audited 31-Dec-16 | Audited 31-Dec-17 |
|---|---|---|---|
| Total assets | 20,895 | 13,518 | 14,924 |
| Cash and cash equivalents | 919 | 722 | 810 |
| Borrowings | 11,469 | 6,740 | 7,569 |
| Shareholders' funds | 3,798 | 2,265 | 2,068 |
| NAV per share (NOK) | 3.22 | 1.92 | 1.75 |
| Return on equity [(3)] ("**ROE**") | n.m. | n.m. | n.m. |

*Source: The Company's filings*

**Notes:**

"n.m." – Not meaningful

1 EBITDA margin is calculated as earnings before interest (but including interest from construction loans), tax, depreciation and amortisation, and restructuring costs, divided by the revenue for the relevant financial year.

2 Net profit margin is calculated as PAT divided by the revenue for the relevant financial year.

3 ROE is calculated as PAT divided by the average NAV for the period.

***Revenue***

The Group's revenue decreased by approximately 30.2% from NOK 11.3 billion in FY2015 to NOK 7.9 billion in FY2016 mainly due to reduced activity at the European shipyards stemming from lower order intake.

Compared to FY2016, the Company's revenue in FY2017 rebounded and increased by approximately 9.0% from NOK 7.9 billion to NOK 8.6 billion. The revenue growth between FY2016 and FY2017 was largely attributable to the increase in order book and a higher level of activity in Romania and Vietnam during the second half of 2017.

***EBITDA***

The Group's EBITDA before restructuring costs for FY2016 turned positive at NOK 168 million as compared to a deficit of NOK 321 million in FY2015 due to the positive contribution of certain projects under construction in Europe as well as the loss provisions accrued in 3Q2015 related to projects at the Brazilian yards.

Compared to FY2016, the Company's FY2017 EBITDA before restructuring costs decreased slightly by approximately 3.0% from NOK 168 million to NOK 163 million. The decrease was largely due to a reassessment of the net realisable value ("**NRV**") of vessels held in inventory. This translates to an EBITDA margin of approximately 2.1% and 1.9% for FY2016 and FY2017, respectively. Excluding the effects of the NRV reassessment of vessels held in inventory of approximately NOK 54 million, the EBITDA before restructuring costs in FY2017 would have been NOK 217 million, representing approximately 29.2% increase from FY2016.

***Restructuring costs***

In an effort to turnaround the Company, restructuring costs related to termination benefits to employees and other cost incurred as a consequence of temporary or permanent reduction of capacity were incurred in FY2015 at NOK 77 million and in FY2016 at NOK 105 million. In FY2017, this has reduced to NOK 33 million.

***Profit attributable to the owners of the Company and net profit margin***

Net loss decreased by approximately 73.0% from NOK 603 million in FY2015 to NOK 163 million in FY2016 due mainly to the improvement in EBITDA.

Compared to FY2016, the net loss in FY2017 increased by approximately 42.9% from a loss of NOK 163 million to a loss of NOK 233 million. This translates to net loss margins of approximately 2.1% and 2.7% for FY2016 and FY2017, respectively. The increase in net loss in FY2017 was mainly attributable to the increase in depreciation, impairment and amortisation of NOK 16 million arising from the gradual completion of ongoing investments, and increase in net financial cost of NOK 147 million primarily related to foreign exchange gains and losses.

***NAV***

The Group's NAV decreased by approximately 45.6% from NOK 3.8 billion in FY2015 to NOK 2.1 billion in FY2017.

### 7.9.2 Impact of foreign exchange rate

We set out below the SGD/NOK exchange rate for the period between 11 November 2014 (being 3 years prior to the Last Trading Day) and the Latest Practicable Date:


*Source: Bloomberg L.P.*

**SGD/NOK exchange rate as at various dates**

| Date | SGD/NOK exchange rate |
|---|---|
| 31 December 2014 | 5.5973 |
| 31 December 2015 | 6.2287 |
| 30 December 2016 | 5.9640 |
| Last Trading Day (10 November 2017) | 5.9699 |
| Joint Announcement Date (13 November 2017) | 5.9821 |
| 29 December 2017 | 6.1344 |
| Latest Practicable Date (4 April 2018) | 5.9666 |

As such, the NAV of the Shares in Singapore Dollar ("**SGD**") terms and the market price of the Shares will be subject to foreign exchange fluctuation between SGD and NOK.

Shareholders should note that the underlying assets and liabilities of Vard are denominated in NOK while the Shares are traded in SGD.

We note that the SGD/NOK exchange rate has fluctuated from a low of 5.5234 on 18 February 2015 to a high of 6.3364 on 29 July 2016, with an average rate of 5.9778 from 11 November 2014 (being 3 years prior to the Last Trading Day) to Latest Practicable Date. We note that during the same period, the NAV of the Group has decreased from NOK 3.8 billion as at 31 December 2015 to NOK 2.1 billion as at 31 December 2017, representing a decrease of approximately 45.6%. Applying the respective foreign exchange rates, the NAV of the Group has decreased from S$609 million to S$347 million, representing a decrease of approximately 43.1%. In this respect, we note that the NAV in NOK terms has underperformed the NAV of the Group in SGD terms during this period.

### 7.9.3 Past dividend track record of the Company

We wish to highlight that the Company has not paid any dividends since 2012. The Company confirmed to us that it does not have a fixed dividend policy. The form, frequency and amount of dividends in any period depend on various factors including but not limited to the financial performance of the Group, its working capital and capital expenditure needs as well as other considerations.

### 7.9.4 Outlook of the Group

We would like to draw the attention of Shareholders to paragraph 10 of the Company's results announcement for 4Q2017 which is reproduced in italics below.

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

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

*The offshore market is still considered challenging, but there are positive signs of recovery in the medium to long term in the broader oil & gas industry. However, risks are still inherent in the Group's existing offshore project portfolio. The Group postponed delivery of some projects amid ongoing financial restructurings of clients in the offshore segment.*

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

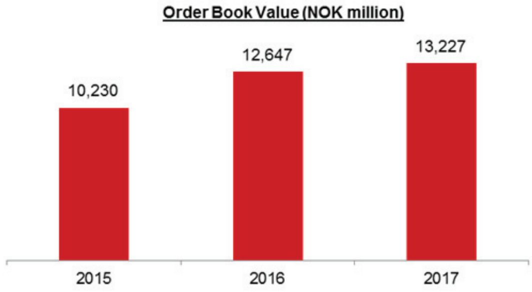
*With its SeaQ™ Energy Storage System, Vard Electro is establishing a solid position within hybrid battery solutions.*

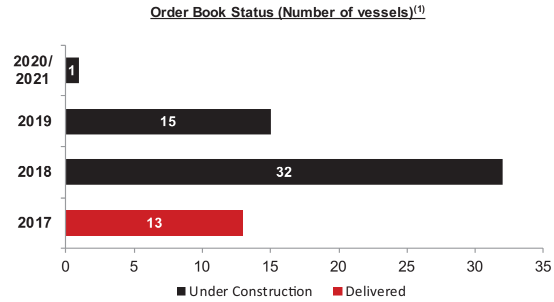
*Negotiations are continuing with the Norwegian Government for three Coast Guard vessels.*"

### 7.9.5 Order book

The Group secured 13 new contracts in 4Q2017 with order intake of approximately NOK 3.8 billion, bringing the full year order intake to approximately NOK 8.3 billion. The Group has 48 vessels in the order book, with a total order book value of approximately NOK 13.2 billion as at 31 December 2017, compared to 41 vessels in the order book with a total order book value of approximately NOK 12.6 billion as at 31 December 2016. New contracts secured in FY2017 comprised, *inter alia*, car and passenger ferries, fishing vessels, expedition cruise vessels, a research expedition vessel, freight-and-service vessels and offshore fish farming operation platforms. Based on the Company's results announcement for 4Q2017, we further note that of the 48 vessels in the order book, 32 vessels are projected to be delivered in FY2018, 15 vessels are projected to be delivered in FY2019 while the remaining vessel is projected to be delivered in FY2020. We wish to highlight that risks and uncertainties may cause the Group's actual future results, performance or achievements to be materially different from those expected, express or implied by the order book status, which are based on the circumstances prevailing as at the date of the 4Q2017 results announcement.

The charts below set out the status of the Company's order book in terms of value and number of vessels as based on the 4Q2017 results presentation of the Company.




**Note:**

1 The chart reflects the order book status as at 31 December 2017.

Based on the above charts, the Company's order book value is on an upward trend with a compound annual growth rate ("**CAGR**") from FY2015 to FY2017 of 13.7%. In addition, in FY2018, the number of vessels under construction of 32 vessels is significantly higher than the 13 vessels delivered in FY2017.

The Company had also announced on 7 March 2018 and 15 March 2018 that the Company had secured contracts for the construction of two (2) luxury expedition cruise vessels and one (1) fishing vessel (contract value of approximately NOK 60 million) respectively, and on 4 April 2018, the Company announced it has signed a letter of intent for the design and construction of two (2) cruise vessels (potential contract value of approximately NOK 4.5 billion).

### 7.9.6 Diversification strategy of the Group

We note that the Company launched a diversification strategy in 2016 to reduce its dependency on the offshore business, diversifying into new markets from exploration cruise to fishing and aquaculture. In its results announcement for 4Q2017, the Company stated that it is well positioned in the growing expedition cruise vessel market. In fisheries and aquaculture, the Group has improved its position to take advantage of good prospects in those markets through valuable cooperation with clients.

In its annual report for FY2016, the Company gave an assessment on the progress of the diversification strategy, as follows:

"*VARD's new strategy launched at the beginning of 2016 has profoundly changed the Company over the course of less than a year. At year-end 2015, the order book was still dominated by offshore support and offshore subsea construction vessels, both in terms of number of vessels and value. Within twelve months, that picture has changed dramatically, with more than half of the order book value at year-end 2016 being attributable to exploration cruise vessels, and more than two-thirds of the vessels on order coming from segments outside VARD's traditional core markets. The pace of change is even more remarkable taking into consideration that shipbuilding is an industry typically characterized by long lead times, high-value projects, and entrenched relationships between shipyards and clients.*"

As at 31 December 2017, the Group has 48 vessels in the order book, with less than 25 per cent. of the vessels on order consisting of offshore support and offshore subsea construction vessels.

### 7.9.7 Offeror's future plans

We note from the Exit Offer Letter that the Offeror currently has no intention to propose any major changes to the business of the Group.

### 7.10 Other relevant considerations which have a bearing on our assessment

#### 7.10.1 Implication of Delisting for Shareholders

Shareholders should note that shares of unlisted companies are generally valued at a discount to the shares of comparable listed companies as a result of the lack of marketability. **Following the Delisting, it is likely to be difficult for Shareholders who do not accept the Exit Offer to sell their Shares in the absence of a public market for the Shares as there is no arrangement for Shareholders to exit. If the Company is delisted, even if such Shareholders were able to sell their Shares, they may receive a lower price as compared to the Exit Offer Price.** Further, any transfer or sale of Shares represented by share certificates will be subject to stamp duty.

As an unlisted company, the Company will no longer be obliged to comply with the listing requirements of the SGX-ST, in particular the requirement to have independent directors and the continuing corporate disclosure requirements under Chapter 7 and Appendices 7.1, 7.2, 7.4.1 and 7.4.2 of the Listing Manual. Nonetheless, the Company will still need to comply with the Companies Act and its Constitution, and the interests of Shareholders who do not accept the Exit Offer will be protected to the extent provided for by the Companies Act.

If the Company is delisted from the Official List of the SGX-ST, each Shareholder who holds Shares that are deposited with CDP and does not accept the Exit Offer will be entitled to one (1) share certificate representing his delisted Shares. The Company's share registrar, RHT Corporate Advisory Pte. Ltd., will arrange to forward the share certificates to such Shareholders who are not CPFIS Investors or SRS Investors, by ordinary post and at the Shareholders' own risk, to their respective addresses as such addresses appear in the records of CDP for their physical safekeeping. The share certificates belonging to CPFIS Investors and SRS Investors will be forwarded to their respective CPF/SRS Agent Banks for their safekeeping.

#### 7.10.2 Restrictions following the close of the Exit Offer

Shareholders should also note that, under the Code, except with the consent of the SIC, neither the Offeror nor any person acting in concert with it may, within six (6) months of the closure of the Exit Offer, make a second offer to, or acquire any Shares from, any Shareholder on terms better than those made available under the Exit Offer.

#### 7.10.3 Compulsory Acquisition

Pursuant to Section 215(1) of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), if the Offeror receives valid acceptances pursuant to the Exit Offer or acquires such number of Offer Shares from the Despatch Date otherwise than through valid acceptances of the Exit Offer in respect of not less than 90 per cent. of the total number of Shares (excluding treasury Shares) as at the final Closing Date (other than those already held by the Offeror, its related corporations and their respective nominees as at the Despatch Date), the Offeror will be entitled to exercise the right to compulsorily acquire all the Shares of the Shareholders who have not accepted the Exit Offer (the "**Dissenting Shareholders**") on the same terms as those offered under the Exit Offer.

**In the event that the Offeror becomes entitled to exercise its right under Section 215(1) of the Companies Act to compulsorily acquire all the Offer Shares of the Dissenting Shareholders, the Offeror intends to exercise its right of compulsory acquisition. In such event, the Company will become a wholly-owned subsidiary of the Offeror pursuant to such compulsory acquisition.**

In addition, pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of Shares which, together with the Shares held by it, its related corporations and their respective nominees, comprise 90 per cent. or more of the total number of Shares, the Dissenting Shareholders have a right to require the Offeror to acquire their Shares at the Exit Offer Price. Dissenting Shareholders who wish to exercise such a right are advised to seek their own independent legal advice.

**Shareholders are advised to seek their own independent legal advice in relation to the compulsory acquisition provisions under the Companies Act.**

Please refer to paragraphs 7.3 and 7.4 of the Exit Offer Letter for details on, *inter alia*, the rights of the Offeror and Shareholders under the Companies Act.

#### 7.10.4 No Alternative Offer

As at the Latest Practicable Date, there is no publicly available evidence of any alternative takeover offer for the Shares. Further, the Company have also confirmed that as at the Latest Practicable Date, apart from the Exit Offer, the Company has not received any other takeover offer from any other party.

#### 7.10.5 Control of the Company

As at the Latest Practicable Date, the Offeror and its concert parties own approximately 83.06 per cent. of the Shares. Accordingly, the Offeror already possesses statutory control of the Company which entitles it to determine, *inter alia*, the financial and operating policies of the Group as well as its capital structure, management and strategy.

In addition, the Offeror and its concert parties also have the ability to pass all resolutions on matters in which the Offeror and its concert parties do not have an interest at general meetings of Shareholders, and the Offeror and its concert parties are not precluded from voting on the Delisting Resolution. Shareholders should note that the Offeror intends to vote all of the Shares held by it as at the Latest Practicable Date and any other Shares which may be acquired by the Offeror after the Latest Practicable Date in favour of the Delisting Resolution at the EGM. Hence, unless the Delisting Resolution is voted against by 10 per cent. or more of the total number of issued Shares (excluding treasury shares and subsidiary holdings) held by Shareholders present and voting, on a poll, either in person or by proxy at the EGM, the Delisting Resolution is certain of being passed.

## 8. SUMMARY OF OUR ANALYSIS

In arriving at our advice to the Independent Directors on the Exit Offer, we have considered, *inter alia*, the following factors which should be read in the context of the full text of this letter:

(i) The Exit Offer Price represents a premium of between approximately 16.2% and 35.1% over the various VWAPs of the Shares in the 1-year period prior to the 2016 Vard Offer Announcement Date;

(ii) The Exit Offer Price represents a premium of approximately 4.0% over the VWAP of the Shares between the close of the 2016 Vard Offer and the Joint Announcement Date;

(iii) Between 27 March 2017 (being the market day immediately after the close of the 2016 Vard Offer) and the Latest Practicable Date, the Offeror made open market purchases of the Shares, amounting to approximately 8.6% of total share capital of the Company and which accounted for 70.5% of all transactions in the Shares;

(iv) Save for the 1-month period prior to the Joint Announcement Date where the Exit Offer Price represents a discount of approximately 0.9% over the corresponding VWAP of the Shares, the Exit Offer Price generally represents a premium of between approximately 0.0% and 3.6% over the various VWAPs of the Shares in the 6-month period prior to the Joint Announcement Date;

(v) The ADTV of the Shares ranged between approximately 0.10% and 0.26% of the Company's free float, over the various historical periods in the 6-month period prior to the Joint Announcement Date, with the Offeror accounting for approximately 75.1% of total Shares traded during this 6-month period;

(vi) For the past 3 years leading up to the Last Trading Day, the Shares has underperformed the FSSTI and the SGXMA;

(vii) The Share prices as at the Last Trading Day and as at the Latest Practicable Date is likely supported by the Exit Offer and purchases by the Offeror and hence may not be sustained at these levels after the close of the Exit Offer should the Offeror reduce the volume and/or the prices of its purchase of Shares;

(viii) The Exit Offer Price represents a discount of approximately 14.9% to the NAV per Share and a premium of approximately 10.6% to the NTA per Share as at 31 December 2017;

(ix) The Exit Offer Price is at a discount of approximately 19.2% to the RNAV per Share of S$0.309 as at 31 December 2017;

(x) The P/NAV multiple implied by the Exit Offer Price is higher than the average P/NAV multiples of the Shares for the 3-year and 1-year periods prior to the Last Trading Day;

(xi) The EV/EBITDA multiple implied by the Exit Offer Price is above the corresponding range of multiples of the Comparable Companies;

(xii) The P/NAV multiple implied by the Exit Offer Price is above the corresponding median multiple but below the mean multiple of the Comparable Companies;

(xiii) The EV/EBITDA multiple implied by the Exit Offer Price is above the corresponding range of multiples of the Precedent Transactions;

(xiv) The P/NAV multiple implied by the Exit Offer Price is above the corresponding mean and median multiples of the Precedent Transactions;

(xv) The P/RNAV multiple implied by the Exit Offer Price is below the corresponding mean and median multiples of the Precedent Transactions but nevertheless within its range of multiples;

(xvi) The market premium implied by the Exit Offer Price, over the last transacted price and 1-month VWAPs of the Shares prior to the Joint Announcement Date are below the corresponding range of premia of the Precedent Transactions;

(xvii) The market premium implied by the Exit Offer Price, over the last transacted price and 1-month VWAPs prior to the 2016 Vard Offer Announcement Date are below the corresponding mean and median premia of the Precedent Transactions;

(xviii) The market price premium implied by the Exit Offer Price over the last transacted Share price, 1-month and 3-month VWAPs prior to the Joint Announcement Date are well below the corresponding range of premia of the Precedent Takeovers;

(xix) The market price premium implied by the Exit Offer Price over the last transacted Share price, 1-month and 3-month VWAPs prior to the 2016 Vard Offer are below the corresponding overall mean and median premia of the Precedent Takeovers;

(xx) The EV/EBITDA multiple of the Company implied by the Exit Offer Price is lower than that in the 2016 Vard Offer but is higher than that in the 2012 Vard Offer;

(xxi) The P/NAV multiple of the Company implied by the Exit Offer Price is higher than that in the 2016 Vard Offer but is lower than that in the 2012 Vard Offer;

(xxii) The market price premium implied by the Exit Offer Price, over the last transacted price and 1-month VWAPs of Shares prior to the Joint Announcement Date are below the corresponding range of premia in the 2016 Vard Offer, but above the corresponding range of premia in the 2012 Vard Offer;

(xxiii) The Company has not paid any dividends since 2012;

(xxiv) As at the Latest Practicable Date, the Offeror and its concert parties owns approximately 83.06 per cent. of the total number of Shares which they are entitled and intends to vote in favour of the Delisting Resolution;

(xxv) Following the Delisting, it is likely to be difficult for Shareholders who do not accept the Exit Offer to sell their Shares in the absence of a public market for the Shares, as there is no ready mechanism for such Shareholders to exit their investment in the Shares. They may also have to sell their Shares at a lower price;

(xxvi) In the event that the Offeror becomes entitled to exercise its right of compulsory acquisition under Section 215(1) of the Companies Act, the Offeror intends to exercise such right;

(xxvii) As at the Latest Practicable Date, there is no alternative or competing takeover offer for the Shares;

(xxviii) General trend of improvements in the Group's recent financial performance and order book and the Group's success in its diversification strategy; and

(xxix) The Offeror currently has no intention to propose any major changes to the business of the Group.

**Based upon, and having considered, *inter alia*, the factors described above and the information that has been made available to us as at the Latest Practicable Date, we are of the opinion that as of the Latest Practicable Date, the Exit Offer is NOT FAIR BUT REASONABLE.**

In determining that the Exit Offer is **NOT FAIR**, we have considered the following pertinent factors:

(i) The market price premium implied by the Exit Offer Price is significantly lower than the corresponding mean and median premia in the Precedent Transactions and Precedent Takeovers;

(ii) The Exit Offer Price is at a discount to NAV per Share;

(iii) The Group's financial performance in terms of revenue and EBITDA have seen improvements in FY2017;

(iv) The Group's current order book continues its upward trend with CAGR of 13.7% between FY2015 and FY2017; and

(v) The Group has successfully executed its diversification strategy since 2016 to reduce its dependency on the offshore business and entering into new markets in exploration cruises, fishing and aquaculture.

In determining that the Exit Offer is **REASONABLE**, we have considered the following pertinent factors:

(i) The Offeror already owns 83.06 per cent. of the Shares and has statutory control of the Company with ability to pass all resolutions on matters which the Offeror do not have an interest at general meetings of Shareholders;

(ii) The Company has not paid any dividends since 2012 and there is no assurance that dividends will be paid in the future;

(iii) There is no alternative takeover offer for the Shares as at Latest Practicable Date;

(iv) The market price of the Shares since the close of the 2016 Vard Offer is likely to have been supported by market purchases by the Offeror and the Offer and hence may not be sustained at current levels in the absence of the Exit Offer or if the Offeror reduces its purchase price or volumes for the Shares;

(v) The P/NAV implied in the Exit Offer Price is higher than the 1 and 3-year average P/NAV of the Shares;

(vi) The P/NAV implied in the Exit Offer Price is within the corresponding range of ratios of the Comparable Companies and above that in the 2016 Vard Offer;

(vii) The PNAV and P/RNAV ratios implied in the Exit Offer Price are within the corresponding range of ratios of the Precedent Transactions; and

(viii) The Exit Offer Price is equivalent to the analyst's target price of the Shares.

**Accordingly, we advise the Independent Directors to recommend that Shareholders should either ACCEPT the Exit Offer or sell their Shares on the open market if they can obtain a price equal to or higher than the Exit Offer Price (after deducting related transaction expenses) in the event that the Delisting Resolution is passed and they do not intend or are not prepared to hold unlisted Shares. Shareholders should note that there is no assurance that the market prices and trading volumes of the Shares will be maintained at current levels prevailing as at the Latest Practicable Date after the close of the Exit Offer.**

**We wish to highlight that unless the Delisting Resolution is voted against by 10 per cent. or more of the total number of Shares held by the Shareholders present and voting, on a poll, either in person or by proxy at the EGM, the Delisting Resolution is certain of being passed at the EGM.**

**In the event that the requirements of Delisting under Rules 1307 and 1309 of the Listing Manual are met, the Company will be delisted from the Official List of the SGX-ST.**

**We would also advise the Independent Directors to caution the Shareholders that they should not rely on our advice to the Independent Directors as the sole basis for deciding whether or not to accept the Exit Offer.**

In rendering the advice above, we have not had regard to the specific investment objectives, financial situation, tax position or particular needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, we would advise that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately. Shareholders should note that the opinion and advice of CIMB should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Exit Offer.

Yours faithfully
For and on behalf of
**CIMB BANK BERHAD, SINGAPORE BRANCH**

**JASON CHIAN SIET HENG**
MANAGING DIRECTOR
INVESTMENT BANKING, SINGAPORE

**ERIC WONG**
DIRECTOR
INVESTMENT BANKING, SINGAPORE

# PROCEDURES FOR ACCEPTANCE OF THE EXIT OFFER

**PLEASE TAKE NOTE THAT APPROVING THE DELISTING RESOLUTION AT THE EGM DOES NOT AUTOMATICALLY MEAN THAT YOU HAVE ACCEPTED THE EXIT OFFER.**

The following section on the procedures for the acceptance of the Exit Offer is reproduced from Appendix 1 to the Exit Offer Letter, and all terms and expressions used in the extract below shall bear the same meanings as attributed to them in the Exit Offer Letter unless otherwise stated.

"***1. THE EXIT OFFER***

***1.1 Depositors***

***1.1.1 Depositors whose Securities Accounts are credited with Offer Shares.*** *If you have Offer Shares standing to the credit of the "Free Balance" of your Securities Account, you should receive this Exit Offer Letter together with a FAA. If you do not receive a FAA, you may obtain a copy, upon production of satisfactory evidence that you are a Shareholder, from CDP at* ***9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588.***

***Acceptance.*** *If you wish to accept the Exit Offer in respect of all or any of your Offer Shares, you should:*

*(i) complete the FAA in accordance with this Exit Offer Letter and the instructions printed on the FAA. In particular, you must state in Part A on page 1 of the FAA the number of Offer Shares already standing to the credit of the "Free Balance" of your Securities Account in respect of which you wish to accept the Exit Offer.*

*If you:*

*(a) do not specify such number; or*

*(b) specify a number which exceeds the number of Offer Shares standing to the credit of the "Free Balance" of your Securities Account* ***as at 5.00 p.m. (Singapore time) on the Date of Receipt or, in the case where the Date of Receipt is on the Closing Date, as at 5.30 p.m. (Singapore time) on the Closing Date,***

*you shall be deemed to have accepted the Exit Offer in respect of all the Offer Shares already standing to the credit of the "Free Balance" of your Securities Account* ***as at 5.00 p.m. (Singapore time) on the Date of Receipt or 5.30 p.m. (Singapore time) on the Closing Date (if the FAA is received by CDP on the Closing Date)****;*

*(ii) sign the FAA in accordance with this* ***Appendix 1*** *and the instructions printed on the FAA; and*

*(iii) deliver the completed and signed FAA in its entirety (no part may be detached or otherwise mutilated):*

*(a) by post, in the enclosed pre-addressed envelope at your own risk, to* ***FINCANTIERI OIL & GAS S.p.A.*** *c/o* ***The Central Depository (Pte) Limited at Robinson Road Post Office, P.O. Box 1984, Singapore 903934****; or*

*(b) by hand to* ***FINCANTIERI OIL & GAS S.p.A.*** *c/o* ***The Central Depository (Pte) Limited at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588****,*

***in each case so as to arrive not later than 5.30 p.m. (Singapore time) on the Closing Date**. If the completed and signed FAA is delivered by post to the Offeror, please use the pre-addressed envelope which is enclosed with the FAA. It is your responsibility to affix adequate postage on the said envelope.*

*Proof of posting is not proof of receipt by the Offeror at the above addresses.*

*If you have sold or transferred all your Offer Shares held through CDP, you need not forward this Exit Offer Letter and the accompanying FAA to the purchaser or transferee, as CDP will arrange for a separate Exit Offer Letter and FAA to be sent to the purchaser or transferee. Purchasers of the Offer Shares should note that CDP will, for and on behalf of the Offeror, send a copy of this Exit Offer Letter and the FAA by ordinary post at the purchasers' own risk to their respective addresses as they appear in the records of CDP.*

*If you are a Depository Agent, you may accept the Exit Offer via Electronic Acceptance. Such Electronic Acceptance must be submitted **not later than 5.30 p.m. (Singapore time) on the Closing Date**. CDP has been authorised by the Offeror to receive Electronic Acceptances on its behalf. Electronic Acceptances submitted will be deemed irrevocable and subject to each of the terms and conditions contained in the FAA and this Exit Offer Letter as if the FAA had been completed and delivered to CDP.*

***1.1.2 Depositors whose Securities Accounts will be credited with Offer Shares.** If you have purchased Offer Shares on the SGX-ST and such Offer Shares are in the process of being credited to the "Free Balance" of your Securities Account, this Exit Offer Letter and a FAA in respect of such Offer Shares bearing your name and Securities Account number will be sent to you by CDP. If you do not receive a FAA, you may obtain a copy, upon production of satisfactory evidence that you are a Shareholder or have purchased the Offer Shares on the SGX-ST (as the case may be) from **The Central Depository (Pte) Limited at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588**.*

***Acceptance**. If you wish to accept the Exit Offer in respect of all or any of your Offer Shares, you should, after the "Free Balance" of your Securities Account has been credited with such number of Offer Shares purchased:*

*(i) complete and sign the FAA in accordance with this **Appendix 1** and the instructions printed on the FAA; and*

*(ii) deliver the completed and signed FAA in its entirety (no part may be detached or otherwise mutilated):*

*(a) by post, in the enclosed pre-addressed envelope at your own risk, to **FINCANTIERI OIL & GAS S.p.A.** c/o **The Central Depository (Pte) Limited at Robinson Road Post Office, P.O. Box 1984, Singapore 903934**; or*

*(b) by hand to **FINCANTIERI OIL & GAS S.p.A.** c/o **The Central Depository (Pte) Limited at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588**,*

***in each case so as to arrive not later than 5.30 p.m. (Singapore time) on the Closing Date.** If the completed and signed FAA is delivered by post to the Offeror, please use the pre-addressed envelope which is enclosed with the FAA. It is your responsibility to affix adequate postage on the said envelope.*

*Proof of posting is not proof of receipt by the Offeror at the above addresses.*

***1.1.3 Depositors whose Securities Accounts are and will be credited with Offer Shares.** If you have Offer Shares credited to the "Free Balance" of your Securities Account, and have purchased additional Offer Shares on the SGX-ST which are in the process of being credited to the "Free Balance" of your Securities Account, you may accept the Exit Offer in respect of the Offer Shares standing to the credit of the "Free Balance" of your Securities*

*Account and may accept the Exit Offer in respect of the additional Offer Shares purchased which are in the process of being credited to the "Free Balance" of your Securities Account only after the "Free Balance" of your Securities Account has been credited with such additional number of Offer Shares purchased.*

***1.1.4 Rejection.*** *If upon receipt by CDP, on behalf of the Offeror, of the FAA, it is established that such Offer Shares have not been or will not be credited to the "Free Balance" of your Securities Account (for example, where you sell or have sold such Offer Shares), your acceptance is liable to be rejected. None of CDP, Citigroup and the Offeror (or, for the avoidance of doubt, any of the Offeror's related corporations) accepts any responsibility or liability in relation to such rejections, including the consequences thereof.*

*If you purchase Offer Shares on the SGX-ST on a date close to the Closing Date, your acceptance in respect of such Offer Shares is liable to be rejected if the "Free Balance" of your Securities Account is not credited with such Offer Shares by 5.00 p.m. (Singapore time) on the Date of Receipt or 5.30 p.m. (Singapore time) on the Closing Date if the Date of Receipt is on the Closing Date. None of CDP, Citigroup and the Offeror (or, for the avoidance of doubt, any of the Offeror's related corporations) accepts any responsibility or liability for such a rejection, including the consequences of such a rejection.*

***1.1.5 General.*** *No acknowledgement will be given by CDP for submissions of the FAA. All communications, notices, documents and remittances to be delivered or sent to you will be sent by ordinary post at your own risk to your address as it appears in the records of CDP. For reasons of confidentiality, CDP will not entertain telephone enquiries relating to the number of Offer Shares credited to your Securities Account. You can verify such number through CDP Online if you have registered for the CDP Internet Access Service, or through CDP Phone Service if you have a T-PIN.*

***1.1.6 Suspense Account.*** *Upon receipt by CDP, for and on behalf of the Offeror, of the duly completed and signed original of the FAA, CDP will take such measures as it may consider necessary or expedient to prevent any trading of the Offer Shares in respect of which you have accepted the Exit Offer during the period commencing on the Date of Receipt and ending on the date of settlement of the consideration for such Offer Shares (including, without limitation, earmarking, blocking and/or transferring the relevant number of such Offer Shares from the "Free Balance" of your Securities Account to a "Suspense Account"), in the event of the Exit Offer becoming or being declared to be unconditional in all respects in accordance with its terms. Such Offer Shares will be held in the "Suspense Account" until the consideration for such Offer Shares has been despatched to you.*

***1.1.7 Notification.*** *In the event that the Exit Offer becomes or is declared unconditional in all respects in accordance with its terms, upon the Offeror's despatch of consideration for the Offer Shares in respect of which you have accepted the Exit Offer, CDP will send you a notification letter stating the number of Offer Shares debited from your Securities Account together with payment of the Exit Offer Price by way of a cheque drawn on a bank in Singapore for the appropriate amount, or in such other manner as you may have agreed with CDP for the payment of any cash distributions, in each case at your own risk.*

***1.1.8 Return of Offer Shares.*** *In the event that the Exit Offer does not become or is not declared to be unconditional in all respects in accordance with its terms, CDP will transfer the aggregate number of Offer Shares in respect of which you have accepted the Exit Offer and tendered for acceptance under the Exit Offer to the "Free Balance" of your Securities Account as soon as possible but, in any event, not later than 14 days from the lapse or withdrawal of the Exit Offer.*

***1.1.9 No Securities Account.*** *If you do not have any existing Securities Account in your own name at the time of acceptance of the Exit Offer, your acceptance as contained in the FAA will be rejected.*

***1.1.10 Acceptances received on Saturday, Sunday or public holiday.*** *For the avoidance of doubt, FAAs received by CDP on a Saturday, Sunday or public holiday will only be processed and validated on the next Business Day.*

***1.2 Holders of Offer Shares in Scrip Form***

***1.2.1 Shareholders whose Offer Shares are not deposited with CDP.*** *If you hold Offer Shares in scrip form, you should receive this Exit Offer Letter together with a FAT. If you do not receive a FAT, you may obtain a copy, upon production of satisfactory evidence that you are a Shareholder, from RHT Corporate Advisory Pte. Ltd., at* ***9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619.***

***1.2.2 Acceptance.*** *If you wish to accept the Exit Offer in respect of all or any of your Offer Shares, you should:*

*(i) complete the FAT in accordance with this Exit Offer Letter and the instructions printed on the FAT. In particular, you must state in Part (A) of the FAT the number of Offer Shares in respect of which you wish to accept the Exit Offer and state in Part (B) of the FAT the share certificate number(s) of the relevant share certificate(s). If you:*

*(a) do not specify such number in Part (A) of the FAT; or*

*(b) specify a number in Part (A) of the FAT which exceeds the number of Offer Shares represented by the attached share certificate(s) accompanying the FAT,*

*you shall be deemed to have accepted the Exit Offer in respect of the total number of Offer Shares represented by the share certificate(s) accompanying the FAT;*

*(ii) sign the FAT in accordance with this* ***Appendix 1*** *and the instructions printed on the FAT; and*

*(iii) deliver:*

*(a) the completed and signed FAT in its entirety (no part may be detached or otherwise mutilated);*

*(b) the share certificate(s), other document(s) of title and/or other relevant document(s) required by the Offeror and/or the Receiving Agent relating to the Offer Shares in respect of which you wish to accept the Exit Offer. If you are recorded in the Register as holding Offer Shares but you do not have the relevant share certificate(s) relating to such Offer Shares, you, at your own risk, are required to procure the Company to issue such share certificate(s) in accordance with the Constitution of the Company and then deliver such share certificate(s) in accordance with the procedures set out in this Exit Offer Letter and the FAT;*

*(c) where such Offer Shares are not registered in your name, a transfer form, duly executed by the person in whose name such share certificate(s) is/are registered and stamped, with the particulars of the transferee left blank (to be completed by the Offeror, or any person nominated in writing by the Offeror or a person authorised by either); and*

*(d) any other relevant document(s),*

*either:*

*(1) by post, in the enclosed pre-addressed envelope at your own risk, to* ***FINCANTIERI OIL & GAS S.p.A.*** *c/o* ***RHT Corporate Advisory Pte. Ltd.*** *at* ***9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619****; or*

*(2) by hand to* ***FINCANTIERI OIL & GAS S.p.A.*** *c/o* ***RHT Corporate Advisory Pte. Ltd.*** *at* ***9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619****,*

***in each case so as to arrive not later than 5.30 p.m. (Singapore time) on the Closing Date****. If the completed and signed FAT is delivered by post to the Offeror, please use the pre-addressed envelope which is enclosed with the FAT. It is your responsibility to affix adequate postage on the said envelope.*

*Proof of posting is not proof of receipt by the Offeror at the above addresses.*

***1.2.3 Receipt****. No acknowledgement of receipt of any FAT, share certificate(s), other document(s) of title, transfer form(s) and/or any other document(s) required will be given by the Offeror, the Financial Adviser or the Receiving Agent.*

***1.2.4 Return of Offer Shares.*** *In the event that the Exit Offer does not become or is not declared to be unconditional in all respects in accordance with its terms, the FAT, share certificate(s) and/or any other accompanying document(s) will be returned to you by ordinary post to your address as it appears in the records of the Receiving Agent at your own risk as soon as possible but, in any event, within 14 days from the lapse or withdrawal of the Exit Offer.*

***1.2.5 Acceptances received on Saturday, Sunday or public holiday.*** *For the avoidance of doubt, FATs received by the Receiving Agent on a Saturday, Sunday or public holiday will only be processed and validated on the next Business Day.*

***2. SETTLEMENT FOR THE EXIT OFFER***

***2.1 When Settlement of the Exit Offer Consideration is Due.*** *Subject to the Exit Offer becoming or being declared unconditional in all respects in accordance with its terms and the receipt by the Offeror from Accepting Shareholders of all relevant documents required by the Offeror which are complete and valid in all respects and in accordance with such requirements as may be stated in this Exit Offer Letter and the relevant FAA or FAT (as the case may be) including, without limitation, (in the case of an Accepting Shareholder holding Offer Shares in scrip form) the receipt by the Offeror of share certificate(s) relating to the Offer Shares tendered by such Accepting Shareholder in acceptance of the Exit Offer and (in the case of a Depositor) the receipt by the Offeror of a confirmation satisfactory to it that the relevant number of Offer Shares tendered by the accepting Depositor in acceptance of the Exit Offer are standing to the credit of the "Free Balance" of the Depositor's Securities Account at the relevant time, then pursuant to Rule 30 of the Code, remittances in the form of S$ cheques for the aggregate Exit Offer Price in respect of the Offer Shares validly tendered in acceptance of the Exit Offer will be despatched to the Accepting Shareholders (or, in the case of Accepting Shareholders holding Offer Shares tendered in acceptance in scrip form, their designated agents, as they may direct) by ordinary post, at the risk of the Accepting Shareholders or in such other manner as they may have agreed with CDP for payment of any cash distribution and as soon as practicable and in any event:*

***2.1.1*** *in respect of acceptances of the Exit Offer which are complete and valid in all respects and are received* ***on or before*** *the date on which the Exit Offer becomes or is declared to be unconditional in all respects in accordance with its terms, within seven Business Days of that date; or*

***2.1.2*** *in respect of acceptances of the Exit Offer which are complete and valid in all respects and are received* ***after*** *the date on which the Exit Offer becomes or is declared to be unconditional in all respects in accordance with its terms, but on or before the Closing Date, within seven Business Days of the date of such receipt.*

***3. GENERAL***

***3.1 Disclaimer.*** *The Offeror, the Financial Adviser, CDP and/or the Receiving Agent will be authorised and entitled, at their sole and absolute discretion, to reject or treat as valid any acceptance of the Exit Offer through the FAA and/or FAT, as the case may be, which is not entirely in order or which does not comply with the terms of this Exit Offer Letter and the relevant Acceptance Forms or which is otherwise incomplete, incorrect, signed but not in its originality, or invalid in any respect. If you wish to accept the Exit Offer, it is your responsibility to ensure that the relevant Acceptance*

*Forms are properly completed and executed in all respects and submitted with original signature(s) and that all required documents (where applicable) are provided. Any decision to reject or treat as valid any acceptance will be final and binding and none of the Offeror (or, for the avoidance of doubt, any of the Offeror's related corporations), the Financial Adviser, CDP and/or the Receiving Agent accepts any responsibility or liability for such a decision, including the consequences of such a decision.*

***3.2*** ***Discretion.*** *The Offeror and the Financial Adviser each reserves the right to treat acceptances of the Exit Offer as valid if received by or on behalf of either of them at any place or places determined by them otherwise than as stated in this Exit Offer Letter or in the FAA and FAT, as the case may be, or if made otherwise than in accordance with the provisions of this Exit Offer Letter and in the FAA and FAT, as the case may be. Any decision to reject or treat such acceptances as valid will be final and binding and none of the Offeror (or, for the avoidance of doubt, any of the Offeror's related corporations), the Financial Adviser, CDP and/or the Receiving Agent accepts any responsibility or liability for such a decision, including the consequences of such a decision.*

***3.3*** ***Scripless and Scrip Offer Shares.*** *If you hold some Offer Shares with CDP and others in scrip form, you should complete the FAA for the former and the FAT for the latter in accordance with the respective procedures set out in this* ***Appendix 1*** *and the respective Acceptance Forms if you wish to accept the Exit Offer in respect of such Offer Shares.*

***3.4*** ***Deposit Time.*** *If you hold Offer Shares in scrip form, the Offer Shares may not be credited to your Securities Account with CDP in time for you to accept the Exit Offer if you were to deposit your share certificate(s) with CDP after the Despatch Date. If you wish to accept the Exit Offer in respect of such Offer Shares, you should complete the FAT and follow the procedures set out in* ***Paragraph 1.2*** *of this* ***Appendix 1*** *(Holders of Offer Shares in Scrip Form).*

***3.5*** ***Correspondences.*** *All communications, certificates, notices, documents and remittances to be delivered or sent to you (or, in the case of scrip holders, your designated agent or, in the case of joint Accepting Shareholders who have not designated any agent, to the one first named in the Register) will be sent by ordinary post to your respective addresses as they appear in the records of CDP or the Receiving Agent, as the case may be, at the risk of the person entitled thereto (or, for the purposes of remittances only, to such different name and addresses as may be specified by you in the FAA or FAT, as the case may be, at your own risk).*

***3.6*** ***Evidence of Title.*** *Delivery of the duly completed and signed FAA and/or FAT, as the case may be, together with the relevant share certificate(s) and/or other document(s) of title and/or other relevant document(s) required by the Offeror, to the Offeror (or its nominee), CDP and/or the Receiving Agent, shall be conclusive evidence in favour of the Offeror (or its nominee), the Financial Adviser, CDP and the Receiving Agent of the right and title of the person(s) signing it to deal with the same and with the Offer Shares to which it relates.*

***3.7*** ***Loss in Transmission.*** *The Offeror, the Financial Adviser, CDP and/or the Receiving Agent, as the case may be, shall not be liable for any loss in transmission of the FAA and/or the FAT.*

***3.8*** ***Acceptances Irrevocable.*** *Except as expressly provided in this Exit Offer Letter and the Code, the acceptance of the Exit Offer made by you using the FAA and/or the FAT, as the case may be, shall be irrevocable and any instructions or subsequent FAA(s) and/or FAT(s) received by CDP and/or the Receiving Agent, as the case may be, after the FAA and/or FAT, as the case may be, has been received shall be disregarded.*

***3.9*** ***Personal Data Privacy.*** *By completing and delivering a FAA and/or FAT, each person (i) consents to the collection, use and disclosure of his personal data by RHT Corporate Advisory Pte. Ltd., CDP, CPF Board, the SGX-ST, the Offeror, the Financial Adviser and the Company (collectively, the "****Specified Persons****") for the purpose of facilitating his acceptance of the Exit Offer, and in order for the Specified Persons to comply with any applicable laws, listing rules, regulations and/or guidelines, (ii) warrants that where he discloses the personal data of another person, such disclosure is in compliance with applicable law, and (iii) agrees that he will indemnify the Specified Persons in respect of any penalties, liabilities, claims, demands, losses and damages as a result of his breach of warranty.*"

# ADDITIONAL INFORMATION ON THE COMPANY AND THE GROUP

## 1. DIRECTORS

The names, addresses and descriptions of the Directors as at the Latest Practicable Date are set out below:

| Name | Address | Designation |
|---|---|---|
| Mr. Giuseppe Coronella | Via Di Romagna 13<br>34134 Trieste<br>Italy | Chairman and Non-Executive Director |
| Mr. Roy Reite | Skaathaugmarka 13<br>N-6010 Ålesund<br>Norway | Chief Executive Officer and Executive Director |
| Mr. Vittorio Zane | Via Di Conconello 37<br>34151 Trieste<br>Italy | Executive Vice President and Executive Director |
| Mr. Claudio Cisilino | Via Del Pucino 45/2<br>34151 Trieste<br>Italy | Non-Executive Director |
| Mr. Sok Sung Hyon | 22 Farrer Road<br>#05-03 The Wilshire<br>Singapore 268828 | Independent Director |
| Mr. Lee Keen Whye | 69 Dyson Road<br>Singapore 309403 | Lead Independent Director |

## 2. REGISTERED OFFICE

The registered office of the Company is at 6 Battery Road #10-01, Singapore 049909.

## 3. PRINCIPAL ACTIVITIES

The Company is incorporated in Singapore and listed on the Main Board of the SGX-ST since 12 November 2010 and is the parent company of the Group. Headquartered in Norway and with approximately 9,000 employees, the Group operates nine (9) strategically located shipbuilding facilities, including five (5) in Norway, two (2) in Romania, one (1) in Brazil and one (1) in Vietnam. The core business of the Group is the design and construction of complex and highly customised specialised vessels. Through its specialised subsidiaries, the Group develops power and automation systems, deck handling equipment, and vessel accommodation solutions, and provides design and engineering services to the global maritime industry.

## 4. SHARE CAPITAL OF THE COMPANY

4.1 <u>Issued Share Capital</u>

The issued and paid-up share capital of the Company as at the Latest Practicable Date is S$932,200,000 comprising 1,180,000,000 issued Shares.

4.2 Rights in respect of Capital, Dividends and Voting

The rights of Shareholders in respect of capital, dividends and voting are contained in the Constitution. An extract of the relevant provisions in the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting is reproduced in **Appendix V** to this Circular. The Constitution is available for inspection at the registered office of the Company's share registrar, RHT Corporate Advisory Pte. Ltd., at 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619. Capitalised terms and expressions not defined in the extract have the meanings ascribed to them in the Constitution and/or the Companies Act.

4.3 New Issues

As at the Latest Practicable Date, the Company has not issued any new Shares since the end of FY2017, being the last financial year of the Company.

4.4 Options and Convertible Instruments

As at the Latest Practicable Date, the Company has not issued any instruments convertible into, rights to subscribe for, or options in respect of, the Shares or securities which carry voting rights affecting Shares that are outstanding.

## 5. FINANCIAL INFORMATION

5.1 Consolidated Income Statements

Certain financial information extracted from the audited consolidated income statements of the Group for the last four (4) financial years (FY2017, FY2016, FY2015 and FY2014) is summarised below. The summary set out below should be read together with the annual reports, the audited consolidated income statements of the Group for the relevant financial periods and their respective accompanying notes, copies of which are available for inspection at the registered office of the Company's share registrar, RHT Corporate Advisory Pte. Ltd., at 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619.

| | **Group** | | | |
|---|---|---|---|---|
| *(All amounts in NOK millions unless otherwise stated)* | **Audited FY2017** | **Audited FY2016** | **Audited FY2015** | **Audited FY2014** |
| | **NOK** | **NOK** | **NOK** | **NOK** |
| Revenue | 8,603 | 7,894 | 11,307 | 12,923 |
| Materials, subcontract costs and others | (5,601) | (5,049) | (8,561) | (9,457) |
| Salaries and related costs | (2,298) | (2,162) | (2,461) | (2,486) |
| Other operating expenses | (541) | (515) | (606) | (551) |
| **EBITDA before restructuring cost** | **163** | **168** | **(321)** | **429** |
| Restructuring cost | (33) | (105) | (77) | – |
| Depreciation, impairment and amortization | (221) | (205) | (235) | (189) |
| **Operating profit/(loss)** | **(91)** | **(142)** | **(633)** | **240** |
| Financial income | 233 | 323 | 295 | 204 |
| Financial costs | (339) | (282) | (866) | (241) |
| **Net** | **(106)** | **41** | **(571)** | **(37)** |
| Share of results of associates | (47) | (58) | – | (35) |
| **Profit/(loss) before tax** | **(244)** | **(159)** | **(1,204)** | **238** |
| Income tax expense | 6 | (38) | (88) | (188) |
| **Profit/(loss) for the period** | **(238)** | **(197)** | **(1,292)** | **50** |
| **Profit/(loss) for the period attributable to:** | | | | |
| Equity holders of the Company | (233) | (163) | (603) | 349 |
| Non-controlling interest | (5) | (34) | (689) | (299) |
| **Profit/(loss) for the period** | **(238)** | **(197)** | **(1,292)** | **50** |

| *(All amounts in NOK millions unless otherwise stated)* | Group | | | |
|---|---|---|---|---|
| | **Audited FY2017** | **Audited FY2016** | **Audited FY2015** | **Audited FY2014** |
| | **NOK** | **NOK** | **NOK** | **NOK** |
| Earnings (loss) per share (expressed in NOK) | | | | |
| - Basic | (0.20) | (0.14) | (0.51) | 0.30 |
| - Diluted | (0.20) | (0.14) | (0.51) | 0.30 |
| Net dividends per share | – | – | – | – |

5.2 Consolidated Statements of Financial Position

The audited consolidated statements of financial position of the Group for FY2016 and FY2017 are summarised below. The summary set out below should be read together with the annual report of the Group for FY2016, the FY2017 Results and their respective accompanying notes, copies of which are available for inspection at the registered office of the Company's share registrar, RHT Corporate Advisory Pte. Ltd., at 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619.

| *(All amounts in NOK millions unless otherwise stated)* | Group | |
|---|---|---|
| | **Audited as at 31 December 2017** | **Audited as at 31 December 2016** |
| | **NOK** | **NOK** |
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment | 2,629 | 2,555 |
| Intangible assets | 477 | 475 |
| Investment in subsidiary | – | – |
| Investment in associates | 192 | 222 |
| Other investments | 12 | 19 |
| Interest-bearing receivables, non-current | 581 | 473 |
| Non-current derivatives | – | 28 |
| Other non-current assets | 158 | 38 |
| Deferred tax assets | 126 | 82 |
| **Total non-current assets** | **4,175** | **3,892** |
| **Current assets** | | |
| Inventories | 2,100 | 1,949 |
| Construction WIP in excess of prepayments | 6,537 | 5,594 |
| Trade and other receivables | 834 | 801 |
| Current derivatives | 84 | 53 |
| Other current assets | 62 | 161 |
| Interest-bearing receivables, current | 322 | 289 |
| Cash and cash equivalents | 810 | 722 |
| Assets classified as held for sale | – | 57 |
| **Total current assets** | **10,749** | **9,626** |
| **Total assets** | **14,924** | **13,518** |

| (All amounts in NOK millions unless otherwise stated) | Group | |
|---|---|---|
| | Audited as at 31 December 2017 | Audited as at 31 December 2016 |
| | NOK | NOK |
| **EQUITY** | | |
| Paid up capital | 4,138 | 4,138 |
| Restructuring reserve | (3,190) | (3,190) |
| Other reserves | (841) | (877) |
| Retained earnings | 1,961 | 2,194 |
| Total equity attributable to equity holders of the Company | 2,068 | 2,265 |
| Non-controlling interests | 25 | 30 |
| **Total equity** | **2,093** | **2,295** |
| **LIABILITIES** | | |
| **Non-current liabilities** | | |
| Loans and borrowings, non-current | 1,045 | 1,049 |
| Deferred tax liabilities | 89 | 109 |
| Non-current derivatives | 168 | 32 |
| Other non-current liabilities | 831 | 582 |
| Provisions, non-current | 87 | 96 |
| **Total non-current liabilities** | **2,220** | **1,868** |
| **Current liabilities** | | |
| Loans and borrowings, current | 872 | 443 |
| Construction loans | 5,652 | 5,248 |
| Prepayments in excess of construction WIP | 715 | 763 |
| Trade and other payables | 2,051 | 1,636 |
| Current derivatives | 363 | 591 |
| Income tax payable | 51 | 85 |
| Provisions, current | 98 | 141 |
| Other current liabilities | 809 | 404 |
| Liabilities directly associated with assets classified as held for sale | – | 44 |
| **Total current liabilities** | **10,611** | **9,355** |
| **Total liabilities** | **12,831** | **11,223** |
| **Total equity and liabilities** | **14,924** | **13,518** |

5.3 Consolidated NTA per Share

The consolidated NTA per Share of the Group based on the latest published accounts prior to the date of the Circular (being the FY2017 Results) is NOK 1.35 (approximately S$0.23 per Share[1]). As at the Latest Practicable Date, the Directors are not aware of any material changes which may affect the above stated consolidated NTA per Share.

5.4 Accounting Policies

Save as disclosed in the notes to the audited consolidated financial statements of the Group for FY2017 attached to the FY2017 Results, which is available for inspection at the registered office of the Company's share registrar, RHT Corporate Advisory Pte. Ltd., at 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619:

(a) there were no significant accounting policies or any matter from the notes of the financial statements of the Company which are of any major relevance for the interpretation of the financial statements of the Company; and

1 Based on an exchange rate of NOK5.967 = S$1.00 as at the Latest Practicable Date.

(b) as at the Latest Practicable Date, there is no change in the accounting policies of the Company which will cause the financial statements of the Company not to be comparable to a material extent.

5.5 Material Changes in Financial Position

Save as set out in publicly available information on the Group or as set out in this Circular, as at the Latest Practicable Date, there has been no known material change in the financial position of the Group since 31 December 2017, being the date of the Company's last published audited consolidated financial statements.

## 6. DISCLOSURE OF INTERESTS

6.1 Shareholdings

(a) Interests of the Company in Offeror Securities

The Company does not have any direct or deemed interest in any Offeror Securities as at the Latest Practicable Date.

(b) Dealings in Offeror Securities by the Company

The Company has not dealt for value in any Offeror Securities during the period commencing three (3) months prior to the Joint Announcement Date and ending on the Latest Practicable Date.

(c) Interests of the Directors in Offeror Securities

None of the Directors has any direct or deemed interest in any Offeror Securities as at the Latest Practicable Date.

(d) Dealings in Offeror Securities by the Directors

None of the Directors has dealt for value in any Offeror Securities during the period commencing three (3) months prior to the Joint Announcement Date and ending on the Latest Practicable Date.

(e) Interests of the Directors in Company Securities

None of the Directors has any direct or deemed interest in any Company Securities as at the Latest Practicable Date.

(f) Dealings in Company Securities by the Directors

None of the Directors has dealt for value in any Company Securities during the period commencing three (3) months prior to the Joint Announcement Date and ending on the Latest Practicable Date.

(g) Company Securities owned or controlled by CIMB

Neither CIMB nor any of the funds whose investments are managed by CIMB on a discretionary basis owns or controls any Company Securities as at the Latest Practicable Date.

(h) Dealings by CIMB in Company Securities

Save as disclosed in this paragraph 6.1(h), neither CIMB nor any of the funds whose investments are managed by CIMB on a discretionary basis has dealt for value in any Company Securities during the period commencing three (3) months prior to the Joint Announcement Date and ending on the Latest Practicable Date:

| Name | Date | Number of Shares bought | Number of Shares sold | Transaction price per Share (S$) |
|---|---|---|---|---|
| CGS-CIMB Securities (Singapore) Pte. Ltd. | 19 October 2017 | 20,000 | – | 0.245 |
| CGS-CIMB Securities (Singapore) Pte. Ltd. | 20 October 2017 | – | 20,000 | 0.245 |

(i) Intentions of the Directors in respect of their Shares

None of the Directors has any direct or indirect interests in the Offer Shares.

6.2 Other Disclosures

(a) Directors' Service Contracts

Mr. Roy Reite entered into a service agreement with Vard Group AS (formerly known as STX Norway Offshore AS) on 27 October 2010, effective from 1 October 2010, in relation to his employment with Vard Group AS (the "**RR Service Agreement**"). Pursuant to the RR Service Agreement, which does not have an expiry date, Mr. Roy Reite is entitled to be paid a fixed annual salary of NOK 3,935,000, effective from 1 January 2018. Under the RR Service Agreement, a variable discretionary bonus of up to 50% of Mr. Roy Reite's fixed annual salary as determined and approved by the board of directors of Vard Group AS may also be payable. The RR Service Agreement provides that his employment may be terminated by either Vard Group AS or Mr. Roy Reite giving six (6) months' written notice to the other. In the event that Vard Group AS demands Mr. Roy Reite's resignation out of concern for the affairs of Vard Group AS or there is a mutual understanding between Vard Group AS and Mr. Roy Reite to the effect that the employment shall terminate, Vard Group AS will be required to pay Mr. Roy Reite a severance payment corresponding to 12 months of his regular fixed monthly salary, payable monthly following the expiry of his notice period, and which is conditional upon (a) Mr. Roy Reite accepting such termination, and (b) Mr. Roy Reite neither initiating employment protection proceedings nor making any claims against Vard Group AS in connection with his employment or termination of his employment.

Save as disclosed above, as at the Latest Practicable Date:

(i) there are no service contracts between any of the Directors or proposed directors with the Company or any of its subsidiaries which have more than 12 months to run and which are not terminable by the employing company within the next 12 months without paying any compensation; and

(ii) there are no such contracts entered into or amended during the period commencing six (6) months prior to the Joint Announcement Date and ending on the Latest Practicable Date.

(b) Arrangements affecting Directors

As at the Latest Practicable Date:

(i) it is not proposed that any payment or other benefit be made or given to any Director or director of any other corporation which is by virtue of Section 6 of the Companies Act deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Exit Offer; and

(ii) there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Exit Offer.

6.3 Material Contracts

None of the Directors has a material personal interest, whether direct or indirect, in any material contract entered into by the Offeror as at the Latest Practicable Date.

## 7. MATERIAL CONTRACTS WITH INTERESTED PERSONS

Save as disclosed in publicly available information on the Group, neither the Company nor any of its subsidiaries has entered into material contracts with persons who are Interested Persons (other than those entered into in the ordinary course of business) during the period commencing three (3) years prior to the Joint Announcement Date and ending on the Latest Practicable Date.

## 8. MATERIAL LITIGATION

As at the Latest Practicable Date, save as disclosed in publicly available information on the Group, the Directors are not aware of any material litigation, claims or proceedings pending or threatened against, or made by, the Company or any of its subsidiaries or any facts likely to give rise to any such material litigation, claims or proceedings, which might materially and adversely affect the financial position of the Group, taken as a whole.

## 9. MATERIAL CHANGE IN INFORMATION

Save as disclosed in this Circular and save for information relating to the Company, the Group or the Exit Offer and the Delisting that is publicly available, there has been no material change in any information previously published by or on behalf of the Company during the period commencing from the Joint Announcement Date and ending on the Latest Practicable Date.

DUFF & PHELPS

# Vard Promar S.A.

## Fixed Asset Appraisal

4/4/2018

# Table of Contents

Section 01

# Executive Summary

**Vard Holdings Limited**
Six Battery Road # 10-01
Singapore 049909

Att. Mr. Lee Keen Whye and Mr. Stefano Cepellotti

São Paulo, April 4, 2018

# Executive Summary

## Executive Summary

Dear Sirs,

Following your instructions, the appraisal company American Appraisal Serviços de Avaliação Ltda. (hereinafter "**Duff & Phelps**" or "**Company**"") conducted an analysis to identify and obtain the Fair Value of tangible assets, for Internal studies, belonging to **Vard Promar S.A.** (hereinafter "**Client**"), located in the Industrial Port Area of Recife/PE, with effective date as of December 31, 2017.

This document is addressed solely to Vard Holdings Limited and the **Client**, and its use is restricted to the same for the purposes indicated in this document. This restriction does not restrict Vard Holdings Limited or the **Client** to provide a copy of the document to third parties, since this would be consistent with the intended use. The **Company** is not responsible for the unauthorized use of this document.

## Purpose of the Appraisal

As requested by the **Client**, our work is to provide an appraisal of the assets described for the purposes of the proposed voluntary delisting of Vard Holdings Limited as well as for the client´s internal studies and analysis. The result of our work considers the conditions of the assets on the date on which the inspections were performed.

This document has been prepared for inclusion in the circular relating to the proposed voluntary delisting of Vard Holdings Limited (the "**Circular**").

## Assets Identification

Our scope covered all real properties, quays and land belonging to the client.

In this Report, the appraisal of any other asset types or locations not listed above is not provided.

## Appraisal Date

December 31, 2017.

## Asset Inspection Date

Period between December 5, 2017 to December 8, 2017. During this period the physical inspections of the assets were performed as set forth by NBRs

14653-1 and 14653-2 and 14653-5 of the Brazilian Association of Technical Standards - ABNT.

### Assets/Items included in the Appraisal

- Real Properties:
  - Buildings and Improvements
  - Quays
  - Land

Our appraisal covered only the groups of assets listed above.

### Composition of the Document

This document is composed by:

- Executive Summary: identifies the appraised assets, describes the nature and extent of our investigations and presents the conclusion of values obtained;
- Technical Report: value assumptions adopted, description, with inventory of the components that are object of the study, with the conclusion on the value obtained from each asset; and
- Summary of values per group of assets.

### Summary of Values

According to the assumptions described, it is our opinion that as of December 31, 2017, the Fair Value of the assets listed, located at the client's plant, is reasonably expressed by the following amounts:

### Summary Table of Final Values per Account

| Account Group | Area (m²) | Fair Value (BRL) |
|---|---|---|
| Land | 250.066,00 | 22.259.759,28 |
| Buildings and Improvements | 35.819,26 | 177.046.529,46 |
| Quays | 2.482,00 | 22.709.370,54 |
| **TOTAL** | | **222.015.659,28** |

We do not assume any responsibility for the state of possession or constraints which may affect the properties object of the study.

American Appraisal Serviços de Avaliação Ltda.

Luis Ricardo Maluf
Managing Director

Section 02

# Assumptions and Considerations

# Assumptions

## Appraisal Assumptions

To prepare this report, the following assumptions were adopted:

- During all phases of the work, we assumed that all technical and accounting information and documents provided by the client were accurate and we used them as a reference. The result of the work depended fundamentally on the quality and reliability of such data.
- The assets that had their values determined from the appraisal were appraised assuming that they will continue to be used for the same purpose and on the conservation and physical/functional status in which they are at the dates of the inspections.
- All activities related to the asset appraisal were developed by professionals technically qualified in their engineering methods, taking into account the provisions in Laws 5,194 (12/24/1966) and 8,708 (Sep/1990) and in Resolutions 218 (06/29/1973) and 345 (July/1990) by the Federal Council of Engineering, Architecture and Agronomy - CONFEA.
- The scope of our work did not include any type of investigation, audit or validation in relation to documents, information and estimated values of labor and materials provided by the client.
- No investigation of the financial situation related to the capacity that the property may have to generate profits today or in the future was considered. The opinion on Value assumes that the estimated gains will be sufficient to generate the repayment of the investment and produce a "normal" yield of that investment and of the net working capital.

## Technical Standards

Brazilian Association of Technical Standards - ABNT:

- NBR 14653-1 - General Procedures
- NBR 14653-2 - Urban Properties
- NBR 14653-5 - Appraisal of Machinery, Equipment and Industrial Complexes

## Information and Data Used in the Report

**Data Provided by the client**

- Accounting base with the records of fixed assets;
- Ground Plan of the site;
- Land Registration; and
- Contracts for the measurement of the main Buildings/Improvements;

## Degree of Reasoning

In accordance with the definitions of ABNT - Brazilian Association of Technical Standards NBR 14,653, this document fits as technical report.

# Considerations

## Considerations in the Appraisal

For determination of the value, we considered the following factors:

- Technical and operational characteristics of the assets (raised on site);
- Information available about the asset;
- Analysis of the accounting base;
- Age, conditions of use and maintenance, and perspective of use in comparison with new assets with the same use;
- Incidence of depreciation portions such as: physical deterioration, economical and functional obsolescence, mutilation, among others;
- The physical inspection of personal properties was restricted to the main machinery and equipment, thus not all personal properties were inspected, for the personal properties not inspected we used the accounting control. Thus, the appraisal of these assets was performed by updating the historical cost; and

Section 03

# Identification of the Appraised Unit

# Identification of the Appraised Unit

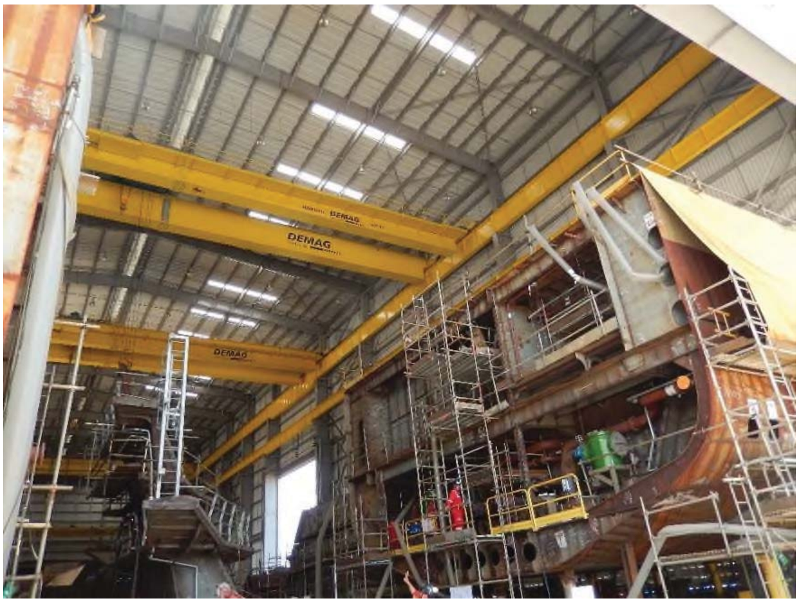
Our appraisal focused on the Shipyard belonging to Vard Promar S.A. located at AE Zona Industrial Portuária S/N in the Tatuoca Island - Ipojuca/PE. The Shipyard which has been in operation since 2014 is one of the most modern of the country and is engaged in the construction of ships of the offshore type for the exploration and production of oil and gas. The 25-hectare plant with a production capacity of 15,000 tons of steel per year, has 36 buildings that support the vessel construction, among the most significant buildings we can mention:

- Main Manufacturing Shed: It is divided between Workshop 1, Workshop 2, and Workshop 3 with 3,505.04, 5,806.69, and 6,339.94 square meters respectively. The Main Shed is responsible for receiving, processing and converting the raw material (steel) into blocks belonging to the vessels.

Workshop 01:

Workshop 02:

Workshop 03:



- Operating Building and Cafeteria: The building has a beautiful 3,106.00 square meters' design and is used as the base for the engineering team, in addition to being the cafeteria for all employees of the plant.

  Operating Building/Cafeteria:

- Workshop 5: As one of its main characteristics of the 3,021.03 square meters Shed, we can mention its use for the manufacture of parts and accessories for vessels in addition to its use by the maintenance team which is responsible for maintaining all machines and pieces of equipment of the plant.

- Paint and Blasting Booth: The 3,133.24 m² Shed receives the blocks that come out from The Main Manufacture Shed, after the grit blasting the blocks are brought to painting, with the use of special inks, which confer protection to the metal parts against rust and corrosion.

  Paint and Blasting Booth:

Section 04

# Appraisal Methodology (Real Properties)

# Values Definition

Replacement cost to a New One (Replacement Value)

Represents the amount required to replace a property or asset with the same characteristics and materials, in accordance with the prices charged in the market for these materials, labor and equipment manufactured, general expenses (design, inspection, etc.) and contractor/supplier profit. Extra work, labor premiums and materials or equipment resulting from the need to replace the property over an appropriate period of time are not object of the study.

Fair Value

Value obtained by deducting the depreciation resulting from physical deterioration and functional and economical obsolescence from the Replacement Cost to a New One which represents the amount required to replace a property or asset with the same characteristics and materials. Extra work, labor premiums and materials or equipment resulting from the need to replace the property over an appropriate period of time are not object of the study.

# Depreciation Criteria:

Physical Depreciation

The physical depreciation is the loss of value caused by deterioration and physical wear and tear of the asset caused by use, weather, or for being part of a production process.

Ross-Heidecke Criterion of Physical Depreciation

The Ross-Heidecke criterion of depreciation was created to take into account the physical depreciation due to age and the conservation status of the building.

The conservation status is established according to the table below:

**Conservation Status Table - ROSS-HEIDECKE**

| Conservation Status Code 1 | Description of the Conservation Status |
|---|---|
| A | New |
| B | Between new and regular |
| C | Regular |
| D | Between regular and requiring simple repairs |
| E | Requiring simple repairs |
| F | Requiring simple and major repairs |
| G | Requiring major repairs |
| H | Between major repairs and no value |

# Useful Life

## Useful Life

The Useful Life is the estimated duration of operation that an asset may have, properly performing the function for which it was created.

The actual useful life for each asset depends mainly on the type of construction, the type of usage that is given to it, the frequency and depth of maintenance and how this is exposed to external and internal characteristics. As a reference the life defined by the American Society of Appraisers - Machinery and Technical Specialties Committee Estimated Normal Useful Life of Study and the Study of Useful Lives of the Brazilian Institute of Appraisals and Expert Engineering Reports of São Paulo - IBAPE SP were used.

The general criterion applied to the depreciation of assets was to perform the individual analysis of each asset, and estimate, considering all the improvements made, its state of deterioration and suitability to the task for which it was designed.

## Remaining Useful Life

The **Remaining Useful Life** is defined as the number of useful life years that the appraiser considers that remains in a particular asset, from the time of the appraisal to such time that it ceases to be economically productive; The values obtained were characterized by the following assumptions:

- The cash price of replacing the asset, contemplating the conditions of use of the asset;
- Continuity of use (operating company), that is, the assets shall be appraised assuming that they will continue to be used in the generation of the same products or services;
- Integrity of the participants and absolute knowledge of all of them about the asset, its market and trends;
- Reliability of information and sources of consultation; and
- Level of updating of the information.

# Methodology Used

## Methodology Used

The methodology for the asset appraisal used in this study is based on the latest standards and guidelines of the **Brazilian Association of Technical Standards (ABNT) and the Brazilian Institute of Engineering Appraisals and Expert Engineering Reports (Ibape)** which govern the concepts, establish the criteria to be used in the asset appraisal, define the methods for determining the values and set the precision levels of appraisals, among other requirements.

As described in item 1 and 1.1 of the Brazilian Standard IBAPE/SP 2011, these are intended to provide guidelines, consolidate general concepts, methods and procedures and establish standards accepted and approved by IBAPE / SP for the preparation of urban property assessments, with harmonization and compliance with the principles of the standards of the IVSC - INTERNATIONAL

VALUATION STANDARDS COMMITTEE, adopted by the UPAV as Pan American Standards, entities to which IBAPE is affiliated.

ibape SP
Qualidade em perícias e avaliações
INSTITUTO BRASILEIRO DE AVALIAÇÕES E PERÍCIAS DE ENGENHARIA DE SÃO PAULO
(FILIADO AO IBAPE - ENTIDADE FEDERATIVA NACIONAL)

**1. Escopo e Considerações Iniciais**

**1.1** A presente Norma destina-se a fornecer diretrizes, consolidar conceitos, métodos e procedimentos gerais e estabelecer padrões aceitos e aprovados pelo IBAPE/SP para elaboração de avaliações de imóveis urbanos, com harmonização e adequação aos princípios básicos das Partes 1 e 2 da NBR14653 e das normas do IVSC - INTERNATIONAL VALUATION STANDARDS COMMITTEE, adotadas pela UPAV como Normas Panamericanas, entidades às quais o IBAPE está filiado.

Among the methodologies applied, these were used:

**Cost Method**

The cost method measures how much would be needed to replace a certain asset, through synthetic or analytic budgets.

**Historical Cost Method**

When the value of the asset is determined from the monetary adjustment of its purchase price, determined based on the accounting records, and applying specific economic indexes, generally used by official competent bodies.

The reproduction of the new value of Constructions/Buildings, was performed by the cost method, in which the basic cost price (CUB) was taken as a basis, simulating a project similar to the existing project. For the groups of Improvements/Land the Historical Cost method was used, through the INCC (National Construction Cost Index) and IPCA (National Consumer Price Index) indexes, respectively. The book values were verified through documents and contracts signed between Vard and its suppliers.

**Aspects Analyzed**

- Technical and operational characteristics of the assets;
- Information available about the asset;
- Analysis of the accounting base;
- Age, conditions of use and maintenance, and perspective of use in comparison with new assets with the same use; and
- Incidence of depreciation portions such as: physical deterioration, economical and functional obsolescence, mutilation, among others.

Section 05

# Conditions, Limitation of Liability

# Limitations

## General limitations

Our value opinion is expressed on the effective date as of December 31, 2017 indicated in the report and is based on the economic situation on that date.

The values presented in this report are based on specified assumptions.

The information that has been provided for the preparation of this report will be saved and kept in our files for a minimum period of five years, counting from the date of issue of this report.

## Limitations of the estimated value

The value obtained (for continued use) is the result of the analysis and consideration of the total of assets that are object of study such as a production unit in operation, which will continue with the same activity, and will never be valid only if it is considered as a result of a separate sale of different parts that make up the asset.

No investigation of the financial aspects related to the capacity that the property may have to generate profits today or in the future was considered. The opinion on the New Replacement Value, for continued use, assumes that the estimated gains will be sufficient to generate the repayment of the investment and produce a "fair" yield of that investment and of the appropriate net working capital.

## Limitations on the data used

The information that has been supplied by the client and/or other external sources was considered as correct and true. We have not performed any audit, verification, technical or legal examination of such information.

## Legal limitations

We performed a physical inspection of the assets that are object of appraisal, but we have not performed any study of structural calculation nor strength of materials, nor have ensured if they meet and comply with the conditions and safety, anti-fire, anti-seismic or hygienic-sanitary standards.

We do not assume any responsibility for problems of legal nature that may affect the property such as expropriation, inheritance, division of property, assignment, seizure or any ongoing procedure, of legal nature.

Our technicians have the required preparation to appraise assets, but we do not assume any responsibility in matters related to architecture, structural, ecology or environment, legal, health, etc.

The **Company** acted as an independent consultant, and as such, cannot be considered as a party or representative of the interests of any of the parties that may be involved in a possible conflict concerning the property that is object of study.

The **Company** understands that it will not have to make statements because of this report, unless it receives a notice in advance. If this is the case, the time invested in it, as well as the travel and accommodation expenses from it will be invoiced separately to the **Client**.

The possession of this report does not confer the right to its publication abroad nor the right to display it outside the internal scope of the **Client**, except for the purpose specified below. Save as set out below, no part of this report or its entirety can be shown to the media and used for purposes other than those specified in this appraisal report, as well as in catalogs, advertising, public relations, notices or any other means of communication, using publicly the name of the **Company** without our written consent.

We agree to (1) the inclusion of our appraisal report in the **Circular** to be dispatched to shareholders of Vard Holdings Limited ("**Vard Holdings**") in connection with the proposed voluntary delisting of **Vard Holdings** and (2) the disclosure of our appraisal report to **Vard Holdings** and its officers, employees, agents and advisors (including financial and legal advisers) and relevant regulatory bodies in Singapore (including the Singapore Exchange Securities Tradings limited and the Securities Industry Council).

Our appraisal will be valid solely and only for the purpose stated in this appraisal report, given the appraisal assumptions adopted. Any other use, by you or third parties, shall be null and void. On our part, we will keep the confidentiality of all conversations, documentation received and of our report, except due to administrative and/or judicial request.

Duff & Phelps shall indemnify the Company for losses and reasonable attorneys' fees associated with any bodily injury or property damage caused by Duff & Phelps's personnel or representatives in connection with this engagement, except to the extent caused by the Company´s negligence or misconduct. Duff & Phelps personnel will comply with all safety instructions.

The Company shall indemnify Duff & Phelps for all reasonable attorneys' fees that Duff & Phelps incurs as a result of becoming part of, or named in, an administrative or legal dispute in connection with this engagement, except to the extent caused by Duff & Phelps's negligence or misconduct. the Company shall have the right to approve Duff & Phelps's counsel in any such proceeding.

The maximum liability of Duff & Phelps, its executives and staff for damages or claims that could arise from the services mentioned in this report is jointly by an amount equivalent to the fees paid for services that lead to the claim, and in no case be subject to claim damages or consequential damages, loss profits, damages, or opportunity costs. This limit does not apply in the event that Duff & Phelps, its directors or its personnel incurs in the execution of the work covered by this report, declared intent or gross negligence by a final sentence.

### Other limitations

In the work performed, the following were not part of the contractual scope:

- Specific investigations involving legal aspects, such as: disposals, ownership, mortgages, burdens, among other liens.
- Physical inventory of the assets that may not be part of the client's fixed assets, that is, assets under loan for use agreements, rented, leased, etc.
- Validation of the accounting procedures used by the client and the origin of the documentation relating to the asset purchase.
- Physical inventory and appraisal of the items from the warehouse, stock and spare parts.

- Audit of the information provided, and evaluation or validation of audit procedures, professional standards or conclusions drawn by other independent auditors or other professionals.
- Appraisal and/or inspection of any other type of assets not identified in the scope of our work.
- No investigation of the financial situation related to the capacity that the property may have to generate profits today or in the future was considered. The opinion on the New Replacement Value and Fair Value assumes that the estimated gains provided will be sufficient to generate the repayment of the investment and produce a "normal" yield of that investment and of the net working capital.

Section 06

# Attachment - Summary of Buildings and Improvements Values

| TERRENO - CALCULO EVOLUTIVO | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| ENDEREÇO | | | ÁREA DE TERRENO | UNITÁRIO MÉDIO (R$/M²) | | | VALOR TOTAL (R$) | |
| AE Zona Industrial Portuária, S/N - Ilha de Tatuoca – Zona Rural Ipojuca, Ipojuca | | | 250.066,00 | | 89,02 | | 22.259.759,28 | |
| **CONSTRUÇÕES** | | | | | | | | |
| DENOMINAÇÃO | ÁREA TOTAL (M²) | CUSTO UNITÁRIO (R$/M²) | IDADE (ANOS) | CONS ERV. | VIDA ÚTIL (ANOS) | DEPRE. | CUSTO NOVO (R$) | CUSTO DEPRECIADO (R$) |
| PRÉDIO ADMINISTRATIVO | 1.202,00 | 3.064,38 | 3,00 | B | 60,00 | 0,97 | 3.683.381,15 | 3.587.613,24 |
| PORTARIA PRINCIPAL | 185,32 | 2.285,86 | 3,00 | B | 60,00 | 0,97 | 423.615,50 | 412.601,50 |
| OFICINA 01 | 3.505,04 | 2.682,71 | 3,00 | B | 60,00 | 0,97 | 9.403.006,65 | 9.158.528,47 |
| OFICINA 02 | 5.806,69 | 2.682,71 | 3,00 | B | 80,00 | 0,98 | 15.577.666,64 | 15.250.535,64 |
| OFICNA 03 | 6.339,94 | 2.682,71 | 3,00 | B | 80,00 | 0,98 | 17.008.221,86 | 16.651.049,20 |
| OFICINA 04 | 2.264,83 | 2.682,71 | 3,00 | B | 80,00 | 0,98 | 6.075.882,60 | 5.948.289,06 |
| CABINE DE PINTURA E ÁREA TÉCNICA | 3.133,24 | 1.830,34 | 3,00 | B | 80,00 | 0,98 | 5.734.907,35 | 5.614.474,29 |
| PRÉDIO OPERACIONAL E REFEITÓRIOS | 3.106,00 | 3.478,48 | 3,00 | B | 60,00 | 0,97 | 10.804.165,09 | 10.523.256,80 |
| OFICINA 05 | 3.021,03 | 2.682,71 | 3,00 | B | 80,00 | 0,98 | 8.104.548,07 | 7.934.352,56 |
| POSTO MÉDICO | 403,39 | 2.567,45 | 3,00 | B | 60,00 | 0,97 | 1.035.684,06 | 1.008.756,27 |
| TANQUE DE COMBUSTÍVEL, TANQUE DE ARMAZENAMENTO DE RESÍ | 500,00 | 339,57 | 3,00 | B | 20,00 | 0,91 | 169.783,05 | 155.181,71 |
| VESTIÁRIO 01 | 896,06 | 2.567,45 | 3,00 | B | 60,00 | 0,97 | 2.300.590,14 | 2.240.774,80 |
| SUBESTAÇÃO 01 | 78,00 | 1.002,13 | 3,00 | B | 60,00 | 0,97 | 78.166,46 | 76.134,13 |
| MODULO SANITARIO E ESCRITORIO PRODUCAO | 641,70 | 2.567,45 | 3,00 | B | 60,00 | 0,97 | 1.647.533,31 | 1.604.697,44 |
| CASA DE BOMBAS DE INCENDIO | 50,00 | 414,11 | 3,00 | B | 20,00 | 0,91 | 20.705,25 | 18.924,60 |
| ESTAÇÃO DE AR COMPRIMIDO 1 E 2 | 188,00 | 339,57 | 3,00 | B | 20,00 | 0,91 | 63.838,43 | 58.348,32 |
| ÁREA DE LAZER 01 | 720,00 | 2.285,86 | 3,00 | B | 60,00 | 0,97 | 1.645.818,91 | 1.603.027,62 |
| VESTIÁRIO 02 | 349,31 | 2.567,45 | 3,00 | B | 60,00 | 0,97 | 896.836,31 | 873.518,56 |
| CENTRAL DE RESÍDUOS | 366,00 | 1.002,13 | 3,00 | B | 60,00 | 0,97 | 366.781,08 | 357.244,77 |
| REFEITÓRIO 02 | 337,20 | 2.285,86 | 3,00 | B | 60,00 | 0,97 | 770.791,86 | 750.751,27 |
| POSTO FISCAL | 35,00 | 1.664,70 | 3,00 | B | 70,00 | 0,98 | 58.264,57 | 57.041,02 |
| PRÉDIO DO REPARO NAVAL | 303,88 | 2.567,45 | 1,00 | A | 60,00 | 0,99 | 780.197,01 | 772.395,04 |
| CENTRO DE TREINAMENTO (ESCOLINHA) | 581,47 | 496,93 | 3,00 | A | 60,00 | 0,97 | 288.947,56 | 281.434,92 |
| SALA DE TREINAMENTO | 163,90 | 2.285,86 | 3,00 | A | 60,00 | 0,97 | 374.652,39 | 364.911,43 |
| BANCO | 44,26 | 1.076,67 | 3,00 | A | 70,00 | 0,98 | 47.653,55 | 46.652,82 |
| MANUTENÇÃO ELÉTRICA | 342,10 | 1.002,13 | 1,00 | A | 60,00 | 0,99 | 342.830,08 | 339.401,77 |
| CARPINTARIA | 342,10 | 1.002,13 | 1,00 | A | 60,00 | 0,99 | 342.830,08 | 339.401,77 |
| FERRAMENTARIA | 342,10 | 1.002,13 | 1,00 | A | 60,00 | 0,99 | 342.830,08 | 339.401,77 |
| SELEÇÃO E RECRUTAMENTO | 48,00 | 1.664,70 | 3,00 | C | 70,00 | 0,96 | 79.905,70 | 76.309,94 |
| SUBESTAÇÃO 03 | 119,00 | 1.002,13 | 3,00 | B | 60,00 | 0,97 | 119.253,96 | 116.153,35 |
| SUBESTAÇÃO 04 | 78,00 | 1.002,13 | 3,00 | B | 60,00 | 0,97 | 78.166,46 | 76.134,13 |
| SUBESTAÇÃO 02 | 78,00 | 1.002,13 | 3,00 | B | 60,00 | 0,97 | 78.166,46 | 76.134,13 |
| MÓDULO SANITÁRIO 1B | 65,70 | 1.664,70 | 3,00 | B | 70,00 | 0,98 | 109.370,93 | 107.074,14 |
| COBERTURA DE TROLLEYS | 110,00 | 339,57 | 1,00 | A | 20,00 | 0,97 | 37.352,27 | 36.381,11 |
| SUBESTAÇÃO 06 | 40,00 | 1.002,13 | 1,00 | A | 60,00 | 0,99 | 40.085,36 | 39.684,51 |
| SUBESTAÇÃO 05 | 32,00 | 1.002,13 | 3,00 | B | 60,00 | 0,97 | 32.068,29 | 31.234,52 |
| SUBTOTAL | 35.819,26 | | | | | | 88.964.498,51 | 86.927.800,00 |

| BENFEITORIAS | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| DENOMINAÇÃO | MEDIDA | CUSTO UNITÁRIO (R$/UN) | IDADE (ANOS) | CONSERV. | VIDA ÚTIL (ANOS) | DEPRE. | CUSTO NOVO (R$) | CUSTO DEPRECIADO (R$) |
| ESTACIONAMENTOS C/AREA DE 14974 M2 | 14.974,00 | 226,90 | 3,00 | B | 15,00 | 0,88 | 3.397.641,28 | 2.989.924,32 |
| PATIO DE ACO C/AREA DE 1970 M2 | 1.970,00 | 796,68 | 3,00 | B | 30,00 | 0,95 | 1.569.453,54 | 1.483.133,59 |
| CAIS DE ACABAMENTO COM AREA DE 2482 M3 | 2.482,00 | 9.682,14 | 3,00 | B | 30,00 | 0,95 | 24.031.079,94 | 22.709.370,54 |
| AREA DE EDIFICACAO COM AREA DE 9048 M3 | 9.048,00 | 3.714,07 | 3,00 | B | 30,00 | 0,95 | 33.604.926,67 | 31.756.655,70 |
| DOLFIN NR 01 COM AREA DE 72.7 M3 | 145,40 | 18.453,40 | 3,00 | B | 30,00 | 0,95 | 2.683.124,60 | 2.535.552,75 |
| SUBESTACAO PRINCIPAL COM AREA DE 62 M2 | 61,92 | 27.737,13 | 3,00 | B | 15,00 | 0,88 | 1.717.483,00 | 1.511.385,04 |
| CENTRAL INDUSTRIAL DE GASES 01 (O2/CO2/GLP) COM AREA DE 6 | 128,00 | 3.469,64 | 3,00 | B | 15,00 | 0,88 | 444.113,46 | 390.819,84 |
| REDE DE AGUA POTAVEL C/32 CAIXAS EM ALVENARIA C/TAMPAS EM | 1,00 | 2.072.945,08 | 3,00 | B | 20,00 | 0,91 | 2.072.945,08 | 1.894.671,81 |
| ESTACAO DE TRATAMENTO DE ESGOTO COM AREA DE 140 M3 | 140,00 | 3.565,61 | 3,00 | B | 20,00 | 0,91 | 499.185,97 | 456.255,98 |
| AREA ALFANDEGA (BARRACAO DE LONA) COM AREA DE 450 M2 | 450,00 | 2.258,18 | 3,00 | B | 30,00 | 0,95 | 1.016.183,14 | 960.293,07 |
| ALMOXARIFADO EM LONA EQUIPAMENTOS EP-09/10 | 1.163,99 | 448,33 | 1,00 | A | 30,00 | 0,99 | 521.854,02 | 514.026,21 |
| PAVIMENTACAO DE RODAGEM DE CARGAS EM BGS C/AREA DE 285 | 28.544,00 | 326,00 | 3,00 | B | 30,00 | 0,95 | 9.305.239,60 | 8.793.451,42 |
| PAVIMENTACAO DE RUAS COM AREA DE 12760 M2 | 12.760,00 | 304,58 | 3,00 | B | 15,00 | 0,88 | 3.886.457,23 | 3.420.082,36 |
| DRENAGEM PLUVIAL | 1,00 | 1.429.462,15 | 3,00 | B | 30,00 | 0,95 | 1.429.462,15 | 1.350.841,73 |
| CERCAS MUROS DIVISAS DO EAS E PONTOS H E G | 1.100,00 | 545,91 | 1,00 | A | 30,00 | 0,99 | 600.500,11 | 591.492,61 |
| PAISAGISMO | 1,00 | 454.807,52 | 0,00 | A | 15,00 | 1,00 | 454.807,52 | 454.807,52 |
| ESTACAO ELEVATORIA C/VOLUME DE CONCRETO DE 65 M3 | 1,00 | 337.112,61 | 3,00 | B | 30,00 | 0,95 | 337.112,61 | 318.571,42 |
| ARRUAMENTO DE ACESSO DAS ESTACOES | 1,00 | 131.711,25 | 1,00 | A | 15,00 | 0,96 | 131.711,25 | 126.837,93 |
| PAVIMENTACAO AREA EXTERNA DE PINTURA | 1,00 | 55.094,09 | 1,00 | A | 30,00 | 0,99 | 55.094,09 | 54.267,67 |
| REDE DE AR CONDICIONADO C/TUBULACAO FRIGORIFICA LIQUIDO 3 | 1,00 | 0,01 | 3,00 | B | 20,00 | 0,91 | 0,01 | 0,01 |
| REDE DE COMBATE A INCENDIO C/673.77 M DE TUBO DIAM 4 POL | 1.491,87 | 102,15 | 3,00 | B | 20,00 | 0,91 | 152.392,99 | 139.287,19 |
| BALANCA RODOVIARIA COM AREA DE 160 M3 | 160,00 | 3.565,61 | 3,00 | B | 30,00 | 0,95 | 570.498,26 | 539.120,85 |
| INFRAESTRUTURA DOS CANTEIROS DAS SUBCONTRATADAS | 1,00 | 428.911,64 | 1,00 | A | 15,00 | 0,96 | 428.911,64 | 413.041,91 |
| REDE ELETRICA DE FORCA BAIXA TENSAO C/TRAJETO SUBTERRANE | 1,00 | 8.572.372,78 | 3,00 | B | 15,00 | 0,88 | 8.572.372,78 | 7.543.688,05 |
| REDE DE DETECCAO DE GASES COMPOSTA DE 8 DETECTORES DE GA | 1,00 | 291.926,49 | 3,00 | B | 15,00 | 0,88 | 291.926,49 | 256.895,31 |
| REDE DE CFTV COMPOSTA DE 20 CAMERAS MOVEIS TIPO DOME C/T | 1,00 | 1.244.634,18 | 3,00 | B | 15,00 | 0,88 | 1.244.634,18 | 1.095.278,08 |
| REDE DE INCENDIO C/TUBULACAO EM ACO CARBONO DIAM 10 POL | 5.100,00 | 1.221,33 | 3,00 | B | 20,00 | 0,91 | 6.228.775,02 | 5.693.100,37 |
| REDE DE ESGOTO C/28 CAIXAS EM ALVENARIA C/TAMPAS EM CON | 1,00 | 3.660.068,83 | 3,00 | B | 20,00 | 0,91 | 3.660.068,83 | 3.345.302,91 |
| REDE ELETRICA DE ALTA MEDIA E BAIXA TENSAO C/103 CAIXAS EM | 1,00 | 3.176.972,85 | 3,00 | B | 15,00 | 0,88 | 3.176.972,85 | 2.795.736,11 |
| REDE DE IRRIGACAO COMPOSTA DE TUBULACAO PVC RIGIDA DIAM 1 | 3.600,00 | 310,68 | 3,00 | B | 20,00 | 0,91 | 1.118.461,74 | 1.022.274,03 |
| REDE DE COMBATE A INCENDIO - COMPOSTA DE TUBULACOES EM A | 18,00 | 152.458,56 | 3,00 | B | 20,00 | 0,91 | 2.744.254,03 | 2.508.248,19 |
| REDE DE AR COMPRIMIDO - UNDERGROUND - COMPOSTA DE TUBUL | 1,00 | 788.675,81 | 3,00 | B | 20,00 | 0,91 | 788.675,81 | 720.849,69 |
| REDE DE GASES INDUSTRIAIS - UNDERGROUND - COMPOSTA DE TUB | 1,00 | 1.696.856,75 | 3,00 | B | 20,00 | 0,91 | 1.696.856,75 | 1.550.927,07 |
| REDE DE AR COMPRIMIDO COMPOSTA DE TUBULACOES EM ACO CA | 1,00 | 1.219.003,44 | 3,00 | B | 20,00 | 0,91 | 1.219.003,44 | 1.114.169,15 |
| REDE DE AR COMPRIMIDO P/VASOS DE PRESSAO - CO2 - COMPOSTA | 1,00 | 632.225,34 | 3,00 | B | 20,00 | 0,91 | 632.225,34 | 577.853,96 |
| REDE DE AR COMPRIMIDO P/VASOS DE PRESSAO - OXIGENIO - COM | 1,00 | 541.925,28 | 3,00 | B | 20,00 | 0,91 | 541.925,28 | 495.319,70 |
| REDE DE AR COMPRIMIDO P/VASOS DE PRESSAO - GLP - COMPOSTA | 1,00 | 346.786,23 | 3,00 | B | 20,00 | 0,91 | 346.786,23 | 316.962,62 |
| EXECUCAO DE PONTOS DE REDE LOGICA E PONTOS ELETRICOS | 1,00 | 117.060,45 | 3,00 | B | 15,00 | 0,88 | 117.060,45 | 103.013,19 |
| GALPAO LONADO, DIMENSOES 30x15 E PE DIREITO 9M | 450,00 | 67,58 | 0,00 | A | 30,00 | 1,00 | 30.409,60 | 30.409,60 |
| GALPÃO DE LONA ESTOQUE MATERIAIS | 450,00 | 564,94 | 0,00 | A | 30,00 | 1,00 | 254.222,40 | 254.222,40 |
| SUBTOTAL | - | | | | | | 121.574.809,37 | 112.828.100,00 |

DUFF & PHELPS

American Appraisal Serviços de Avaliação Ltda
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Valuation of:

Vard Tulcea Shipyard

Str. Ing. Ivanov Dumitru Nr. 22,

Tulcea, Romania

Prepared for

Vard Holdings Limited

Report Date:

4 April 2018

Valuation Date:

12 January 2018

# Executive Summary

Vard Tulcea, Romania

### Valuation

| | |
|---|---|
| **Prepared For** | Vard Holdings Limited |
| **Valuation Purpose** | De-listing of Vard Holdings Limited |
| **Date of Valuation** | 12 January 2018 |
| **Date of Inspection** | 12 January 2018 |
| **Interest Valued** | Freehold |
| **Valuation Approach** | Cost Approach |

### Property Particulars

| | |
|---|---|
| **Gross Building/ Structure Areas** | 170,804 sqm (area utilised for valuation) |
| **Land Area** | 756,417 sqm |

### Description

**Summary of Premises**

The shipyard was developed in the mid-1970's, and underwent constant renovation and modernization works; particularly in the past three years, five sandblasting & painting halls were built, two 120T cranes and one 700T bridge were put in operation, the launching & outfitting basin was dredged in order to achieve a depth of 17-19m, and the shipyard has the capacity of assembling vessels of up to 180m length and 12,000 TDW. The shipyard is endowed with a syncrolift (elevator) for launching vessels of up to 150m length and 25m width; larger vessels may be launched via a submerging barge.

### Assumptions

**Summary of Premises**

- The market value of the property is in its existing state;
- We recommend full search of legal title to determine any adverse conditions;
- That the subject property and its operation are free from any encumbrance, environmental contamination or toxic value material that could affect value. We are not trained to perform technical environmental inspections and recommend the hiring of a professional engineer with expertise in this field;
- No encumbrances or easements on the land and its development. We assume that the soils' load-bearing capacity is sufficient to support existing and/ or proposed structures. We did not observe any evidence to the contrary during our physical inspection of the property;

- We were not given a floor survey to review. If subsequent engineering data reveal the presence of regulated flooding, it could materially affect the property value. We recommend a floor survey by a professional engineer with expertise in this field;
- The assets are to be valued on the assumption that the existing use of them will continue;
- Given the fact that the subject property is a specialist shipyard and we consider a limited potential pool of purchasers, a longer marketing period would be necessary for any potential sale in the current economic condition; and
- The valuation report is prepared based upon critical assumptions and this assessment will vary if any changes to the assumptions are made. Readers are advised to undertake their own due diligence prior to making any decisions over the property.

## Valuation Summary

| | |
|---|---|
| **Adopted Market Value** | €44,000,000 |
| **Building Value** | €34,150,000 |
| **Land Value** | €9,833,000 |

This executive summary is an abstract of the contents of the following valuation report. The valuation assessment and report is contingent upon a number of conditions, qualifications and critical assumptions which are fully described and set out in the body of the report.

It is essential that before the addressee relies on this valuation, they read the report in its entirety, including any Annexures. Should the addressee be or become aware of any issue or issues that cast doubt on or are in conflict with the conditions, qualifications or assumptions contained within this report, they must notify C&W in writing so that any conflicts may be considered and if appropriate, an amended report issued.

CUSHMAN & WAKEFIELD
CUSHMAN & WAKEFIELD VHS PTE. LTD.

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cushmanwakefield.com

Company Registration No. 200709839D

# Valuation Report

## 1 Instructions and Scope of Work

### Appointment

We have been instructed by the Vard Holdings Limited to prepare this valuation report for the purpose of determining the current market value of the subject property in connection with the proposed voluntary delisting of Vard Holdings Limited (the "Delisting") including for inclusion in the circular to be dispatched to the shareholders of Vard Holdings Limited in connection with the Delisting (the "Delisting"). This valuation report is confidential to and for use only by Vard Holdings Limited for specific purpose to which it refers. The property inspection and date of valuation are 12 January 2018.

Save as set out below, our report is confidential to the party or parties to which it is addressed, for the specific purpose to which it refers. No responsibility is accepted to any third parties. Save as set out below, neither the whole of the report or any part of it or any reference to it, may be published in any document, statement or circular or in any communication with third parties without our prior written approval of the form and context in which it will appear.

We agree to (1) the inclusion of this valuation report in the Delisting Circular and (2) the disclosure of this valuation report to Vard Holdings Limited and its officers, employees, agents and advisors (including financial and legal advisors) and relevant regulatory bodies in Singapore (including the Singapore Exchange Securities Trading Limited and the Securities Industry Council).

We confirm that our valuation to be IVS 2017 compliant and undertaken with RICS Red Book standards.

### Basis of Valuation

The valuation and report has been prepared in accordance with the Royal Institution of Chartered Surveyors (RICS) and International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC). The asset has been valued on the basis of market value described as:

*"The estimated amount for which a asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."*

Included within this valuation are lessor-owned items of building fixtures, fittings. These items exclude plant and equipment, movable equipment, furniture, furnishings and tenant owned fit-out and improvements.

This valuation is current as at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements or factors specific to the particular property). We do not accept liability for the losses arising from such subsequent changes in value. Without limiting the generality of the above, we do not assume any responsibility or accept any liability in circumstances where this valuation is relied upon after the expiration of 90 days from the date of valuation, or such earlier date if you become aware of any factors that have any effect on the valuation. However, it should be recognised that the 90 day reliance period does not guarantee the value for that period; it always remains a valuation at the date of valuation only.

### Valuers Declaration

We confirm that neither Cushman & Wakefield nor the individual valuers involved with this assignment have a direct or indirect interest with the instructing party or the property valued, and that we are 100% independent in our valuation report and findings. A conflict of interest check is contained within our appendices.

### Valuers Experience

We confirm the signatory valuer for this assignment to be Christopher Carver. He has over 17 year's valuation experience globally valuing properties across all asset classes including specialised type assets.

### Scope of Work

- Attended 'kick off' call with instructing party;
- Interact with Vard Holdings to collect all information related to the subject property;
- Review of subject property information that will be provided by Vard Holdings;
- Visual external inspection of the subject property;
- Carry out macro- and micro-market research for transactions/ listings;
- Gather and analyze comparable transactions and/or asking instances;
- Present basis of opinions on market values, methodologies adopted, and their underlying assumptions;
- Market value conclusion for the subject property; and
- Provide Vard Holdings electronic final copy of valuation report.

### Information Sources

The information reviewed or previously provided includes, but is not limited to, the following:

- Information on building area as provided by the Vard Holdings;
- Title Deed of the Subject Property provided by the Vard Holdings;
- Property income and costs as provided by the Vard Holdings;
- Transaction data from various industry sources; and
- Market research from various industry sources.

### Limitations

- Have not undertaken and reviewed complete property title, have assumed no onerous conditions or issues which would have a material effect on value.

### Assumptions

- Property is fully legally permissible.

### Special Assumptions

- N/A

### Departures from IVS

- Reliance on property listings instead of actual transacted sales for land value assessment.

## 2 Land Particulars

**Location**


Tulcea (population: ~74,000, 2011 census) is a city in the east part of Romania, some 285km north-east of Bucharest; it is the capital of the Tulcea county, and an important harbour on Danube River, at kilometre 73. The city is the tourist gateway to the Danube Delta; in terms of industrial activity the location currently, there is a shipyard (subject premises) and an aluminium plant.

As at October 2017, the main economic indicators at county level are:

- Average monthly net income: 427 euro (national average: 522 euro)
- Unemployment: 4.5% (national average: 4%)


Within the city, the shipyard is located on the northern side, in the industrial area. Distance to city centre is short – less than 2 km, however the location is more likely a neighbourhood in itself, including a cold storage operator and fish market. Public transportation network is available as well, linking the area with the rest of the city. The subject premises located with direct access to the Danube River (Saint Georges Branch) which is a critical component for the existing use, which links directly to the Black Sea and the North Sea.

### Title and Permitted Use

| | |
|---|---|
| **Property Title Details** | **Commercial real estate** |
| **Site Area** | **756,462 sqm, comprised of:**<br>• 562,75 sqm – Shipyard<br>• 172,857 sqm – Outfitting basin – area covered with water<br>• 1,615 sqm – Load / unload quay<br>• 7,109 sqm – Outfitting basin quay<br>• 1,035 sqm – Test quay<br>• 11,515 sqm – Syncrolift (water launching system)<br>• 44 sqm – land due to two apartments in Tulcea |
| **Registered Proprietor** | Vard Tulcea SA |
| **Permitted Use** | Intravillan land, buildable, industrial |
| **Land Use Permit** | Industrial |
| **Cadaster Certificate** | 18638306383601 |

| | |
|---|---|
| **Immovable Property Certificate** | The property is split in multiple parcels, registered under individual Land Books; we did not review the ownership documents, and relied on the total land area as provided by Owner's representatives.<br><br>In addition to the main site, there are two apartments in Tulcea under the same ownership. |

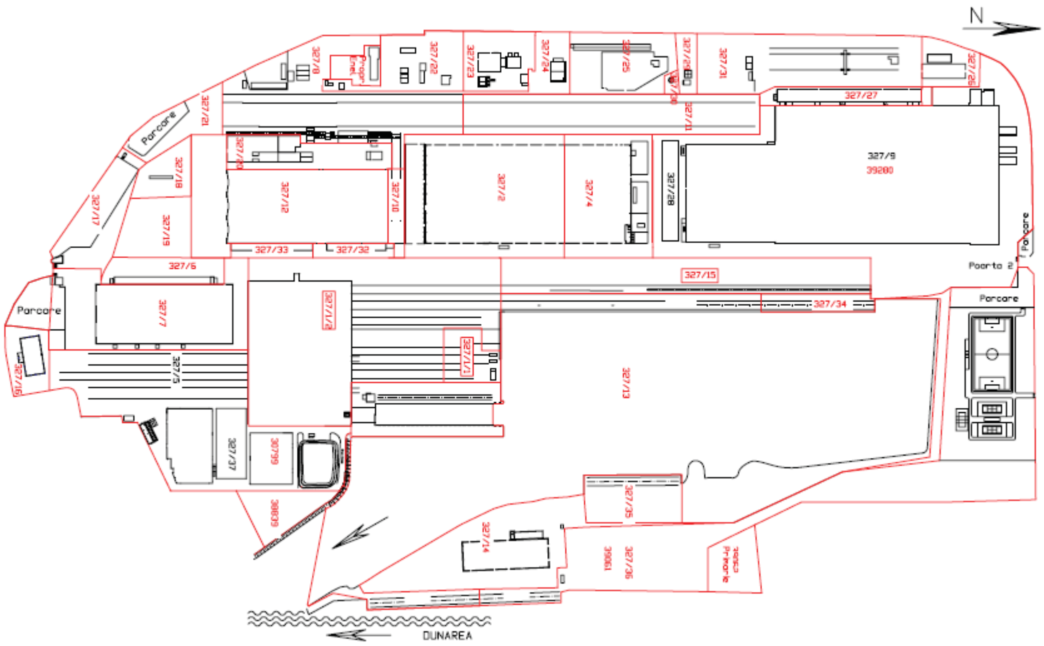
We have not conducted any searches of title apart from what has been obtained from the instructing party Our valuation is made on the basis that the property is free of encumbrances, restrictions, or other impediments of an onerous nature, which would affect value. Our valuation is made on the basis that the property is free of mortgages, charges, and other financial liens.

### Services

All mains services including electricity, gas, water, sewerage and telephone are available to the property.

### Site Area

As outlined above the subject property has a total site area in the order of 756,418 sqm. The site title is as follows:



## 3 Property Description

**Overview**

The shipyard was developed in the mid-1970's, and have undergone constant renovation and modernization works throughout its life. Particularly in the past three years, five sandblasting & painting halls were built, two 120T cranes and one 700T bridge were put in operation, the launching & outfitting basin was dredged in order to achieve a depth of 17-19m, and the shipyard has the capacity of assembling vessels of up to 180m length and 12,000 TDW. The shipyard is endowed with a syncrolift (elevator) for launching vessels of up to 150m length and 25m width; larger vessels may be launched via a submerging barge.

Located to the east of the site is the major quay, basin and launching areas utilized for the final stages of ship production.

We note as part of our inspection that the property is mostly comprised of large high span clearance warehousing accommodation. Construction materials for these properties include heavy duty concrete hardstand/ platforms, a-frame construction, corrugated iron panel and sheet panels and roofing, supplemented natural lighting.








## Building Areas

We have not independently verified these areas and assume they are correct for the purpose of our valuation and recommend a survey be undertaken to confirm the areas adopted. Should these areas prove to be incorrect we reserve the right to revisit our valuation. We note the below improvements are the items which have been included for the purpose of our valuation. If an improvement has been deemed to have economically obsolete we have excluded from our assessment.

| *Component* | *Description* | *Area SQM* | *Year of Completion* |
|---|---|---|---|
| GRUP SOCIAL HCC | Office | 2,129 | 1978 |
| HALA DEZARMARE AT.PROBE PREDARE | Low Warehouse | 8,781 | 1977 |
| GRUP SOCIAL-HALA DEZARMARE | Office | 1,324 | 1977 |
| HALA COMPLETARE-ARMARE | Warehouse | 11,004 | 2013 |
| STATIE COMPRESOARE REMIZA PSI | Technical Building | 499 | 1978 |
| HALA CONSTRUCTII CORP | Warehouse | 19,285 | 1979 |
| HALA TRASAJ | Warehouse | 3,586 | 1979 |
| HALA UNITATI AUXILIARE | Warehouse | 9,830 | 1980 |
| HALA FABRICATIEI ZONA C-A1-A2-A4 | Warehouse | 65,594 | 1979 |
| Modernizare-STATIE ACETILENA - GRUP DESERVIRE | Technical Building | 121 | 1982 |
| HALA MONTAJ NAVE | Warehouse | 13,741 | 1982 |
| ANEXA TEHN.SOCIALA A1-B1-C1 | Office | 12,354 | 1980 |
| ANEXA TEHNICO-SOCIALA HALA MONTAJ NAVE | Office | 2,557 | 1980 |
| ANEXA TEHNICO-SOCIALA HALA CONSTR.CORP | Office | 1,588 | 1977 |
| CANTINA 2000 LOCURI | Office | 2,574 | 1983 |
| DEPOZIT PIESE TURNATE | Platform | 3,514 | 1984 |
| MAG.VOPSELE SI LUBREFIANTI | Other | 238 | 1987 |
| MAG.PRODUSE FINITE | Other | 1,038 | 1988 |
| CLADIRE SI INST.AFERENTE-ST.RECUP.ENERG. | Other | 125 | 1990 |
| CENTRALA TERMICA-CLADIRE+INSTALATII(S.N) | Technical Building | 200 | 1999 |
| Apartament 4camere | Apartment | 102 | 2000 |
| Garaj Park Auto | Other | 409 | 2001 |
| Magazie Depozitare sabloane | Low Warehouse | 357 | 2001 |
| Centrala Termica | Technical Building | 24 | 2003 |
| Gospodarie combustibil | Technical Building | 40 | 2003 |
| GRUP SANITAR -CALA 15000 TDW | Office | 150 | 2006 |
| HALA SABLARE VOPSIRE -Ob.401 | Warehouse | 3,677 | 2013 |
| HALA SABLARE VOPSIRE -Ob.402 | Warehouse | 5,801 | 2013 |
| Corp Birouri Si Vestiare | Office | 161 | 2013 |
| *TOTAL* | | *170,804.25* | |

**Condition and Repair**

At the time of our inspection we noted the property generally to be in average condition commensurate with its age, size, use and construction. We note we were only able to view the property externally and no internal access was available.

Our valuation has regard to the apparent state of repair and condition of the Property, however we were not instructed to carry out a structural survey or to test any of the services available to the Property. We are therefore unable to report that the Property is free from further defect and have assumed that no deleterious material was used in construction.

We have assumed the Property complies with all relevant statutory requirements in respect of matters such as health, building, and fire safety regulations and has been built in accordance with the provisions of the prevailing building code at the time of construction.

## 4 Tenancy Details

The property is currently owner occupied for the purpose as a ship yard, and as such there is no external tenancies which are relevant for the purpose of valuation.

## 5 Market Commentary

### Economic Overview

The Romanian economy accelerated in 2017, reporting a 7% GDP growth, the highest among EU countries. The evolution was driven especially by private consumption. The retail sales recorded a 9.3% growth, after an outstanding 13.5% increase in 2016.

The unemployment rate declined at 4%, since the total number of employees reached 4.87 mil. in October 2017, compared to 4.1 mil. at the beginning of 2011.

Romania Macroeconomic Indicators

| | 2017 (y/y) | Directional outlook |
|---|---|---|
| GDP Growth rate (%) | 7** | ↘ |
| GDP per capita (€) | 9,300 | ↗ |
| Gov. debt as a % of GDP | 37.2* | ↗ |
| Budget deficit (%) | 0.81 | ↗ |
| Monetary policy rate (%) | 1.75 | → |
| CPI (%) | 1 | ↗ |
| Construction works y/y (%) | 1.4 | ↗ |
| Retail sales y/y (%) | 9.3 | → |
| Unemployment rate (%) | 4.0 | ↓ |
| Average exchange rate (1 € to RON) | 4.65 | ↗ |

*Source: National Bank of Romania, INSSE, Eurostat, National Commission for Prognosis*

**Q2 2017*

***Q3 2017*

### Investment activity

In H1 2017, the total volume invested in commercial property in Romania reached € 530 million, compared to € 370 million during H1 2016 (43% increase). Bucharest attracted € 125 million, which represents only 24% of the total investment value.

The largest transaction in terms of value was concluded by South African group Atterbury, which acquired a 50% stake from Iulius Mall shopping centers located in Iasi, Suceava, Cluj-Napoca and Timisoara, Iulius Business Center Cluj, United Business Center Cluj and United BC II in Timisoara.

The total size of the transacted portfolio (weighted by the 50% ownership) exceeds 100,000 sq. m of retail spaces and 18,000 sq. m of offices. This was the first acquisition made in Romania by Atterbury, the fourth South—African real estate investor with a local presence (along NEPI Rockastle, Growthpoint – major shareholder of Globalworth and Prime Kapital – MAS).

Globalworth and the Belgian group Mitiska-REIM were also among the most active investors, with two transactions each. Globalworth acquired Dacia Logistic Center and Green Court C for € 80 mil., while Mitiska consolidated local position through the acquisition of the remaining 50% stake of Intercora portfolio (8 retail parks with app. 30,000 sq. m GLA) and the acquisition of Alpha Property Development portfolio (11 retail parks with a total GLA of 55,000 sq. m).

The most active segment was the retail sector. The estimated value of transactions of retail properties was app. € 350 million, representing 66% of the total investment value. The office sector saw transactions worth € 123 million, representing 23% of the total volume, with the remaining 11% covered by logistics.

### Prime Yields

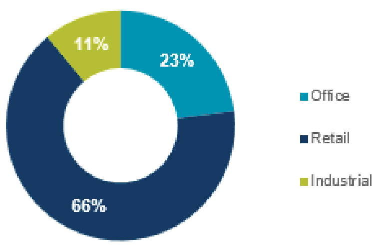
Compared to other investment destinations in the CEE region, Romania still has the most attractive yields. On average, prime yields in Bucharest are higher by 160 basis points (for office) and 180 basis points (for retail and industrial) compared to the other main markets.

**Prime yields in CEE end of H1 2017 (%)**

| City | Office | Retail | Industrial |
|---|---|---|---|
| Bucharest | 7.25 | 6.75 | 8.75 |
| Warsaw | 5.25 | 4.75 | 6.75 |
| Prague | 4.6 | 4.25 | 6.0 |
| Bratislava | 6.6 | 5.25 | 7.5 |
| Budapest | 6.2 | 6.0 | 8.0 |

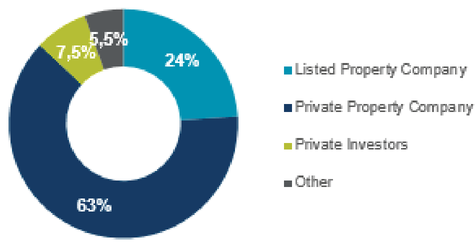
*Source: C&W Echinox*

**Investment volume by sector in H1 2017**



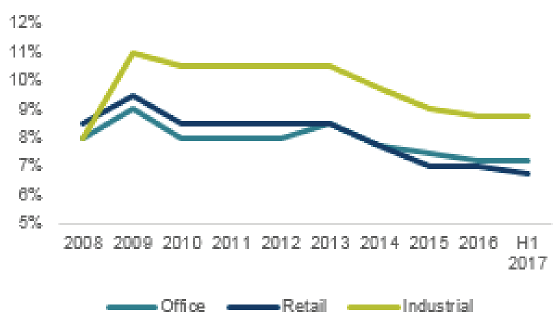

*Source: C&W Echinox*

**Investment volume by type of investor in H1 2017**




*Source: C&W Echinox*

**Prime yields evolution**




*Source: C&W Echinox*

| City | Sector | Property | Purchaser | Vendor | Price (€ million) |
|---|---|---|---|---|---|
| Cluj, Iasi, Timisoara, Suceava | Retail & Office | 50% of Iulius Mall Cluj, Iasi, Timisoara, Suceava, Iulius BC Cluj, United BC Cluj, United BC Timisoara | Atterbury Europe | Iulius Group | Confidential |
| | Retail | 11 Retail Parks Portfolio | Mitiska REIM | Alpha Property Development | 65* |
| Pitesti | Industrial | Dacia Logistic Center | Globalworth | Elgan Group | 42.5 |
| Bucharest | Office | Green Court C | Globalworth | Skanska | 38 |
| Constanta, Suceava, Arad, Oradea | Retail | Real Portfolio | Private investors | Arcade Group | N/A |
| Iasi | Retail | Felicia Shopping | CPI Property | CBRE GI | N/A |
| Bucharest | Office | Polona 68 | Smartown Investments | EEC Invest | 17 |
| Ploiesti, Constanta | Retail | Praktiker Ploiesti, Constanta | Praktiker Romania | Arcade Group | 12 |

**Major investment transactions H1 2017**

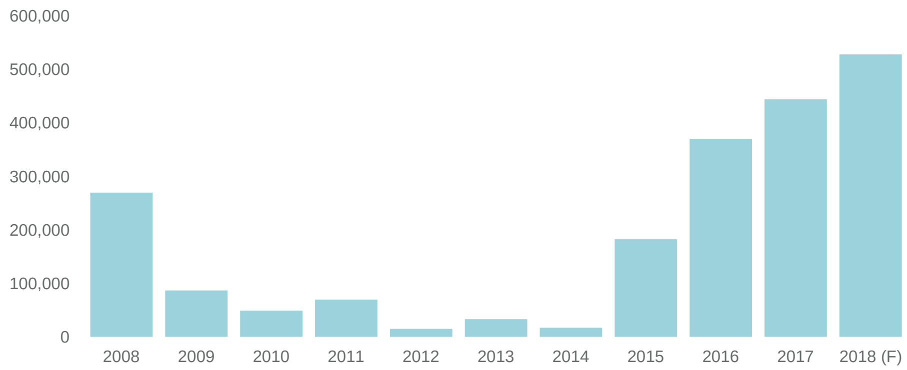
### Industrial Overview

At the end of 2017, the industrial & logistics stock in Romania exceeded the 3 million sq. m threshold. Throughout the year, more than 450,000 sq. m of space were delivered, this being the highest level recorded so far. Bucharest attracted the largest share – approximately 65% from the total volume completed in 2017. It was followed by Timisoara, with a share of 20% and Cluj – 10%.

In 2018, the level of new supply is forecasted to exceed the volume completed last year and might reach 500,000 sq. m. Bucharest continues to be in the attention of developers with more than 300,000 sq. m of projects planned for delivery this year. In regards to the regional markets and the total volume of supply planned for delivery, Cluj will attract the largest share – 10%, followed by Sibiu – 9% and Oradea – 7%

Figure 1

**New industrial & logistics supply evolution (sq. m)**




### Demand

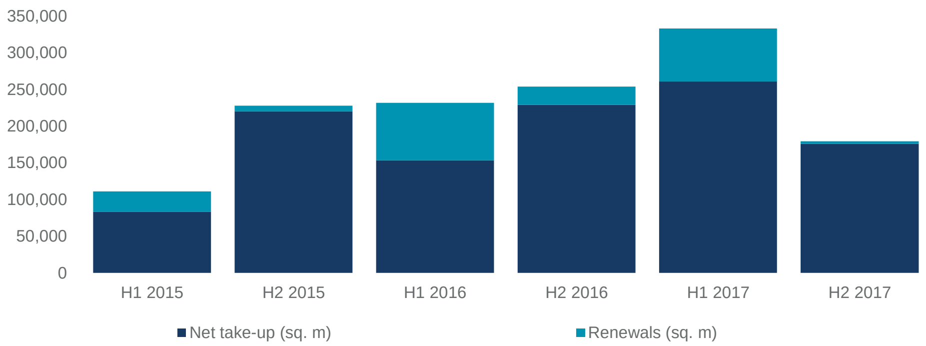
At the end of 2017, as a result of a positive economic environment, of a consistent income and consumption growth, demand for industrial & logistics space is at a record high, with approximately 515,000 sq. m transacted. Net take-up accounted for 85% from the total volume transacted during 2017.

Bucharest accounts for 43% of the total take-up recorded, thus proving that it remains the main logistics destination in Romania. Regarding the industrial & logistics regional centers in the country, Timisoara was the most sought-after, with a share of 15% from the net take-up, followed by Pitesti – 14% and Cluj – 8%.

Considering that a large number of companies are looking to expand operations, developers focused on building on a speculative basis. Thus, approximately 57% of the projects completed last year were in that particular category.

Figure 2

**Structure of demand H1 2015 – H2 2017 (sq. m)**




Throughout 2017, the most active occupiers were companies operating in the Logistics & Distribution sector, with approximately 55% share, followed by the Retail sector – 13%.

Table 1

**Major transactions in 2017**

| Company | GLA (sq. m) | Project | Region |
|---|---|---|---|
| DSV | 35,000 | CTPark Bucharest West | Bucharest |
| Ceva Logistics | 29,000 | WDP Park | Oarja - Pitesti |
| Profi | 27,000 | WDP Park | Roman |
| Aquila | 10,000 | SNS Park | Cluj-Napoca |

*Source: C&W Echinox*

Prime Industrial Rents – June 2017

| LOGISTICS LOCATIONS | € SQ.M MTH | € SQ.M YR | US$ SQ. FT YR | GROWTH % 1YR | GROWTH % 5YR CAGR |
|---|---|---|---|---|---|
| Bucharest | 4.25 | 51.0 | 5.29 | 0.0 | 1.2 |
| Brasov | 3.75 | 45.0 | 4.66 | 0.0 | 0.8 |
| Timisoara | 3.75 | 45.0 | 4.66 | 0.0 | 0.8 |
| Constanta | 3.75 | 45.0 | 4.66 | 0.0 | 0.8 |

### Outlook

In the following year, we expect the industrial & logistics stock in Romania to increase by approximately 15%, given that more than 500,000 sq. m of space is forecasted to be completed by the end of 2018.

More than 60% of the projects currently under construction or planned for delivery during 2018 are built on a speculative basis. Developers' confidence is sustained by an increasing demand that is expected to remain at a high level going forward.

Map 1

**Romania – Largest industrial & logistics markets 2016**


| | City | Industrial & logistics stock (sq. m) | Share of total stock (sq. m) |
|---|---|---|---|
| 1 | Bucharest | 1,430,000 | 47% |
| 2 | Timisoara | 400,000 | 13% |
| 3 | Ploiesti | 240,000 | 8% |
| 4 | Cluj | 230,000 | 8% |
| 5 | Brasov | 190,000 | 6% |
| | Pitesti | 175,000 | 6% |

**Romanian Shipping Market Summary**

The access to the Black Sea and the ~1,000km Danube course contributed to the development of a flourishing vessel-construction industry from the 19th century, which peaked during the communist period, when up to 12 shipyards and numerous repair workshops existed. The general decline of the Romanian economy during the 1990's affected this industry as well, but it recovered after 2000,through the privatisation of most shipyards. Currently there are 9 active shipyards, out of which 3 maritime-vessels producing (Constanta, Midia, Mangalia), 3 river- and maritime-vessels producing (Braila, Galati, Tulcea), and 3 river-vessels producing (Orsova, Drobeta-Turnu Severin, Giurgiu). The Magalia shipyard is specialised in container transporting vessels for at least 5,500 TEU and bulk carriers 80,000 – 180,000 TDW; in Constanta are built mainly tankers (40,000 – 55,000 TDW), while the Galati shipyard delivers military vessels and tugs. Tulcea and Braila shipyards are specialised in production of supply vessels, while the other shipyards are focused on river vessels. More recently, Tulcea shipyard began construction of cruise vessels.

One of the opportunities for the Braila and Tulcea shipyards is represented by the increasing demand for cruise ships; one of their strength is the proximity of the Galati Arcelor Mittal steel plant, that delivers raw materials; the threat comes from the lack of specialised labour, as numerous workers preferred to work in Western Europe, and training young people proves challenging.

## 6 Market Evidence

In assessing the value of the land component of the property, we have had regard to comparable evidence as follows.

**Sales/ Asking Instances**

In assessing a suitable capital value for the subject land, we have had regard to comparable evidence within the market. We note within Romania there to be no Government controlled or centralised record or database of sales transactions within the market.

Therefore we have assumed an approach of sourcing asking instances within the market, and applying a discount to reflect the likely transacted value of the comparable. The discount that we have applied has been applied from our discussions with relevant market sources, and largely dependent on the asset class, size, quality, age and location.

This is a departure from IVS 105, however given the nature of the Romanian market, we believe the most applicable approach given the lack of data available is to source available listings within the market and discount appropriately for the estimate saleable value.

We outline the most applicable asking instances we have source in the market.

**Site Comparables**

We note that given the lack of comparable industrial land and activity within the immediate vicinity of the subject premises, that in searching for comparable land sales or listings we were unable to source any which are relevant. We have drawn on a number of current listings from the Constanta district. While Constanta is some distance from Tulcea we believe this to be a comparable locality given Constanta the largest Black Sea harbour location. Additionally given the more significant scale of industrial activity within Constanta we were able to source comparable listings of a large scale, which are directly relevant to the subject premise.

| | Comparable 1 | Comparable 2 | Comparable 3 | Comparable 4 |
|---|---|---|---|---|
| **Property** | Code vt 229, Agigea, Constanta. | Code vt 12, Agigea, Constanta. | Code vt 2260, South Agigea, Constanta. | Code vt 200, Agigea, Constanta. |
| **Photo** |  |  |  |  |
| **Sale or Listing & Date** | Listing / 10/1/18 | Listing / 10/1/18 | Listing / 9/1/18 | Listing / 4/1/18 |
| **Consideration** | €2,610,000 | €2,380,000 | €3,250,000 | €7,000,000 |
| **Size (SQM)** | 90,000 | 140,000 | 50,000 | 200,000 |
| **Unadjusted Rate (psm)** | €29 | €17 | €65 | €35 |
| **Comment** | Frontage of 567 sqm along Asphalt Road connecting to the bridge between Agigea and the entrance to port Gate 9 | Possible usage of warehouses, halls, car parks, silos, cadastre and tabulation, | Built-up area fenced with concrete tile fence. The site comprises of social base of 263 sqm, fuel storage 2,780 sqm, workshop 67 sqm, 65 MP, concrete platform 16,461 sqm, equipment repair platform 1,980 sqm, park platform 4,665 sqm, utilities electricity and water are connected. | Frontage along 3 streets, easy accessibility through the Danube-Black Sea Canal. Site is suitable for halls & warehouses. |

We outline a rental range from the above evidence in the order of €17 to €65 per square metre. We believe the most pertinent evidence to be within the range of €17 to €35, and as such has excluded comparable 3 from our adjustment calculations.

## 7 Valuation Considerations

**Highest and Best Use**

This valuation has been undertaken adopting the Property's Highest and Best Use, as defined by the IVSC and endorsed by the Royal Institution of Chartered Surveyors, which is:

*"the most probable use of a property which is physically appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued."*

Taking into consideration the Property's size, built improvement, classification and occupation status, we believe that the Highest and Best Use for the Property, as at the date of valuation, is in its current use.

**Selling Period**

Our valuation has been undertaken on the basis of assuming a selling period in the order of 12 months.

This is an estimate of the time it might take for the Property to sell it is were marketed at the ascribed market value. Naturally, this is not a guarantee, and the actual time it may take to sell will be impacted upon by numerous factors including the marketing undertaken, eagerness of buyers both generally and also in relation to assets similar to the property, availability of finance, and change in market conditions subsequent to the effective valuation date.

**Most Probably Purchaser**

In consideration of the current market, we anticipate the most probable purchaser to be a competing ship building company who as such would attribute the highest value to the existing improvements.

**Assumptions**

- The market value of the property is in its existing state;
- We recommend full search of legal title to determine any adverse conditions;
- That the subject property and its operation are free from any encumbrance, environmental contamination or toxic value material that could affect value. We are not trained to perform technical environmental inspections and recommend the hiring of a professional engineer with expertise in this field;
- No encumbrances or easements on the land and its development. We assume that the soils' load-bearing capacity is sufficient to support existing and/ or proposed structures. We did not observe any evidence to the contrary during our physical inspection of the property;
- We were not given a floor survey to review. If subsequent engineering data reveal the presence of regulated flooding, it could materially affect the property value. We recommend a floor survey by a professional engineer with expertise in this field;
- The assets are to be valued on the assumption that the existing use of them will continue;
- Given the fact that the subject property is a specialist shipyard and we consider a limited potential pool of purchasers, a longer marketing period would be necessary for any potential sale in the current economic condition; and
- The valuation report is prepared based upon critical assumptions and this assessment will vary if any changes to the assumptions are made. Readers are advised to undertake their own due diligence prior to making any decisions over the property.

# 8 Valuation Rationale

### Valuation Overview and Approach

In arriving at our opinion of market value for the subject property we have undertaken our assessment utilising the Cost Approach Methodology, or Depreciated Replacement Cost (DRC). While the market approach or income approach is the preferred methodology, the DRC approach is particularly relevant for properties which are highly specialised and/ or which there is a limited/ unknown market for the asset.

### Depreciated Replacement Cost

The depreciated replacement cost indicates the value of an asset by the cost to create or replace the asset with another similar one, on the premises that purchaser would not pay more for an asset than the cost to obtain one of equal usefulness. The approach assumes the cost to replace the asset new, plus the addition of appropriate professional fees for the reinstatement of the asset, less depreciation related to physical, functional and external obsolesce, plus the addition of the value of the underlying land (assessed on a direct comparison basis).

Our findings are as follow:

### Land Valuation

When analysing the comparable evidence, we have taken into consideration but not limited to the size, location, shape, access when assessing the comparables, and making a comparison back to the subject property. We outline our adjustments as follows:

| **Property** | Code vt 229, Agigea, Constanta. | Code vt 12, Agigea, Constanta. | Code vt 200, Agigea, Constanta. |
|---|---|---|---|
| **Sale or Listing** | Listing | Listing | Listing |
| **Consideration** | €2,610,000 | €2,380,000 | €7,000,000 |
| **Size (SQM)** | 90,000 | 140,000 | 200,000 |
| **Unadjusted Rate** | €29 | €17 | €35 |
| ***Listing Adjustment*** | -10% | -10% | -10% |
| ***Size Adjustment*** | -20% | -10% | -10% |
| ***Location Adjustment*** | -10% | -10% | -10% |
| ***Quality Adjustment*** | -10% | -10% | -20% |
| **Adjusted Percentage** | -50% | -40% | -50% |

| | | | |
|---|---|---|---|
| **Adjusted Rate** | €14.5 | €10.2 | €17.5 |

We were unable to source any appropriate listings within the Tulcea market and as such found suitable listings within the industrial area of Constanta.

We note that the Constanta industrial market to have some superior attributes to Tulcea. Particularly of note, is that industrial land with direct waterside access is typically used for maritime purpose. As such the location of the city and access to seas and waterways drive the overall demand and underlying value for these properties. In the case of Tulcea the subject premises is located on the Danube River (Saint George Branch) which can at times freeze during winter, delaying the delivery of goods (such as ships) which rely on this waterway. Conversely, the evidence located within Constanta enjoys direct access to the Black Sea and does not have the issue of travel distance to the Black Sea, nor any delays due to freezing. Thus we are of the belief that an appropriate discount should be applied when comparing the localities of Constanta and Tulcea.

We note a range of €10.2 to €17.5 per square metre on an adjusted basis. We believe the value for the subject premises falls towards the lower end of this range and as such have adopted a value of €13 per square metre.

When applying this rate to the total site area, we note a portion of the land area of the property has been dredged for the purpose of the final stages of the ship building process. While it could be argued that these works would require costs in order to return to developable land, conversely we believe for the right purchaser they would attribute a premises for this type of land. As such we believe it prudent to apply a land value across this area, as sourced from our site comparables.

| | |
|---|---|
| **Land Area** | 756,417 sqm |
| **Assessed Rate** | €13 |
| **Land Valuation** | €9,833,422 |

**Improvements Valuation**

We have sourced relevant data for construction costings within the Romanian market from the IROVAL construction cost guide. From this we have assessed the costs to replace new the existing improvements across the site, plus professional fees, less depreciation for physical, functional and external obsolesce. We had taken regard to the current age of the improvements and likely age total obsolescence/ or replacement.

In assessing the value of improvements across the subject site, we note broadly the type of improvements are characterised as:

- Warehouses
- Offices
- Technical

Additionally we have also attributed value for the various internal roads and platform areas across the site. We have made a consolidated assessment of these areas based off our inspection of the property and relevant measurements which have been made.

We note certain items located on the site, we have attributed no value to as they are at a stage of depreciation that they are no longer functional. These have been excluded for our below assessment.

In applying a relevant depreciation rate we have noted the current age of the property, likely on going functionality and obsolesce.

We report our valuation findings as follows:

CUSHMAN & WAKEFIELD

| Replacement Cost- Summation | | |
|---|---|---|
| Land Area | 756,417 | sqm |
| Land rate | 13 € | € 9,833,422 |

| Component | Area SQM | Rate | Build Cost | Professional fees 10% | Total | Depreciated to | Value |
|---|---|---|---|---|---|---|---|
| GRUP SOCIAL HCC | 2,129 | € 300 | € 638,604 | € 63,860 | € 702,464 | 33% | € 234,154.80 |
| HALA DEZARMARE AT.PROBE PREDARE | 8,781 | € 250 | € 2,195,270 | € 219,527 | € 2,414,797 | 32% | € 764,685.72 |
| GRUP SOCIAL-HALA DEZARMARE | 1,324 | € 300 | € 397,200 | € 39,720 | € 436,920 | 32% | € 138,358.00 |
| HALA COMPLETARE-ARMARE | 11,004 | € 275 | € 3,026,100 | € 302,610 | € 3,328,710 | 92% | € 3,051,317.50 |
| STATIE COMPRESOARE REMIZA PSI | 499 | € 200 | € 99,832 | € 9,983 | € 109,815 | 33% | € 36,605.07 |
| HALA CONSTRUCTII CORP | 19,285 | € 275 | € 5,303,375 | € 530,338 | € 5,833,713 | 35% | € 2,041,799.38 |
| HALA TRASAJ | 3,586 | € 275 | € 986,150 | € 98,615 | € 1,084,765 | 35% | € 379,667.75 |
| HALA UNITATI AUXILIARE | 9,830 | € 275 | € 2,703,272 | € 270,327 | € 2,973,599 | 37% | € 1,090,319.71 |
| HALA FABRICATIEI ZONA C-A1-A2-A4 | 65,594 | € 275 | € 18,038,479 | € 1,803,848 | € 19,842,327 | 35% | € 6,944,814.51 |
| Modernizare-STATIE ACETILENA - GRUP DESERVIRE | 121 | € 200 | € 24,258 | € 2,426 | € 26,684 | 40% | € 10,673.52 |
| HALA MONTAJ NAVE | 13,741 | € 275 | € 3,778,775 | € 377,878 | € 4,156,653 | 40% | € 1,662,661.00 |
| ANEXA TEHN.SOCIALA A1-B1-C1 | 12,354 | € 300 | € 3,706,332 | € 370,633 | € 4,076,965 | 37% | € 1,494,887.24 |
| ANEXA TEHNICO-SOCIALA HALA MONTAJ NAVE | 2,557 | € 300 | € 767,100 | € 76,710 | € 843,810 | 37% | € 309,397.00 |
| ANEXA TEHNICO-SOCIALA HALA CONSTR.CORP | 1,588 | € 300 | € 476,400 | € 47,640 | € 524,040 | 32% | € 165,946.00 |
| CANTINA 2000 LOCURI | 2,574 | € 300 | € 772,182 | € 77,218 | € 849,400 | 42% | € 353,916.75 |
| DEPOZIT PIESE TURNATE | 3,514 | € 275 | € 966,408 | € 96,641 | € 1,063,049 | 43% | € 460,654.36 |
| MAG.VOPSELE SI LUBREFIANTI | 238 | € 200 | € 47,678 | € 4,768 | € 52,446 | 48% | € 25,348.80 |
| MAG.PRODUSE FINITE | 1,038 | € 200 | € 207,686 | € 20,769 | € 228,455 | 50% | € 114,227.30 |
| CLADIRE SI INST.AFERENTE-ST.RECUP.ENERG. | 125 | € 200 | € 24,954 | € 2,495 | € 27,449 | 53% | € 14,639.68 |
| CENTRALA TERMICA-CLADIRE+INSTALATII(S.N) | 200 | € 200 | € 40,000 | € 4,000 | € 44,000 | 68% | € 30,066.67 |
| Apartament 4camere | 102 | € 600 | € 60,954 | € 6,095 | € 67,049 | 70% | € 46,934.58 |
| Garaj Park Auto | 409 | € 200 | € 81,742 | € 8,174 | € 89,916 | 72% | € 64,439.94 |
| Magazie Depozitare sabloane | 357 | € 250 | € 89,253 | € 8,925 | € 98,178 | 72% | € 70,360.72 |
| Centrala Termica | 24 | € 200 | € 4,800 | € 480 | € 5,280 | 75% | € 3,960.00 |
| Gospodarie combustibil | 40 | € 200 | € 8,000 | € 800 | € 8,800 | 75% | € 6,600.00 |
| GRUP SANITAR -CALA 15000 TDW | 150 | € 300 | € 45,000 | € 4,500 | € 49,500 | 80% | € 39,600.00 |
| HALA SABLARE VOPSIRE -Ob.401 | 3,677 | € 275 | € 1,011,175 | € 101,118 | € 1,112,293 | 92% | € 1,019,601.46 |
| HALA SABLARE VOPSIRE -Ob.402 | 5,801 | € 275 | € 1,595,275 | € 159,528 | € 1,754,803 | 92% | € 1,608,568.96 |
| Corp Birouri Si Vestiare | 161 | € 300 | € 48,300 | € 4,830 | € 53,130 | 93% | € 49,335.00 |
| Quays | | | € 8,708,000 | € 870,800 | € 9,578,800 | 40% | € 3,831,520.00 |
| Consolidated Value of Platforms and Roads | 196,000 | € 50 | € 9,800,000 | € 980,000 | € 10,780,000 | 75% | € 8,085,000.00 |
| | *366,804* | | *€ 65,652,554* | *€ 6,565,255* | *€ 72,217,809* | | **34,150,061** |
| | | | | Weighted blended depreciation rate | | 53% | |

| | |
|---|---|
| Land | € 9,833,422 |
| Improvements | € 34,150,061 |
| *Total* | **43,983,484** |

### Value Reconciliation

In assessing the total capital value for the subject property we reconcile the value for the land and improvements as below:

| | |
|---|---|
| **Land Value** | €9,833,422 |
| **Building Value** | €34,150,061 |
| **Total Valuation** | €43,983,484 |
| **Rounded Value** | €44,000,000 |

As such we have adopted a total capital value for the premises of €44,000,000 utilising the cost approach methodology of valuation.

## 9 Valuation

In accordance with your instructions we have certified the current market value of Property in freehold.

Our valuation is subject to the comments, qualifications and financial data contained within our report. On that basis, and assuming the Property is free of encumbrances, restrictions or other impediments of an onerous nature which would affect value, in our opinion its market value as at Valuation Date, is:

**€44,000,000**

**(FORTY FOUR MILLION EUROS)**

Finally, and in accordance with our normal practice, we confirm that, save as set out below, this report is confidential to the Vard Holdings for the purpose of De-Listing. No responsibility is accepted to any third parties. Save as set out below, neither the whole of the report, or any part of it, or any reference to it, may be published in any document, statement or circular nor in any communication with third parties without our prior written approval of the form and context in which it will appear.

We agree to (1) the inclusion of this valuation report in the Delisting Circular and (2) the disclosure of this valuation report to Vard Holdings Limited and its officers, employees, agents and advisors (including financial and legal advisors) and relevant regulatory bodies in Singapore (including the Singapore Exchange Securities Trading Limited and the Securities Industry Council).

Signed for and on behalf of Cushman & Wakefield VHS Pte Ltd

**Christopher R. Carver MRICS (RICS membership no. 1225970)**

Executive Director

Head of Valuations

## Appendix 1 Limiting Conditions

This valuation report is subject to the following limiting conditions: -

1. Values are reported in Euro currency unless otherwise stated.

2. In our valuation it is presumed that the property as currently used is not in contravention of any planning or similar regulations. We shall not be responsible if it is otherwise.

3. While due care is exercised in the course of our inspection to note any serious defects, no structural survey or the like will or has been made. Further, we will not be able to report that the building is free from rot, infestations or other defects. The building services will not be tested but will be presumed to be in good working order.

4. Save as set out below, neither the whole nor any part of this valuation report or any reference to it may be included in any document, circular or statement or be published in any way without our prior written consent to the form and context in which it may appear. We shall bear no responsibility for any unauthorised inclusion or publication.

5. We agree to (1) the inclusion of this valuation report in the Delisting Circular and (2) the disclosure of this valuation report to Vard Holdings Limited and its officers, employees, agents and advisors (including financial and legal advisors) and relevant regulatory bodies in Singapore (including the Singapore Exchange Securities Trading Limited and the Securities Industry Council).

6. This valuation report is restricted to the client or person to whom this valuation report is specifically addressed to and for the specific purposes stated therein (including those set out in paragraph 5 above) and for the sole purpose for which it was commissioned. Any reliance on its contents shall be made within a reasonable time from the date of the valuation report. We disclaim any liability arising from any reliance on the valuation report by any other person or for any other purpose(s) or beyond a reasonable time.

7. Where it is stated in the valuation report that information has been supplied to us by another party, the information is presumed to be reliable and we do not accept any responsibility should it be proven otherwise.

8. No allowance will be made in our valuation report for any charges, mortgages or other claims affecting the property nor for any costs, expenses, taxation or outgoings which may be involved in any transaction of the property.

9. The title to the property is presumed to be good and marketable and, unless mentioned in this valuation report, be free from any encumbrances, restrictions and other legal impediments. We accept no responsibility for investigations into title, searches and requisitions and other such legal matters.

10. Any plans included in this report for identification purposes only and should not be treated as certified copies of areas or other particulars contained therein.

11. We shall not be required to give testimony or appear in court for any other tribunal or to any government agency by reason of this valuation report or with reference to the property in question unless prior arrangements have been made and we be properly reimbursed.

12. To the fullest extent permitted by law, our entire liability under this engagement and any applicable law shall not exceed the fee that you have paid for engaging our service (s), and in no circumstances whatsoever and howsoever arising whether under contract, tort (including negligence), statute, or otherwise will we be liable for any loss of use, profits, income, business, contracts, contract savings, delay, business interruption, financing costs or increased costs of operation or any other financial or economic loss or for any special, indirect, economic or consequential loss or damage. Our liability under this engagement shall be reduced proportionately to the extent that any act, omission or default of you or your employees, agents or contractors contributed to the relevant loss or damage.

## Appendix 2 Conflict of Interest, Quality Assurance and Audit Checklist

| Instructions Acceptance | Yes/ No- Comments |
|---|---|
| Independence or conflict problems? | No |
| Fee collection problems? | No |
| Professional competence to perform the engagement beyond our capabilities? | No |
| Is staffing commitment requirement beyond our capabilities | No |
| Do the terms of the professional engagement, including fee arrangement, violate applicable professional standards? | No |
| Is the fee arrangement unacceptable given the scope of the assignment? | No |
| Is there anything about the engagement that subjects us to undue risk or causes us to be uncomfortable about being associated with the engagement? | No |
| Should we accept the engagement? | Yes |
| Completed By<br>Chris Carver | |

| Conflict Checklist | Yes/ No- Comments |
|---|---|
| Had C&W worked with the prospective client before? | No |
| Have any of the Directors worked in a personal capacity with the prospective client previously? | No |
| Do any of the employees working on the project, know any of the prospective client company's employees? | No |
| Do any of the employees have interest in the target property to be valued? | No |
| Is C&W currently working on any projects that conflicts with the target property or client's business? | No |
| Does C&W and the prospective client company have any directors or employees in common? | No |
| Is there any direct or indirect fee sharing between C&W and the client? | No |
| Does this valuation fee constitute a significant portion of C&W's revenue for the quarter or year (25%)? | No |
| Has C&W or any of its employees provided a verbal or indicative value of the property to the client prior to engagement? | No |
| Has the client been informed of C&W's complaint procedure in writing and verbally? | No |
| Conflict Detected | No |

## Appendix 3 Adjustment Description

As provided within our Direct Comparison calculations we provide the below definitions of our adjustment descriptions:

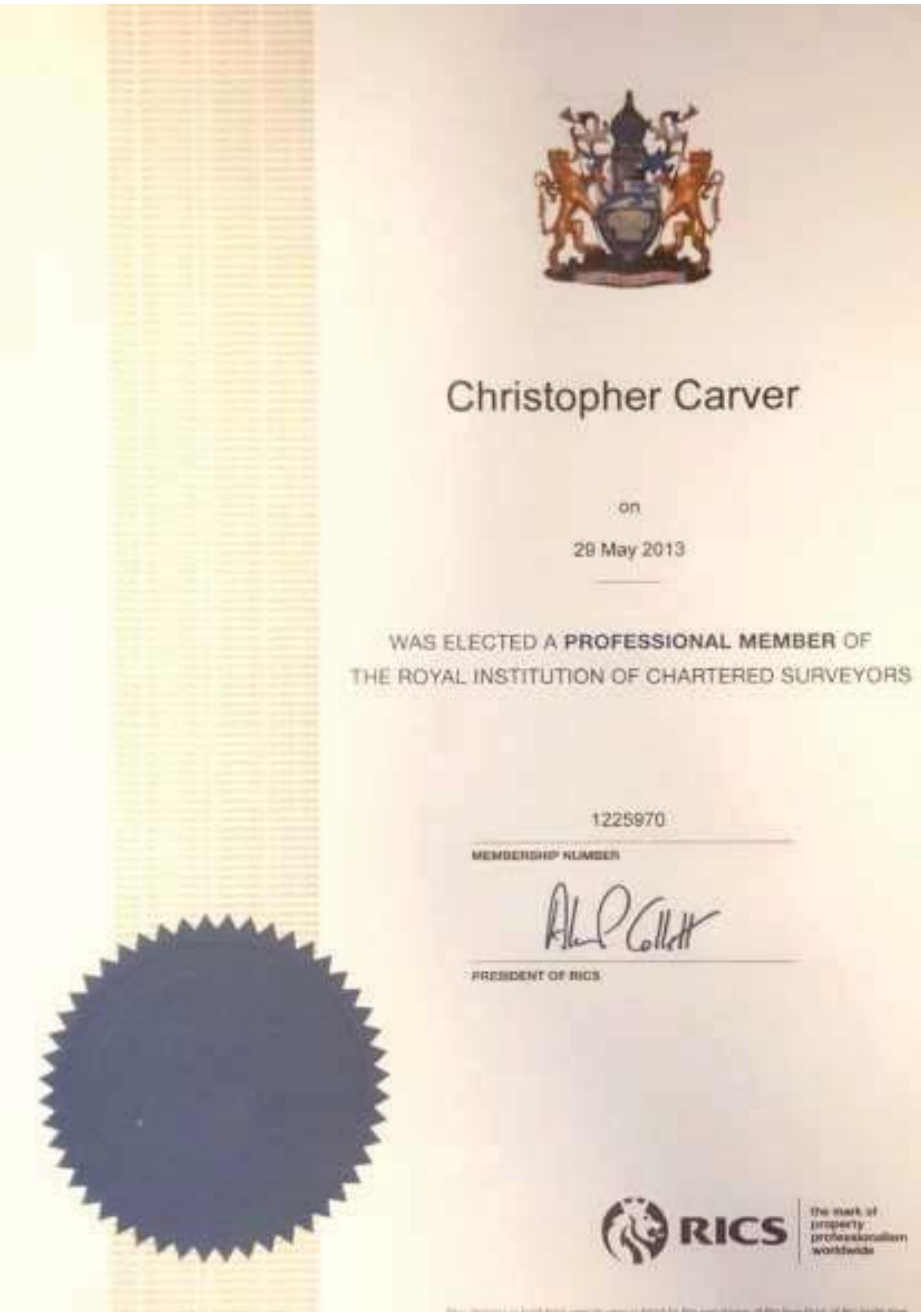
***Listing Adjustment-*** given the nature of the Romanian market we have had to rely on a combination of actual sales and also listing/ asking prices as comparables in our valuation. In many instances there is a discount factor between the asking price and the final sale price. This is largely dependent on the asset class, location, total capital value and quality of asset.

***Size Adjustment-*** The total size be it the actual physical space or the total capital value of an asset can determine if the property trades at a premium or discount in comparison to other properties. As a genera rue of thumb the larger a property the more of a discount applied however there are exceptions to this rule dependant on the asset and market circumstances.

***Location Adjustment-*** This takes into account the overall location of the comparable evidence in relation to the subject premises. Real estate as an asset class is very locationally driven and as such requires specific adjustments to take into account.

***Quality Adjustment-*** We have applied an overall quality adjustment, which encompasses a number of factors including age, quality of current building, position within a building (ie. floor), finishes and fittings, maintenance etc.

## Appendix 4 RICS Certificate



Christopher Carver

on

29 May 2013

WAS ELECTED A **PROFESSIONAL MEMBER** OF
THE ROYAL INSTITUTION OF CHARTERED SURVEYORS

1225970

MEMBERSHIP NUMBER

PRESIDENT OF RICS

RICS the mark of property professionalism worldwide

CUSHMAN & WAKEFIELD

# Valuation of:
# Vard Braila, Str. Celulozei nr. 1 A, Braila, Romania

Prepared for

## Vard Holdings Limited

Report Date:

4 April 2018

Valuation Date:

11 January 2018

# Executive Summary

Vard Braila, Romania

## Valuation

| | |
|---|---|
| **Prepared For** | Vard Holdings Limited |
| **Valuation Purpose** | De-listing of Vard Holdings Limited |
| **Date of Valuation** | 11 January 2018 |
| **Date of Inspection** | 11 January 2018 |
| **Interest Valued** | Freehold |
| **Valuation Approach** | Cost Approach |

## Property Particulars

| | |
|---|---|
| **Gross Building/ Structure Areas** | 74,737 sqm |
| **Land Area** | 424,092 sqm |

## Description

**Summary of Premises**

The first setup of a shipyard in Braila on the subject site was done in 1940; the current form was shaped in the beginning of the 1970's; several ancillary buildings were added subsequently, including two production halls in 1989 and one in 2007. The shipyard's facilities allow for assembly and repair of up to 12 ships simultaneously, with individual capacity of up to 3,000 tdw, launching and lifting of ships on a hydraulic winch transporter, fitting of vessels at quays with a total length of 1,300 meters, handling with bridges and cranes of 15 and 50 tons.

## Assumptions

**Summary of Premises**

- The market value of the property is in its existing state;
- We recommend full search of legal title to determine any adverse conditions;
- That the subject property and its operation are free from any encumbrance, environmental contamination or toxic value material that could affect value. We are not trained to perform technical environmental inspections and recommend the hiring of a professional engineer with expertise in this field;
- No encumbrances or easements on the land and its development. We assume that the soils' load-bearing capacity is sufficient to support existing and/ or proposed structures. We did not observe any evidence to the contrary during our physical inspection of the property;
- We were not given a floor survey to review. If subsequent engineering data reveal the presence of regulated flooding, it could materially affect the property value. We recommend a floor survey by a professional engineer with expertise in this field;

- The assets are to be valued on the assumption that the existing use of them will continue;
- Given the fact that the subject property is a specialist shipyard and we consider a limited potential pool of purchasers, a longer marketing period would be necessary for any potential sale in the current economic condition; and
- The valuation report is prepared based upon critical assumptions and this assessment will vary if any changes to the assumptions are made. Readers are advised to undertake their own due diligence prior to making any decisions over the property.

## Valuation Summary

| | |
|---|---|
| **Adopted Market Value** | €17,200,000 |
| **Improvements Value** | €13,000,000 |
| **Land Value** | €4,200,000 |

This executive summary is an abstract of the contents of the following valuation report. The valuation assessment and report is contingent upon a number of conditions, qualifications and critical assumptions which are fully described and set out in the body of the report.

It is essential that before the addressee relies on this valuation, they read the report in its entirety, including any Annexures. Should the addressee be or become aware of any issue or issues that cast doubt on or are in conflict with the conditions, qualifications or assumptions contained within this report, they must notify C&W in writing so that any conflicts may be considered and if appropriate, an amended report issued.

CUSHMAN & WAKEFIELD
CUSHMAN & WAKEFIELD VHS PTE. LTD.

3 Church Street #09-03
Singapore 049483
Tel: (65) 6535 3232
Fax: (65) 6535 1028
cushmanwakefield.com

Company Registration No. 200709839D

# Valuation Report

## 1 Instructions and Scope of Work

### Appointment

We have been instructed by the Vard Holdings Limited to prepare this valuation report for the purpose of determining the current market value of the subject property in connection with the proposed voluntary delisting of Vard Holdings Limited (the "Delisting") including for inclusion in the circular to be dispatched to the shareholders of Vard Holdings Limited in connection with the Delisting (the "Delisting"). This valuation report is confidential to and for use only by Vard Holdings Limited for specific purpose to which it refers. The property inspection and date of valuation are 11 January 2018.

Save as set out below, our report is confidential to the party or parties to which it is addressed, for the specific purpose to which it refers. No responsibility is accepted to any third parties. Save as set below, neither the whole of the report or any part of it or any reference to it, may be published in any document, statement or circular or in any communication with third parties without our prior written approval of the form and context in which it will appear.

We agree to (1) the inclusion of this valuation report in the Delisting Circular and (2) the disclosure of this valuation report to Vard Holdings Limited and its officers, employees, agents and advisors (including financial and legal advisors) and relevant regulatory bodies in Singapore (including the Singapore Exchange Securities Trading Limited and the Securities Industry Council).

We confirm that our valuation to be IVS 2017 compliant and undertaken with RICS Red Book standards.

### Basis of Valuation

The valuation and report has been prepared in accordance with the Royal Institution of Chartered Surveyors (RICS) and International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC). The asset has been valued on the basis of market value described as:

*"The estimated amount for which a asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."*

Included within this valuation are lessor-owned items of building fixtures, fittings. These items exclude plant and equipment, movable equipment, furniture, furnishings and tenant owned fit-out and improvements.

This valuation is current as at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements or factors specific to the particular property). We do not accept liability for the losses arising from such subsequent changes in value. Without limiting the generality of the above, we do not assume any responsibility or accept any liability in circumstances where this valuation is relied upon after the expiration of 90 days from the date of valuation, or such earlier date if you become aware of any factors that have any effect on the valuation. However, it should be recognised that the 90 day reliance period does not guarantee the value for that period; it always remains a valuation at the date of valuation only.

### Valuers Declaration

We confirm that neither Cushman & Wakefield nor the individual valuers involved with this assignment have a direct or indirect interest with the instructing party or the property valued, and that we are 100% independent in our valuation report and findings. A conflict of interest check is contained within our appendices

**Valuers Experience**

We confirm the signatory valuer for this assignment to be Christopher Carver. He has over 17 year's valuation experience globally valuing properties across all asset classes including specialised type assets.

**Scope of Work**

- Attended 'kick off' call with instructing party;
- Interact with Vard Holdings to collect all information related to the subject property;
- Review of subject property information that will be provided by Vard Holdings;
- Visual external inspection of the subject property;
- Carry out macro- and micro-market research for transactions/ listings;
- Gather and analyze comparable transactions and/or asking instances;
- Present basis of opinions on market values, methodologies adopted, and their underlying assumptions;
- Market value conclusion for the subject property; and
- Provide Vard Holdings electronic final copy of valuation report.

**Information Sources**

The information reviewed or previously provided includes, but is not limited to, the following:

- Information on building area as provided by the Vard Holdings;
- Title Deed of the Subject Property provided by the Vard Holdings;
- Property income and costs as provided by the Vard Holdings;
- Transaction data from various industry sources; and
- Market research from various industry sources.

**Limitations**

- Have not undertaken and reviewed complete property title, have assumed no onerous conditions or issues which would have a material effect on value.

**Assumptions**

- Property is fully legally permissible.

**Special Assumptions**

- N/A

**Departures from IVS**

- Reliance on property listings instead of actual transacted sales for land value assessment.

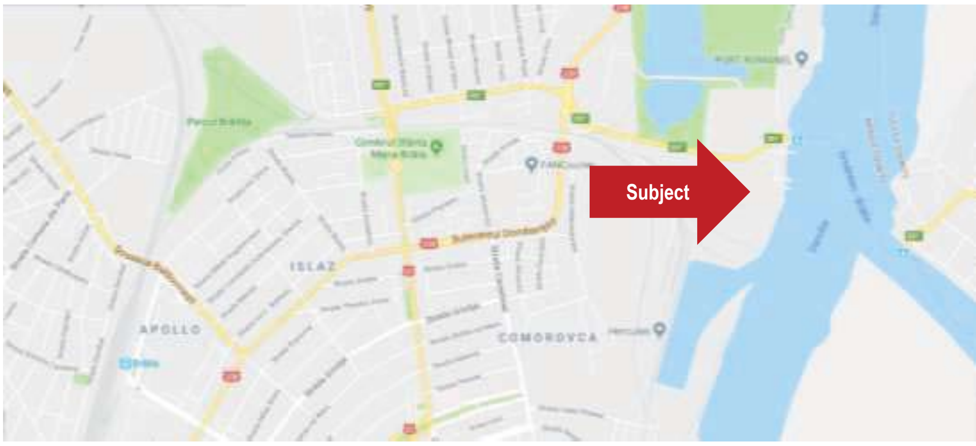
## 2 Land Particulars

**Location**


Braila (population: ~180,000, 2011 census) is a city in the east part of Romania, some 230km north-east of Bucharest; it is the capital of the Braila county, and an important harbour on Danube River, at kilometre 173, the upstream limit of the maritime section of the river. Developed during the medieval period as an important trade centre, under the Ottoman Empire occupation, the city retained this status until before the WWII, growing in importance, and was intensively industrialised during the communist period, when, beside the shipyard, the city hosted a large paper mill, a heavy machinery (bulldozers and excavators) production facility, several steel rolling plants, and numerous other smaller units. The county was also one of the top agricultural territories in the country. After 1990, the industrial activity was reduced, and, out of the major plants mentioned above, only the shipyard and one steel rolling plant are presently active, employing circa 5,000 people. Another important industrial unit is the Yazaki automotive wires plant, opened in 2015 in the Free Zone.

As at October 2017, the main economic indicators at county level are:

- Average monthly net income: 415 euro (national average: 522 euro)
- Unemployment: 4.9% (national average: 4%)




Within the city, the shipyard is located in the southern side, close to the exit towards Bucharest, in the industrial area (where the rolling steel plant and the Free Zone are located too), and in close proximity to the main commercial and retail area of Braila. Next to the industrial area there is a dense residential area, comprising several neighbourhoods raised in the 1970-1980's, with numerous blocks of flats. Small and medium size retail units service the area, and the largest shopping mall is located some four kilometres to the south. Additionally we note a small low rise apartment building directly adjacent to the north end of the site, which is currently under construction. Public transportation network is available as well, linking the area with the rest of the city.

### Title and Permitted Use

| | |
|---|---|
| **Property Title Details** | **Commercial real estate** |
| **Site Area** | **424,092 sqm, comprised of:**<br>• **338,880 sqm – Land, initial set-up**<br>• **3,860 sqm – Land, subsequent additions**<br>• **81,352 sqm – Outfitting basin – area covered with water** |
| **Registered Proprietor** | Vard Braila SA |
| **Permitted Use** | Intravillan land, buildable, industrial |
| **Land Use Permit** | Industrial |
| **Cadaster Certificate** | 18638306383601 |
| **Immovable Property Certificate** | The property is split in multiple parcels, registered under individual Land Books; we did not review the ownership documents, and relied on the total land area as provided by Owner's representatives |

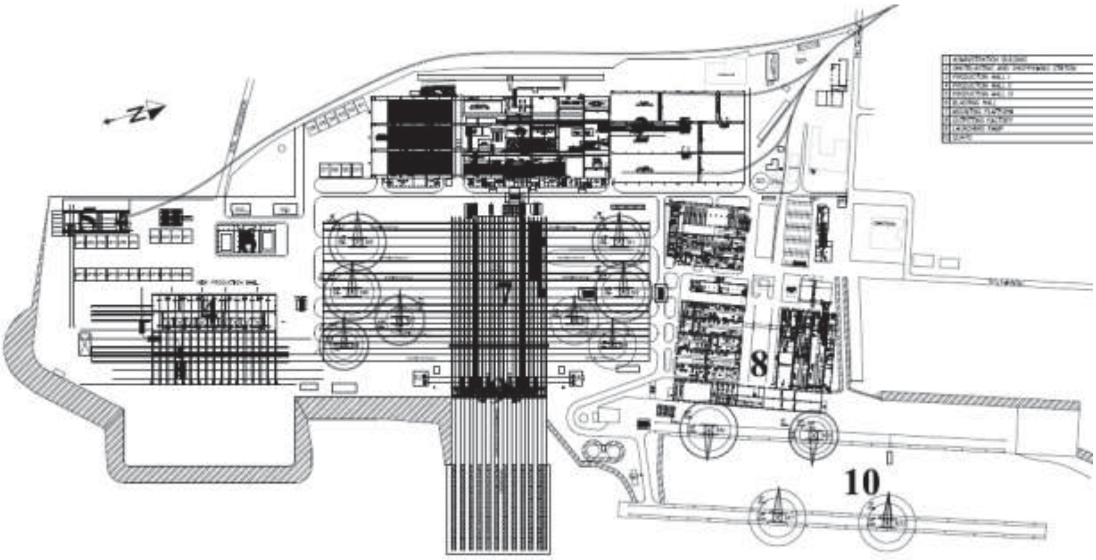
We have not conducted any searches of title apart from what has been obtained from the instructing party Our valuation is made on the basis that the property is free of encumbrances, restrictions, or other impediments of an onerous nature, which would affect value. Our valuation is made on the basis that the property is free of mortgages, charges, and other financial liens.

### Services

All mains services including electricity, gas, water, sewerage and telephone are available to the property.

**Site Area**

As outlined above the subject property has a total site area in the order of 424,092 sqm. The site title is as follows:



# 3 Property Description

## Overview

The first setup of a shipyard in Braila on the subject site was done in 1940; the current form was shaped in the beginning of the 1970's; several ancillary buildings were added subsequently, including two production halls in 1989 and one in 2007. The shipyard's facilities allow for assembly and repair of up to 12 ships simultaneously, with individual capacity of up to 3,000 tdw, launching and lifting of ships on a hydraulic winch transporter, fitting of vessels at quays with a total length of 1,300 meters, handling with bridges and cranes of 15 and 50 tons.

We note as part of our inspection that the property is mostly comprised of large high span clearance warehousing accommodation. Construction materials for these properties include heavy duty concrete hardstand/ platforms, a-frame construction, corrugated iron panel and sheet panels and roofing, supplemented natural lighting.

Additionally at the north-eastern end of the site, is the major quay, basin and launching areas utilized for the final stages of ship production.

Functionally, the site is split in 10 sections (as can be observed in the previous site plan):

1. Administrative building
2. Shotblasting and shoppriming station
3. Production hall I
4. Production hall II
5. Production hall III
6. Blasting hall
7. Mounting platform
8. Outfitting factory
9. Launching ramp
10. Quays








### Building Areas

We have not independently verified these areas and assume they are correct for the purpose of our valuation and recommend a survey be undertaken to confirm the areas adopted. Should these areas prove to be incorrect we reserve the right to revisit our valuation. We note the below improvements are the items which have been included for the purpose of our valuation. If an improvement has been deemed to have economically obsolete we have excluded from our assessment.

| *Component* | *Description* | *Area SQM* | *Year of Completion* |
|---|---|---|---|
| COMPARTIMENT SDV-URI | Technical Building | 258.00 | 1969 |
| LABORATOR DEFECTOSCOPIE | Technical Building | 131.00 | 1969 |
| HALA MECANICA-CLADIRE | Warehouse | 2,748.00 | 1971 |
| CASA VINCIURILOR NR.1 | Technical Building | 125.00 | 1972 |
| CASA VINCIURILOR NR.2 | Technical Building | 125.00 | 1972 |
| GRUP SANITAR-SOCIAL 112B | Office | 1,520.00 | 1974 |
| EXTINDERE GRUP SOCIAL 101B | Office | 1,148.00 | 1973 |
| HALA CONSTRUCTII CORP | Warehouse | 14,997.00 | 1975 |
| CENTRALA TERMICA+SALA COMP | Technical Building | 1,428.00 | 1975 |
| HALA ARMARE+ANEXA TEH-SOC | Warehouse | 14,810.00 | 2003 |
| HALA TRASAJ+ANEXA TS | Warehouse | 6,946.00 | 1975 |
| STAT.ACUMULAT.INTRET.AUTO,MAG.F | Techincal Building | 712.00 | 1975 |
| REMIZA PSI | Technical Building | 354.00 | 1975 |
| CABINA SI POARTA 2-PRINCIPALA | Technical Building | 63.00 | 1975 |
| GRUP SOCIAL 112C | Office | 620.00 | 1976 |
| HALA PREGATIRE (DEBIT+SABLARE) | Warehouse | 11,660.00 | 1905 |
| DISPENSAR SI P.I.S. | Office | 320.00 | 1981 |
| GRUP SOCIAL TEHN-ADM. | Technical Building | 440.00 | 1981 |
| CLADIRE ST.POMPE(ATEL.INSTAL) | Technical Building | 120.00 | 1986 |
| HALA MOTOARE SI AGREGATIZ. | Warehouse | 2,058.00 | 1986 |
| GRUP TEHNIC ARMARE | Offices | 442.00 | 1989 |
| HALA ALICARE GRUNDUIRE | Warehouse | 2,141.00 | 1989 |
| LOCUINTE SERVICIU BLOC B2 CALARA | Apartments | 203.00 | 1993 |
| GRUP TEHNIC EXTINDERE | Office | 494.00 | 1998 |
| LOCUINTE SERVICIU BLOC B2 BIS-TRC | Apartments | 205.00 | 1999 |
| SECTOR VOPSITORIE | Warehouse | 425.00 | 2000 |
| MAGAZIE VOPSITORIE | Warehouse | 122.00 | 2000 |
| DEPOZIT MAT. SI AGREGATE NAVALE | Warehouse | 1,312.00 | 2000 |
| BIROU ARMATORI NORVEGIENI | Office | 378.00 | 2000 |
| Complex containere dormitor | Techincal Building | 180.00 | 2006 |
| hală confecţii 15000 tdw | Warehouse | 6,388.00 | 2007 |
| GOSPODARIA DE APA | Technical Building | 425.00 | 2017 |
| MAGAZIE LUBREFIANTI SI VOPSELE | Warehouse | 404.00 | 1975 |
| STATIE NEUTRALIZARE APE UZATE | Technical Building | 118.00 | 1979 |
| *TOTAL* | | *73,820.00* | |

**Condition and Repair**

At the time of our inspection we noted the property generally to be in average condition commensurate with its age, size, use and construction. We note we were only able to view the property externally and no internal access was available.

Our valuation has regard to the apparent state of repair and condition of the Property, however we were not instructed to carry out a structural survey or to test any of the services available to the Property. We are therefore unable to report that the Property is free from further defect and have assumed that no deleterious material was used in construction.

We have assumed the Property complies with all relevant statutory requirements in respect of matters such as health, building, and fire safety regulations and has been built in accordance with the provisions of the prevailing building code at the time of construction.

## 4 Tenancy Details

The property is currently owner occupied for the purpose as a ship yard, and as such there is no external tenancies which are relevant for the purpose of valuation.

## 5 Market Commentary

### Economic Overview

The Romanian economy accelerated in 2017, reporting a 7% GDP growth, the highest among EU countries. The evolution was driven especially by private consumption. The retail sales recorded a 9.3% growth, after an outstanding 13.5% increase in 2016.

The unemployment rate declined at 4%, since the total number of employees reached 4.87 mil. in October 2017, compared to 4.1 mil. at the beginning of 2011.

**Romania Macroeconomic Indicators**

| | 2017 (y/y) | Directional outlook |
|---|---|---|
| GDP Growth rate (%) | 7** | ↘ |
| GDP per capita (€) | 9,300 | ↗ |
| Gov. debt as a % of GDP | 37.2* | ↗ |
| Budget deficit (%) | 0.81 | ↗ |
| Monetary policy rate (%) | 1.75 | → |
| CPI (%) | 1 | ↗ |
| Construction works y/y (%) | 1.4 | ↗ |
| Retail sales y/y (%) | 9.3 | → |
| Unemployment rate (%) | 4.0 | ↓ |
| Average exchange rate (1 € to RON) | 4.65 | ↗ |

*Source: National Bank of Romania, INSSE, Eurostat, National Commission for Prognosis*

**Q2 2017*

***Q3 2017*

### Investment activity

In H1 2017, the total volume invested in commercial property in Romania reached € 530 million, compared to € 370 million during H1 2016 (43% increase). Bucharest attracted € 125 million, which represents only 24% of the total investment value.

The largest transaction in terms of value was concluded by South African group Atterbury, which acquired a 50% stake from Iulius Mall shopping centers located in Iasi, Suceava, Cluj-Napoca and Timisoara, Iulius Business Center Cluj, United Business Center Cluj and United BC II in Timisoara.

The total size of the transacted portfolio (weighted by the 50% ownership) exceeds 100,000 sq. m of retail spaces and 18,000 sq. m of offices. This was the first acquisition made in Romania by Atterbury, the fourth South—African real estate investor with a local presence (along NEPI Rockastle, Growthpoint – major shareholder of Globalworth and Prime Kapital – MAS).

Globalworth and the Belgian group Mitiska-REIM were also among the most active investors, with two transactions each. Globalworth acquired Dacia Logistic Center and Green Court C for € 80 mil., while Mitiska consolidated local position through the acquisition of the remaining 50% stake of Intercora portfolio (8 retail parks with app. 30,000 sq. m GLA) and the acquisition of Alpha Property Development portfolio (11 retail parks with a total GLA of 55,000 sq. m).

The most active segment was the retail sector. The estimated value of transactions of retail properties was app. € 350 million, representing 66% of the total investment value. The office sector saw transactions worth € 123 million, representing 23% of the total volume, with the remaining 11% covered by logistics.

### Prime Yields

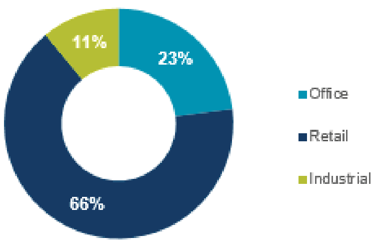
Compared to other investment destinations in the CEE region, Romania still has the most attractive yields. On average, prime yields in Bucharest are higher by 160 basis points (for office) and 180 basis points (for retail and industrial) compared to the other main markets.

**Prime yields in CEE end of H1 2017 (%)**

| City | Office | Retail | Industrial |
|---|---|---|---|
| Bucharest | 7.25 | 6.75 | 8.75 |
| Warsaw | 5.25 | 4.75 | 6.75 |
| Prague | 4.6 | 4.25 | 6.0 |
| Bratislava | 6.6 | 5.25 | 7.5 |
| Budapest | 6.2 | 6.0 | 8.0 |

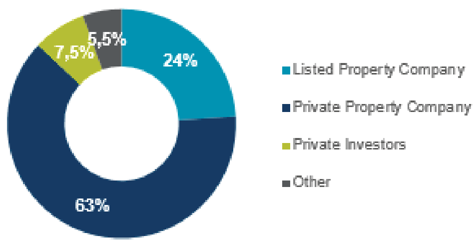
*Source: C&W Echinox*

**Investment volume by sector in H1 2017**



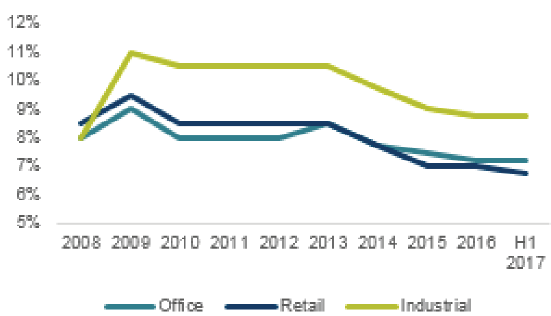

*Source: C&W Echinox*

**Investment volume by type of investor in H1 2017**




*Source: C&W Echinox*

**Prime yields evolution**




*Source: C&W Echinox*

| City | Sector | Property | Purchaser | Vendor | Price (€ million) |
|---|---|---|---|---|---|
| Cluj, Iasi, Timisoara, Suceava | Retail & Office | 50% of Iulius Mall Cluj, Iasi, Timisoara, Suceava, Iulius BC Cluj, United BC Cluj, United BC Timisoara | Atterbury Europe | Iulius Group | Confidential |
| | Retail | 11 Retail Parks Portfolio | Mitiska REIM | Alpha Property Development | 65* |
| Pitesti | Industrial | Dacia Logistic Center | Globalworth | Elgan Group | 42.5 |
| Bucharest | Office | Green Court C | Globalworth | Skanska | 38 |
| Constanta, Suceava, Arad, Oradea | Retail | Real Portfolio | Private investors | Arcade Group | N/A |
| Iasi | Retail | Felicia Shopping | CPI Property | CBRE GI | N/A |
| Bucharest | Office | Polona 68 | Smartown Investments | EEC Invest | 17 |
| Ploiesti, Constanta | Retail | Praktiker Ploiesti, Constanta | Praktiker Romania | Arcade Group | 12 |

Major investment transactions H1 2017

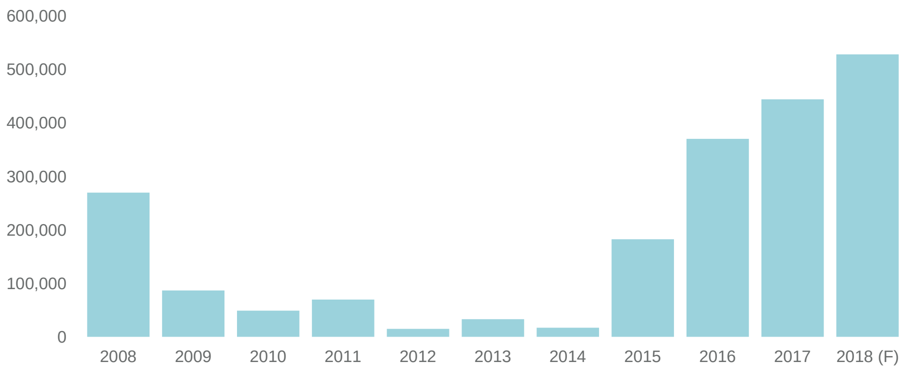
### Industrial Overview

At the end of 2017, the industrial & logistics stock in Romania exceeded the 3 million sq. m threshold. Throughout the year, more than 450,000 sq. m of space were delivered, this being the highest level recorded so far. Bucharest attracted the largest share – approximately 65% from the total volume completed in 2017. It was followed by Timisoara, with a share of 20% and Cluj – 10%.

In 2018, the level of new supply is forecasted to exceed the volume completed last year and might reach 500,000 sq. m. Bucharest continues to be in the attention of developers with more than 300,000 sq. m of projects planned for delivery this year. In regards to the regional markets and the total volume of supply planned for delivery, Cluj will attract the largest share – 10%, followed by Sibiu – 9% and Oradea – 7%

Figure 1

**New industrial & logistics supply evolution (sq. m)**




### Demand

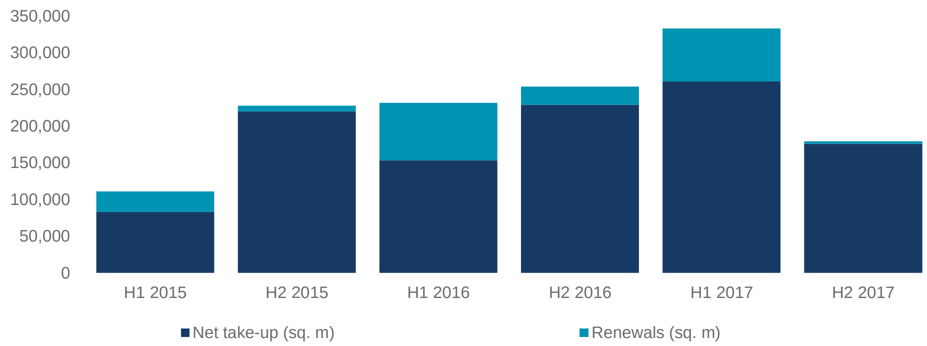
At the end of 2017, as a result of a positive economic environment, of a consistent income and consumption growth, demand for industrial & logistics space is at a record high, with approximately 515,000 sq. m transacted. Net take-up accounted for 85% from the total volume transacted during 2017.

Bucharest accounts for 43% of the total take-up recorded, thus proving that it remains the main logistics destination in Romania. Regarding the industrial & logistics regional centers in the country, Timisoara was the most sought-after, with a share of 15% from the net take-up, followed by Pitesti – 14% and Cluj – 8%.

Considering that a large number of companies are looking to expand operations, developers focused on building on a speculative basis. Thus, approximately 57% of the projects completed last year were in that particular category.

Figure 2

**Structure of demand H1 2015 – H2 2017 (sq. m)**




Throughout 2017, the most active occupiers were companies operating in the Logistics & Distribution sector, with approximately 55% share, followed by the Retail sector – 13%.

Table 1

**Major transactions in 2017**

| Company | GLA (sq. m) | Project | Region |
|---|---|---|---|
| DSV | 35,000 | CTPark Bucharest West | Bucharest |
| Ceva Logistics | 29,000 | WDP Park | Oarja - Pitesti |
| Profi | 27,000 | WDP Park | Roman |
| Aquila | 10,000 | SNS Park | Cluj-Napoca |

*Source: C&W Echinox*

Prime Industrial Rents – June 2017

| LOGISTICS LOCATIONS | € SQ.M MTH | € SQ.M YR | US$ SQ. FT YR | GROWTH % 1YR | GROWTH % 5YR CAGR |
|---|---|---|---|---|---|
| Bucharest | 4.25 | 51.0 | 5.29 | 0.0 | 1.2 |
| Brasov | 3.75 | 45.0 | 4.66 | 0.0 | 0.8 |
| Timisoara | 3.75 | 45.0 | 4.66 | 0.0 | 0.8 |
| Constanta | 3.75 | 45.0 | 4.66 | 0.0 | 0.8 |

### Occupancy Costs

In terms of occupancy costs for industrial & logistics spaces, Romania is one of the most competitive markets in Europe.

Throughout the first half of 2017, the rental levels have remained relatively stable. Prime headline rents for A-class units are between 3.75 – 4.25 EUR /sq. m /month. For units below 5,000 sq. m, the rental level is marginally above and can exceed 4.25 EUR /sq. m/ month. In addition to the rent, a service charge allowance applies, ranging between 0,6 – 0,9 EUR /sq. m / month, covering property tax, insurance, exterior security, technical maintenance costs and landscaping.

Table 2

**New supply 2018**

| Project | GLA (sq. m) | Developer | Type | City |
|---|---|---|---|---|
| LogIQ Mogosoaia | 40,000 | Logicor | Speculative | Bucharest |
| CTPark Bucharest | 50,000 | CTP | Speculative | Bucharest |
| CTPark | 30,000 | CTP | BTS / Speculative | Cluj |
| WDP Park | 20,000 | WDP | BTS | Roman |
| VGP Park | 20,000 | VGP | Speculative | Sibiu |

### Investment focus

In Q2 2017, two investment deals were recorded on the industrial & logistics market in Romania. The largest transaction was the purchase of Blackstone's Logicor portfolio by China Investment Corporation, comprising of four projects across the country, with a total GLA of ~100,000 sq. m. In the second quarter of 2017, prime industrial yields remained at the same level – 8.75%.

Prime Industrial Yields – June 2017

| LOGISTICS LOCATION (FIGURES ARE GROSS, %) | CURRENT Q | LAST Q | LAST Y | 10 YEAR HIGH | LOW |
|---|---|---|---|---|---|
| Bucharest | 8.75 | 8.75 | 9.00 | 12.00 | 7.50 |
| Brasov | 9.50 | 9.50 | 9.75 | 10.50 | 7.75 |
| Timisoara | 9.50 | 9.50 | 9.75 | 10.50 | 7.75 |
| Constanta | 9.50 | 9.50 | 9.75 | 10.50 | 7.75 |

### Outlook

In the following year, we expect the industrial & logistics stock in Romania to increase by approximately 15%, given that more than 500,000 sq. m of space is forecasted to be completed by the end of 2018.

More than 60% of the projects currently under construction or planned for delivery during 2018 are built on a speculative basis. Developers' confidence is sustained by an increasing demand that is expected to remain at a high level going forward.

Map 1

**Romania – Largest industrial & logistics markets 2016**


| | City | Industrial & logistics stock (sq. m) | Share of total stock (sq. m) |
|---|---|---|---|
| 1 | Bucharest | 1,430,000 | 47% |
| 2 | Timisoara | 400,000 | 13% |
| 3 | Ploiesti | 240,000 | 8% |
| 4 | Cluj | 230,000 | 8% |
| 5 | Brasov | 190,000 | 6% |
| 6 | Pitesti | 175,000 | 6% |

**Romanian Shipping Market Summary**

The access to the Black Sea and the ~1,000km Danube course contributed to the development of a flourishing vessel-construction industry from the 19th century, which peaked during the communist period, when up to 12 shipyards and numerous repair workshops existed. The general decline of the Romanian economy during the 1990's affected this industry as well, but it recovered after 2000,through the privatisation of most shipyards. Currently there are 9 active shipyards, out of which 3 maritime-vessels producing (Constanta, Midia, Mangalia), 3 river- and maritime-vessels producing (Braila, Galati, Tulcea), and 3 river-vessels producing (Orsova, Drobeta-Turnu Severin, Giurgiu). The Magalia shipyard is specialised in container transporting vessels for at least 5,500 TEU and bulk carriers 80,000 – 180,000 TDW; in Constanta are built mainly tankers (40,000 – 55,000 TDW), while the Galati shipyard delivers military vessels and tugs. Tulcea and Braila shipyards are specialised in production of supply vessels, while the other shipyards are focused on river vessels. More recently, Tulcea shipyard began construction of cruise vessels.

One of the opportunities for the Braila and Tulcea shipyards is represented by the increasing demand for cruise ships; one of their strength is the proximity of the Galati Arcelor Mittal steel plant, that delivers raw materials; the threat comes from the lack of specialised labour, as numerous workers preferred to work in Western Europe, and training young people proves challenging.

## 6 Market Evidence

In assessing the value of the land component of the property, we have had regard to comparable evidence as follows.

**Sales/ Asking Instances**

In assessing a suitable capital value for the subject land, we have had regard to comparable evidence within the market. We note within Romania there to be no Government controlled or centralised record or database of sales transactions within the market.

Therefore we have assumed an approach of sourcing asking instances within the market, and applying a discount to reflect the likely transacted value of the comparable. The discount that we have applied has been applied from our discussions with relevant market sources, and largely dependent on the asset class, size, quality, age and location.

This is a departure from IVS 105, however given the nature of the Romanian market, we believe the most applicable approach given the lack of data available is to source available listings within the market and discount appropriately for the estimate saleable value.

We outline the most applicable asking instances we have source in the market.

**Site Comparables**

We note that given the lack of comparable industrial land and activity within the immediate vicinity of the subject premises, that in searching for comparable land sales or listings we were unable to source any which are relevant. We have drawn on a number of current listings from the Constanta district. While Constanta is some distance from Braila we believe this to be a comparable locality given Constanta the largest Black Sea harbour location. Additionally given the more significant scale of industrial activity within Constanta we were able to source comparable listings of a large scale, which are directly relevant to the subject premise.

| | Comparable 1 | Comparable 2 | Comparable 3 | Comparable 4 |
|---|---|---|---|---|
| **Property** | Code vt 229, Agigea, Constanta. | Code vt 12, Agigea, Constanta. | Code vt 2260, South Agigea, Constanta. | Code vt 200, Agigea, Constanta. |
| **Photo** |  |  |  |   |
| **Date of Construction** | | | | |
| **Sale or Listing & Date** | Listing / 10/1/18 | Listing / 10/1/18 | Listing / 9/1/18 | Listing / 4/1/18 |
| **Consideration** | €2,610,000 | €2,380,000 | €3,250,000 | €7,000,000 |
| **Size (SQM)** | 90,000 | 140,000 | 50,000 | 200,000 |
| **Unadjusted Rate (psm)** | €29 | €17 | €65 | €35 |
| **Comment** | Frontage of 567 sqm along Asphalt Road connecting to the bridge between Agigea and the entrance to port Gate 9 | Possible usage of warehouses, halls, car parks, silos, cadastre and tabulation, | Built-up area fenced with concrete tile fence. The site comprises of social base of 263 sqm, fuel storage 2,780 sqm, workshop 67 sqm, 65 MP, concrete platform 16,461 sqm, equipment repair platform 1,980 sqm, park platform 4,665 sqm, utilities electricity and water are connected. | Frontage along 3 streets, easy accessibility through the Danube-Black Sea Canal. Site is suitable for halls & warehouses. |

We outline a rental range from the above evidence in the order of €17 to €65 per square metre. We believe the most pertinent evidence to be within the range of €17 to €35, and as such has excluded comparable 3 from our adjustment calculations.

## 7 Valuation Considerations

**Highest and Best Use**

This valuation has been undertaken adopting the Property's Highest and Best Use, as defined by the IVSC and endorsed by the Royal Institution of Chartered Surveyors, which is:

*"the most probable use of a property which is physically appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued."*

Taking into consideration the Property's size, built improvement, classification and occupation status, we believe that the Highest and Best Use for the Property, as at the date of valuation, is in its current use.

**Selling Period**

Our valuation has been undertaken on the basis of assuming a selling period in the order of 12 months.

This is an estimate of the time it might take for the Property to sell it is were marketed at the ascribed market value. Naturally, this is not a guarantee, and the actual time it may take to sell will be impacted upon by numerous factors including the marketing undertaken, eagerness of buyers both generally and also in relation to assets similar to the property, availability of finance, and change in market conditions subsequent to the effective valuation date.

**Most Probably Purchaser**

In consideration of the current market, we anticipate the most probable purchaser to be a competing ship building company who as such would attribute the highest value to the existing improvements.

**Assumptions**

- The market value of the property is in its existing state;
- We recommend full search of legal title to determine any adverse conditions;
- That the subject property and its operation are free from any encumbrance, environmental contamination or toxic value material that could affect value. We are not trained to perform technical environmental inspections and recommend the hiring of a professional engineer with expertise in this field;
- No encumbrances or easements on the land and its development. We assume that the soils' load-bearing capacity is sufficient to support existing and/ or proposed structures. We did not observe any evidence to the contrary during our physical inspection of the property;
- We were not given a floor survey to review. If subsequent engineering data reveal the presence of regulated flooding, it could materially affect the property value. We recommend a floor survey by a professional engineer with expertise in this field;
- The assets are to be valued on the assumption that the existing use of them will continue;
- Given the fact that the subject property is a specialist shipyard and we consider a limited potential pool of purchasers, a longer marketing period would be necessary for any potential sale in the current economic condition; and
- The valuation report is prepared based upon critical assumptions and this assessment will vary if any changes to the assumptions are made. Readers are advised to undertake their own due diligence prior to making any decisions over the property.

# 8 Valuation Rationale

### Valuation Overview and Approach

In arriving at our opinion of market value for the subject property we have undertaken our assessment utilising the Cost Approach Methodology, or Depreciated Replacement Cost (DRC). While the market approach or income approach is the preferred methodology, the DRC approach is particularly relevant for properties which are highly specialised and/ or which there is a limited/ unknown market for the asset.

### Depreciated Replacement Cost

The depreciated replacement cost indicates the value of an asset by the cost to create or replace the asset with another similar one, on the premises that purchaser would not pay more for an asset than the cost to obtain one of equal usefulness. The approach assumes the cost to replace the asset new, plus the addition of appropriate professional fees for the reinstatement of the asset, less depreciation related to physical, functional and external obsolesce, plus the addition of the value of the underlying land (assessed on a direct comparison basis).

Our findings are as follow:

### Land Valuation

When analysing the comparable evidence, we have taken into consideration but not limited to the size, location, shape, access when assessing the comparables, and making a comparison back to the subject property. We outline our adjustments as follows:

| **Property** | Code vt 229, Agigea, Constanta. | Code vt 12, Agigea, Constanta. | Code vt 200, Agigea, Constanta. |
|---|---|---|---|
| **Sale or Listing** | Listing | Listing | Listing |
| **Consideration** | €2,610,000 | €2,380,000 | €7,000,000 |
| **Size (SQM)** | 90,000 | 140,000 | 200,000 |
| **Unadjusted Rate** | €29 | €17 | €35 |
| ***Listing Adjustment*** | -10% | -10% | -10% |
| ***Size Adjustment*** | -20% | -10% | -10% |
| ***Location Adjustment*** | -10% | -10% | -10% |
| ***Quality Adjustment*** | -10% | -10% | -20% |
| **Adjusted Percentage** | -50% | -40% | -50% |

| | | | |
|---|---|---|---|
| **Adjusted Rate** | €14.5 | €10.2 | €17.5 |

We were unable to source any appropriate listings within the Braila market and as such found suitable listings within the industrial area of Constanta.

We note that the Constanta industrial market to have some superior attributes to Braila. Particularly of note, is that industrial land with direct waterside access is typically used for maritime purpose. As such the location of the city and access to seas and waterways drive the overall demand and underlying value for these properties. In the case of Braila the subject premises is located on the Danube River which can at times freeze during winter, delaying the delivery of goods (such as ships) which rely on this waterway. Conversely, the evidence located within Constanta enjoys direct access to the Black Sea and does not have the issue of travel distance to the Black Sea, nor any delays due to freezing. Thus we are of the belief that an appropriate discount should be applied when comparing the localities of Constanta and Braila.

We note a range of €10.2 to €17.5 per square metre on an adjusted basis. We have rounded to the lower end of the range which has resulted in an adopted a value of €10 per square metre.

When applying this rate to the total site area, we note a portion of the land area of the property has been dredged for the purpose of the final stages of the ship building process. While it could be argued that these works would require costs in order to return to developable land, conversely we believe for the right purchaser they would attribute a premises for this type of land. As such we believe it prudent to apply a land value across this area, as sourced from our site comparables.

| | |
|---|---|
| **Land Area** | 424,092 sqm |
| **Assessed Rate** | €10 |
| **Land Valuation** | €4,240,920 |

**Improvements Valuation**

We have sourced relevant data for construction costings within the Romanian market from the IROVAL construction cost guide. From this we have assessed the costs to replace new the existing improvements across the site, plus professional fees, less depreciation for physical, functional and external obsolesce. We had taken regard to the current age of the improvements and likely age total obsolescence/ or replacement.

In assessing the value of improvements across the subject site, we note broadly the types of improvements are characterised as:

- Warehouses
- Offices
- Technical

Additionally we have also attributed valued for the various internal roads and platform areas across the site, and the major quay areas developed. We have made a consolidated assessment of these areas based off our inspection of the property and relevant measurements which have been made.

As identified by the instructing party during our site inspection, the areas directly surrounding the dock and sea areas require maintenance.

We note certain items located on the site, we have attributed no value to as they are at a stage of depreciation that they are no longer functional. These have been excluded for our below assessment.

In applying a relevant depreciation rate we have noted the current age of the property, likely on going functionality and obsolesce.

We report our valuation findings as follows:

| Replacement Cost- Summation | | |
|---|---|---|
| Land Area | 424,092 | sqm |
| Land rate | 10 € | € 4,240,925 |

| Component | Area SQM | Rate | Build Cost | Professional fees 10% | Total | Depreciated to | Value |
|---|---|---|---|---|---|---|---|
| COMPARTIMENT SDV-URI | 258 | € 200 | € 51,600 | € 5,160 | € 56,760 | 18% | € 10,406 |
| LABORATOR DEFECTOSCOPIE | 131 | € 200 | € 26,200 | € 2,620 | € 28,820 | 18% | € 5,284 |
| HALA MECANICA-CLADIRE | 2,748 | € 275 | € 755,700 | € 75,570 | € 831,270 | 22% | € 180,109 |
| CASA VINCIURILOR NR.1 | 125 | € 200 | € 25,000 | € 2,500 | € 27,500 | 23% | € 6,417 |
| CASA VINCIURILOR NR.2 | 125 | € 200 | € 25,000 | € 2,500 | € 27,500 | 23% | € 6,417 |
| GRUP SANITAR-SOCIAL 112B | 1,520 | € 300 | € 456,000 | € 45,600 | € 501,600 | 27% | € 133,760 |
| EXTINDERE GRUP SOCIAL 101B | 1,148 | € 300 | € 344,400 | € 34,440 | € 378,840 | 25% | € 94,710 |
| HALA CONSTRUCTII CORP | 14,997 | € 275 | € 4,124,175 | € 412,418 | € 4,536,593 | 28% | € 1,285,368 |
| CENTRALA TERMICA+SALA COMP | 1,428 | € 200 | € 285,600 | € 28,560 | € 314,160 | 28% | € 89,012 |
| HALA ARMARE+ANEXA TEH-SOC | 14,810 | € 275 | € 4,072,750 | € 407,275 | € 4,480,025 | 75% | € 3,360,019 |
| HALA TRASAJ+ANEXA TS | 6,946 | € 275 | € 1,910,150 | € 191,015 | € 2,101,165 | 28% | € 595,330 |
| STAT.ACUMULAT.INTRET.AUTO,MAG.PRAM | 712 | € 200 | € 142,400 | € 14,240 | € 156,640 | 28% | € 44,381 |
| REMIZA PSI | 354 | € 200 | € 70,800 | € 7,080 | € 77,880 | 28% | € 22,066 |
| CABINA SI POARTA 2-PRINCIPALA | 63 | € 200 | € 12,600 | € 1,260 | € 13,860 | 28% | € 3,927 |
| GRUP SOCIAL 112C | 620 | € 300 | € 186,000 | € 18,600 | € 204,600 | 30% | € 61,380 |
| HALA PREGATIRE (DEBIT+SABLARE) | 11,660 | € 275 | € 3,206,500 | € 320,650 | € 3,527,150 | 25% | € 881,788 |
| DISPENSAR SI P.I.S. | 320 | € 300 | € 96,000 | € 9,600 | € 105,600 | 38% | € 40,480 |
| GRUP SOCIAL TEHN-ADM. | 440 | € 200 | € 88,000 | € 8,800 | € 96,800 | 38% | € 37,107 |
| CLADIRE ST.POMPE(ATEL.INSTAL) | 120 | € 200 | € 24,000 | € 2,400 | € 26,400 | 47% | € 12,320 |
| HALA MOTOARE SI AGREGATIZ. | 2,058 | € 275 | € 565,950 | € 56,595 | € 622,545 | 47% | € 290,521 |
| GRUP TEHNIC ARMARE | 442 | € 300 | € 132,600 | € 13,260 | € 145,860 | 52% | € 75,361 |
| HALA ALICARE GRUNDUIRE | 2,141 | € 275 | € 588,775 | € 58,878 | € 647,653 | 52% | € 334,620 |
| LOCUINTE SERVICIU BLOC B2 CALARASI BR | 203 | € 500 | € 101,500 | € 10,150 | € 111,650 | 58% | € 65,129 |
| GRUP TEHNIC EXTINDERE | 494 | € 300 | € 148,200 | € 14,820 | € 163,020 | 67% | € 108,680 |
| LOCUINTE SERVICIU BLOC B2 BIS-TRONSON 2 | 205 | € 500 | € 102,500 | € 10,250 | € 112,750 | 68% | € 77,046 |
| SECTOR VOPSITORIE | 425 | € 275 | € 116,875 | € 11,688 | € 128,563 | 70% | € 89,994 |
| MAGAZIE VOPSITORIE | 122 | € 275 | € 33,550 | € 3,355 | € 36,905 | 70% | € 25,834 |
| DEPOZIT MAT. SI AGREGATE NAVALE | 1,312 | € 275 | € 360,800 | € 36,080 | € 396,880 | 70% | € 277,816 |
| BIROU ARMATORI NORVEGIENI | 378 | € 300 | € 113,400 | € 11,340 | € 124,740 | 70% | € 87,318 |
| Complex containere dormitor | 180 | € 200 | € 36,000 | € 3,600 | € 39,600 | 80% | € 31,680 |
| hală confecţii 15000 tdw | 6,388 | € 275 | € 1,756,700 | € 175,670 | € 1,932,370 | 82% | € 1,578,102 |
| GOSPODARIA DE APA | 425 | € 200 | € 85,000 | € 8,500 | € 93,500 | 98% | € 91,942 |
| MAGAZIE LUBREFIANTI SI VOPSELE | 404 | € 275 | € 111,100 | € 11,110 | € 122,210 | 28% | € 34,626 |
| STATIE NEUTRALIZARE APE UZATE | 118 | € 200 | € 23,600 | € 2,360 | € 25,960 | 35% | € 9,086 |
| Quays | | | € 5,680,000 | € 568,000 | € 6,248,000 | 25% | € 1,562,000 |
| Consolidated Roads and Platforms | 61,000 | € 50 | € 3,050,000 | € 305,000 | € 3,355,000 | 40% | € 1,342,000 |
| | *134,820* | *1775* | *€ 28,909,425* | *€ 2,890,943* | *€ 31,800,368* | | **12,952,033** |

Weighted blended depreciation rate 59%

| | |
|---|---|
| Land | € 4,240,925 |
| Improvements | € 12,952,033 |
| *Total* | **17,192,958.22** |

## Value Reconciliation

In assessing the total capital value for the subject property we reconcile the value for the land and improvements as below:

| | |
|---|---|
| **Land Value** | €4,240,925 |
| **Building Value** | €12,952,033 |
| **Total Valuation** | €17,192,958 |
| **Rounded Value** | €17,200,000 |

As such we have adopted a total capital value for the premises of €17,200,000 utilising the cost approach methodology of valuation.

## 9 Valuation

In accordance with your instructions we have certified the current market value of Property in freehold.

Our valuation is subject to the comments, qualifications and financial data contained within our report. On that basis, and assuming the Property is free of encumbrances, restrictions or other impediments of an onerous nature which would affect value, in our opinion its market value as at Valuation Date, is:

**€17,200,000**

**(SEVENTEEN MILLION TWO HUNDRED THOUSAND EUROS)**

Finally, and in accordance with our normal practice, we confirm that, save as set out below, this report is confidential to the Vard Holdings for the purpose of De-Listing. No responsibility is accepted to any third parties. Save as set out below, neither the whole of the report, or any part of it, or any reference to it, may be published in any document, statement or circular nor in any communication with third parties without our prior written approval of the form and context in which it will appear.

We agree to (1) the inclusion of this valuation report in the Delisting Circular and (2) the disclosure of this valuation report to Vard Holdings Limited and its officers, employees, agents and advisors (including financial and legal advisors) and relevant regulatory bodies in Singapore (including the Singapore Exchange Securities Trading Limited and the Securities Industry Council).

Signed for and on behalf of Cushman & Wakefield VHS Pte Ltd

**Christopher R. Carver MRICS (RICS membership no. 1225970)**
Executive Director
Head of Valuations

## Appendix 1 Limiting Conditions

This valuation report is subject to the following limiting conditions: -

1. Values are reported in Euro currency unless otherwise stated.

2. In our valuation it is presumed that the property as currently used is not in contravention of any planning or similar regulations. We shall not be responsible if it is otherwise.

3. While due care is exercised in the course of our inspection to note any serious defects, no structural survey or the like will or has been made. Further, we will not be able to report that the building is free from rot, infestations or other defects. The building services will not be tested but will be presumed to be in good working order.

4. Save as set out below, neither the whole nor any part of this valuation report or any reference to it may be included in any document, circular or statement or be published in any way without our prior written consent to the form and context in which it may appear. We shall bear no responsibility for any unauthorised inclusion or publication.

5. We agree to (1) the inclusion of this valuation report in the Delisting Circular and (2) the disclosure of this valuation report to Vard Holdings Limited and its officers, employees, agents and advisors (including financial and legal advisors) and relevant regulatory bodies in Singapore (including the Singapore Exchange Securities Trading Limited and the Securities Industry Council).

6. This valuation report is restricted to the client or person to whom this valuation report is specifically addressed to and for the specific purposes stated therein (including those set out in paragraph 5 above) and for the sole purpose for which it was commissioned. Any reliance on its contents shall be made within a reasonable time from the date of the valuation report. We disclaim any liability arising from any reliance on the valuation report by any other person or for any other purpose(s) or beyond a reasonable time.

7. Where it is stated in the valuation report that information has been supplied to us by another party, the information is presumed to be reliable and we do not accept any responsibility should it be proven otherwise.

8. No allowance will be made in our valuation report for any charges, mortgages or other claims affecting the property nor for any costs, expenses, taxation or outgoings which may be involved in any transaction of the property.

9. The title to the property is presumed to be good and marketable and, unless mentioned in this valuation report, be free from any encumbrances, restrictions and other legal impediments. We accept no responsibility for investigations into title, searches and requisitions and other such legal matters.

10. Any plans included in this report for identification purposes only and should not be treated as certified copies of areas or other particulars contained therein.

11. We shall not be required to give testimony or appear in court for any other tribunal or to any government agency by reason of this valuation report or with reference to the property in question unless prior arrangements have been made and we be properly reimbursed.

12. To the fullest extent permitted by law, our entire liability under this engagement and any applicable law shall not exceed the fee that you have paid for engaging our service (s), and in no circumstances whatsoever and howsoever arising whether under contract, tort (including negligence), statute, or otherwise will we be liable for any loss of use, profits, income, business, contracts, contract savings, delay, business interruption, financing costs or increased costs of operation or any other financial or economic loss or for any special, indirect, economic or consequential loss or damage. Our liability under this engagement shall be reduced proportionately to the extent that any act, omission or default of you or your employees, agents or contractors contributed to the relevant loss or damage.

## Appendix 2 Conflict of Interest, Quality Assurance and Audit Checklist

| Instructions Acceptance | Yes/ No- Comments |
|---|---|
| Independence or conflict problems? | No |
| Fee collection problems? | No |
| Professional competence to perform the engagement beyond our capabilities? | No |
| Is staffing commitment requirement beyond our capabilities | No |
| Do the terms of the professional engagement, including fee arrangement, violate applicable professional standards? | No |
| Is the fee arrangement unacceptable given the scope of the assignment? | No |
| Is there anything about the engagement that subjects us to undue risk or causes us to be uncomfortable about being associated with the engagement? | No |
| Should we accept the engagement? | Yes |
| Completed By: | Chris Carver |
| Approved By: | May Yenk Chew |

| Conflict Checklist | Yes/ No- Comments |
|---|---|
| Had C&W worked with the prospective client before? | No |
| Have any of the Directors worked in a personal capacity with the prospective client previously? | No |
| Do any of the employees working on the project, know any of the prospective client company's employees? | No |
| Do any of the employees have interest in the target property to be valued? | No |
| Is C&W currently working on any projects that conflicts with the target property or client's business? | No |
| Does C&W and the prospective client company have any directors or employees in common? | No |
| Is there any direct or indirect fee sharing between C&W and the client? | No |
| Does this valuation fee constitute a significant portion of C&W's revenue for the quarter or year (25%)? | No |
| Has C&W or any of its employees provided a verbal or indicative value of the property to the client prior to engagement? | No |
| Has the client been informed of C&W's complaint procedure in writing and verbally? | No |
| Conflict Detected | No |

## Appendix 3 Adjustment Description

As provided within our Direct Comparison calculations we provide the below definitions of our adjustment descriptions:

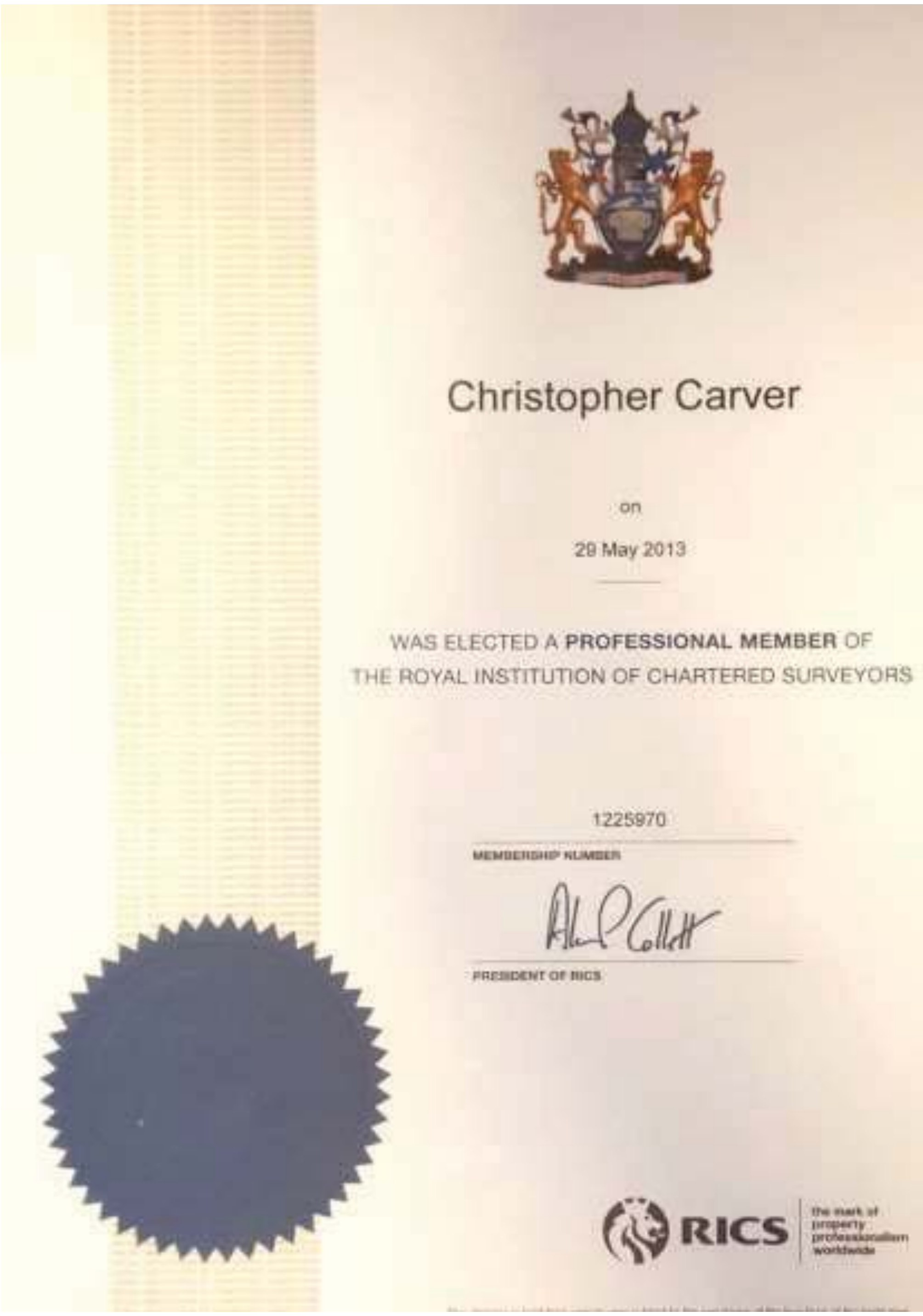
***Listing Adjustment-*** given the nature of the Romanian market we have had to rely on a combination of actual sales and also listing/ asking prices as comparables in our valuation. In many instances there is a discount factor between the asking price and the final sale price. This is largely dependent on the asset class, location, total capital value and quality of asset.

***Size Adjustment-*** The total size be it the actual physical space or the total capital value of an asset can determine if the property trades at a premium or discount in comparison to other properties. As a genera rue of thumb the larger a property the more of a discount applied however there are exceptions to this rule dependant on the asset and market circumstances.

***Location Adjustment-*** This takes into account the overall location of the comparable evidence in relation to the subject premises. Real estate as an asset class is very locationally driven and as such requires specific adjustments to take into account.

***Quality Adjustment-*** We have applied an overall quality adjustment, which encompasses a number of factors including age, quality of current building, position within a building (ie. floor), finishes and fittings, maintenance etc.

## Appendix 4 RICS Certificate



Christopher Carver

on

29 May 2013

WAS ELECTED A **PROFESSIONAL MEMBER** OF
THE ROYAL INSTITUTION OF CHARTERED SURVEYORS

1225970

MEMBERSHIP NUMBER

PRESIDENT OF RICS

RICS the mark of property professionalism worldwide

CUSHMAN & WAKEFIELD

VARD VUNG TAU LIMITED

# Report and Valuation

## Valuation for Industrial Improvements located within Dong Xuyen Industrial Park, Ba Ria - Vung Tau Province, Vietnam.

Valuation Date

08 January 2018

**Strictly Confidential –**
**For Addressee Only**

# Valuation of Industrial Improvements located within Dong Xuyen Industrial Park, Ba Ria - Vung Tau Province, Vietnam.

**Report and Valuation for:**

**VARD Vung Tau Limited**

**Dong Xuyen Industrial Park, Ba Ria - Vung Tau Province, Vietnam.**

**Valuation Date:**

**08 January 2018**

# Table of Contents

# Executive Summary

| | | |
|---|---|---|
| Date of Report | : | 04 April 2018. |
| Date of Valuation | : | 08 January 2018. |
| Date of Inspection | : | 08 January 2018. |
| Intended Use | : | For all disclosers in connection with the proposed voluntary delisting of Vard Holding Limited. |
| Location | : | Dong Xuyen Industrial Park (IP), Rach Dua Ward, Ba Ria - Vung Tau Province, Vietnam. |
| Legal Description | : | The legal description is provided in the "section 2.5 Title" of this report. |
| Land area (sqm) | : | Approximately 9ha of land area and approximately 1.87ha of water surface area. The lands are held under annual payment therefore the land component itself is not permitted to participate into the real estate market and is not considered as market value.<br>***The land component is not the subject of this report.*** |
| Improvement area (sqm) | : | 27,426sqm of gross floor area (GFA). |
| Description | : | The property to be valued consists of approximately 27,426sqm of GFA of industrial facilities located within Dong Xuyen IP. Main improvements erected on land comprise one three-storey office building, six warehouses/ workshops and supporting facilities i.e. erection platform, wharf, guardhouse, hardstanding area, etc. A brief description of the main buildings is outlined below: |

| No. | Improvements | GFA (sqm) | Year of completion |
|---|---|---|---|
| **Main improvement** | | **27,426** | |
| 1 | Unit fabrication halls | 10,555 | 2008 |
| 2 | Office building | 3,947 | 2008 |
| 3 | Painting/ Blasting hall | 850 | 2009 |
| 4 | Electro switchboard shop | 614 | 2012 |
| 5 | Electro switchboard warehouse | 100 | 2012 |
| 6 | Piping/ Outfitting workshop | 2,400 | 2010 |
| 7 | Canteen area | 960 | 2010 |

| No. | Improvements | GFA (sqm) | Year of completion |
|---|---|---|---|
| 8 | Office area | 640 | 2010 |
| 9 | Fence and guard house | 289 | 2008 |
| 10 | House for transformer and generator | 170 | 2015 |
| 11 | Parking area | 2,330 | 2010 |
| 12 | Underground water tank | 283 | 2012 |
| 13 | Waste house + steel scrap base | 668 | 2010 |
| 14 | Accommodation warehouse | 1,320 | 2010 |
| 15 | Sleeping area for worker | 300 | 2011 |
| 16 | Warehouse 1 | 600 | 2008 |
| 17 | Warehouse 2 | 600 | 2009 |
| 18 | Warehouse 3 | 800 | 2011 |
| **Sub-total** | | **27,426** | |
| **Other facilities** | | | |
| **Launch lane/ Slipway** | | **7,950** | |
| 19 | Erection platform | 7,950 | 2009 |
| **Wharf** | | **4,771** | |
| 20 | Quay | 4,771 | 2010 |
| **Land Improvement** | | **76,284** | |
| 21 | Foundation for steel handling system | 2,666 | 2012 |
| 22 | Green area and walkway | 10,185 | 2010 |
| 23 | Land improvements | 63,433 | 2008 |

At the date of valuation, the improvements appeared in an average condition.

Critical Assumptions : The assumptions are provided in the "Section 4.1 Critical Assumption" of this report.

Tenure :

- **Land area:** The property is entitled to two following tenures as per the Annex No.34/HDTLD/IZICO of the Land Lease Contract No.10/HDTLD.IZICO that are provided by the client:
  - ✓ 76,011sqm of land area: 28.5-year leasehold remaining expiring on 30 June 2046;
  - ✓ 14,287.4sqm of land area: 28.8-year leasehold remaining expiring on 10 October 2046.

- **Water surface area**: Per the Land Lease Contract No.04/HDTD as provided by the client, the remaining tenure of this portionis 28.5 years expiring on 30 June 2046.

Occupancy Status : As per our on-site inspection on 08 January 2018, the subject property is fully owned and occupied by VARD Vung Tau Limited.

# Summary of Valuation:

**Market Value of the subject property in US$: US$14,300,000**

Signed for and on behalf of Cushman & Wakefield Vietnam Limited

**Vo Van Huu Phuoc MRICS**
RICS Registered Valuer
Director, Valuation & Research
Phuoc.Vo@ap.cushwake.com

This summary must not be copied, distributed or considered in isolation from the full report. The value opinion in this report is qualified by certain assumptions, limiting conditions, certifications, and definitions, as well as extraordinary assumptions and hypothetical conditions, if any. We must qualify that the report is purely used for the purposes of the proposed voluntary delisting of Vard Holding Limited ("the Delisting"), including for inclusion in the circular to be despatched to the shareholders of Vard Holding Limited in connection with the Delisting ("the Delisting Circular"). This valuation report is not to be relied on by any third party for any other purposes. Readers are advised to undertake their own due diligence and feasibility prior to any decision making over the assessed value.

The analysis contained in this appraisal is based upon assumptions and estimates that are subject to uncertainty and variation. These estimates are often based on data obtained in interviews with third parties, and such data are not always completely reliable. In addition, we make assumptions as to the future behavior of consumers and the general economy, which are highly uncertain. However, it is inevitable that some assumptions will not materialize and unanticipated events may occur that will cause actual achieved operating results to differ from the financial analyses contained in this report and these differences may be material. Therefore, while our analysis was conscientiously prepared on the basis of our experience and the data available, we make no warranty that the conclusions presented will, in fact, be achieved. Additionally, we have not been engaged to evaluate the effectiveness of management and we are not responsible for future marketing efforts and other management actions upon which actual results may depend.

We did not ascertain the legal, engineering, and regulatory requirements applicable to the property, including zoning and other state and local government regulations, permits and licenses. No effort has been made to determine the possible impact on the property of present or future federal, state or local legislation, including any environmental or ecological matters or interpretations thereof. With respect to the market demand analysis, our work did not include analysis of the potential impact of any significant rise or decline in local or general economic conditions.

## 1. INSTRUCTIONS

The valuation/appraisal has been carried out in accordance with the agreed proposal (the "Agreement") signed between VARD Vung Tau Limited ("the Client" or "instructing party") and Cushman & Wakefield (Vietnam) Co., Ltd in December 2017. The extent of our professional liability to you is also outlined within the instructions contained in the Proposal.

## 2. BACKGROUND TO THE VALUATION

### 2.1 Date of the report

Date of report: 04 April 2018.

Date of valuation: 08 January 2018.

### 2.2 Currency

Unless otherwise stated, all monetary sums stated in this report are in United States Dollar (US$). The exchange rate is VND22,401 against US$1 published by the State Bank of Vietnam as of the valuation date.

### 2.3 Purpose of the report

This report is to be used for the purposes of the Delisting, including for inclusion in the Delisting Circular.

This valuation provides evidence of the market value in accordance with International Valuation Standards and standard caveats and unless we have said otherwise, the valuation will be prepared in accordance with the RICS Valuation Standards, June 2017 as amended ("The Red Book") by Valuers conforming to its requirements, acting as external valuer.

### 2.4 Market value definitions

**Market value:** is a representation of value in exchange, or the amount a property would bring if offered for sale in the (open) market at the date of valuation under circumstances that meet the requirements of the Market Value definition. To estimate Market Value a valuer must first determine the highest and best use or the most probable use.

*Market Value is therefore the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgably, prudently, and without compulsion.*

## 2.5 Legal parameters

C&W has summarised the following legal documents that are provided to us by the client:

1. **General Information:**

**1.1. The Investment Certificate No.6520380658** originally issued on 30 June 2006 by the Ba Ria – Vung Tau Industrial Zones Authority (BIZA) with its twelfth amendment on 13 September 2017. The salient points of the investment certificate are summarised below:

- Contents of business registration:
  - ➢ Developer: VARD Singapore Pte. Ltd.
  - ➢ Address of Head office: 12 Marina View, #29-03, Asia Square Tower 2, Singapore (018961).
  - ➢ Representative: Mr. Torgeir Haugan – Chief Executive Officer.
- Contents of the investment project:
  - ➢ Project name: VARD Vung Tau Project.
  - ➢ Project location: Dong Xuyen Industrial Park, Rach Dua Ward, Vung Tau City, Ba Ria – Vung Tau Province.
  - ➢ Total utilised area: 116,233sqm including:
    - ✓ Land area: 90,298sqm;
    - ✓ Water surface area: 25,935sqm.
  - ➢ Total investment capital: VND660,000,000,000.
  - ➢ Project's duration: 40 years commencing from 30 June 2006.

CUSHMAN & WAKEFIELD

1.2. **The Business Registration No.3500781205** originally issued on 30 June 2006 with its twelfth amendment on 20 December 2016 and issued by the Business Registration Office of Ba Ria – Vung Tau Province. The main points of this document are summarised below:

- Company name: VARD Vung Tau Ltd.
- Address: Street No.6, Dong Xuyen Industrial Park, Rach Dua Ward, Vung Tau City, Ba Ria – Vung Tau Province.
- Representative person: Mr. Erik Hellan Sandnes – General Director.
- Authorised capital: VND153,640,000,000.

## 2. Land Proportion:

### 2.1. Land area:

- **The Land Lease Contract and its Annexes** are summarised below:

| No. | Document | Land Lease Contract No.10/HDTLD. IZICO | Annex No.27/PLHD/ IZICO.2007 | Annex No.34/HDTLD/ IZICO | Annex No.97/PLHD/ TLD/IZICO |
|---|---|---|---|---|---|
| 1 | **Signed date** | 09 March 2006 | 21 May 2007 | 03 November 2008 | 09 April 2013 |
| 2 | **The sub-lessor** | IZICO | IZICO | IZICO | IZICO |
| 3 | **The sub-lessee** | Amanda Yard Vietnam Limited | Aker Yards (Vietnam) Limited | Aker Yards (Vietnam) Limited | VARD Vung Tau Ltd |
| 4 | **Land area** | | | | |
| | - Total land lease area (sqm) | 73,618 | 76,011 | 90,298.4 | 90,298.4 |
| | Filled area | 73,618 | 76,011 | 76,011 | 76,011 |
| | Unfilled area | N/A | N/A | 14,287.4 | 14,287.4 |
| | - Rental (US$/sqm/year) | | | | |
| | Filled area | 1.5 | 1.5 | 1.5 | 1.76 |
| | Unfilled area | N/A | N/A | 1.156 | 1.43 |
| 5 | **Payment method** | (*) Annual payment | | | |
| 6 | **Tenure** | Expiring on 30 June 2046 | | - Filled area: Expiring on 30 June 2046<br>- Unfilled area: Expiring on 10 October 2046 | |

**2.2. Water surface area:**

| No. | Document | Land Lease Contract No.04/HDTD |
|---|---|---|
| 1 | **Signed date** | 04 March 2009 |
| 2 | **The sub-lessor** | The People's Committee of Ba Ria - Vung Tau Province |
| 3 | **The sub-lessee** | (**) STX Vietnam Offshore Limited |
| 4 | **Water surface area** | |
| | Water surface area (sqm) | 18,692.3 |
| | Rental (US$/sqm/year) | (*) Annual payment.<br>The rental is stipulated by the Government and subject to current regulation |
| 5 | **Tenure** | 40 years commencing on 30 June 2006 |

**Note:**

- (*) According to the above legal documents, the land and water surface areas are held under annual payment therefore these components are not permitted to participate into the real estate market and are not considered as market value. Effectively, as at the date of valuation (08 January 2018) the land value is considered to be nil or negligent to VARD Vung Tau Limited as no upfront payment has been made prior. It is therefore noted that the land value is excluded in this assessment.
- (**) We note that readers are advised to satisfy themselves as to the interest of VARD Vung Tau Limited and STX Vietnam Offshore Limited in relation to the use and ownership of the property.

## 3. <u>Improvement Proportion:</u>

**3.1. The Decision No.6164/STNMT-BVMT** dated 13 December 2017 and issued by The Department of Natural Resources and Environment of Ba Ria – Vung Tau Province in relation to the environment protection report of VARD Vung Tau Limited.

3.2. **The Decision No.1398/QD-CHHVN** dated 07 September 2017 and issued by the Marine Navigation Department Vietnam. The document adjusts Article 1 of Decision No.168/QD-CHHVN dated 12 March 2010 and approves for the wharf of Vard Vung Tau Ltd. The salient points of the document are outlined below:

- Project name: Wharf – VARD Vung Tau Limited;
- Location: Dinh River, Dong Xuyen Industrial Park, Vung Tau City, Ba Ria – Vung Tau Province.
- Loading capacity: 7,000DWT.

**3.3. The As-built drawings of the Erection Platform and Wharf.**

**3.4. The As-built building drawings of the entire subject property.**

**3.5. The economic contracts and invoices of the improvements provided by the Client.**

**3.6. Five Construction Permits** issued by BIZA with the main points as below:

| No. | Construction Permit No. | Issued date | Buildings | Footprint (sqm) | GFA (sqm) | No. of Storeys |
|---|---|---|---|---|---|---|
| 1 | No.29/GPXD | 13 July 2015 | Warehouse expansion (Unit fabrication halls expansion and Maintenance house) | 3,564 | 3,564 | 1 |
| 2 | No.14/GPXD | 21 May 2014 | Erection platform | 3,000 | N/A | N/A |
| 3 | No.48/GPXD | 24 October 2011 | Electro warehouse | 614 | 714 | 2 |
| 4 | No.40/GPXD | 15 August 2011 | Office | 406 | 1,446 | 3 |
| 5 | No.06/GPXD | 18 January 2010 | Unit fabrication halls | 7,200 | 7,760 | 3 |
| | | | Piping/ Outfitting workshop | 3,200 | 3,200 | 1 |
| | | | Painting/ Blasting hall | 1,200 | 1,200 | N/A |
| | | | Warehouse 1 & 2 | 1,440 | 1,440 | 1 |
| | | | Erection Platform | 3,570 | N/A | N/A |
| | | | House for transformer 1 & 2 | 64 | 64 | 1 |
| | | | Underground water tank | N/A | 288 | N/A |
| | **Total GFA excluding erection platform** | | | **24,258** | **19,676** | |

**3.7. The building parameters of the subject improvement are confirmed by the Client as below:**

| No. | Improvement | Gross Floor Area (sqm) | Year of Completion |
|---|---|---|---|
| **Main improvement** | | | |
| 1 | Unit fabrication halls | 10,555 | 2008 |
| 2 | Office building | 3,947 | 2008 |
| 3 | Painting/ Blasting hall | 850 | 2009 |
| 4 | Electro switchboard shop | 614 | 2012 |
| 5 | Electro switchboard warehouse | 100 | 2012 |
| 6 | Piping/ Outfitting workshop | 2,400 | 2010 |
| 7 | Canteen area | 960 | 2010 |
| 8 | Office area | 640 | 2010 |
| 9 | Fence and guard house | 289 | 2008 |
| 10 | House for transformer and generator | 170 | 2015 |
| 11 | Parking area | 2,330 | 2010 |
| 12 | Underground water tank | 283 | 2012 |
| 13 | Waste house + steel scrap base | 668 | 2010 |
| 14 | Accommodation warehouse | 1,320 | 2010 |
| 15 | Sleeping area for worker | 300 | 2011 |
| 16 | Warehouse 1 | 600 | 2008 |
| 17 | Warehouse 2 | 600 | 2009 |
| 18 | Warehouse 3 | 800 | 2011 |
| **Sub-total GFA excluding erection platform** | | **27,426** | |
| **Other facilities** | | | |
| **Launch lane/ Slipway** | | **7,950** | |
| 19 | Erection platform | 7,950 | 2009 |
| **Wharf** | | **4,771** | |
| 20 | Quay (Loading Capacity: 7,000DWT) | 4,771 | 2010 |
| **Land Improvement** | | **76,284** | |
| 21 | Foundation for steel handling system | 2,666 | 2012 |
| 22 | Green area and walkway | 10,185 | 2010 |
| 23 | Land improvements (on the leased land) | 63,433 | 2008 |

**Note: From the As Built building drawings, an approximately 7,750sqm of gross floor area has not been permitted according to the construction permits**

**as provided. However, for the purpose of this valuation C&W has been instructed by the Client to assess the market value of the subject property based upon the As Built drawings. The valuer has not made any measurements and must qualify that legal option should be sought on the value of this uncertified area. C&W reserves the rights to review this report should at any time in the future the information is proven incorrect.**

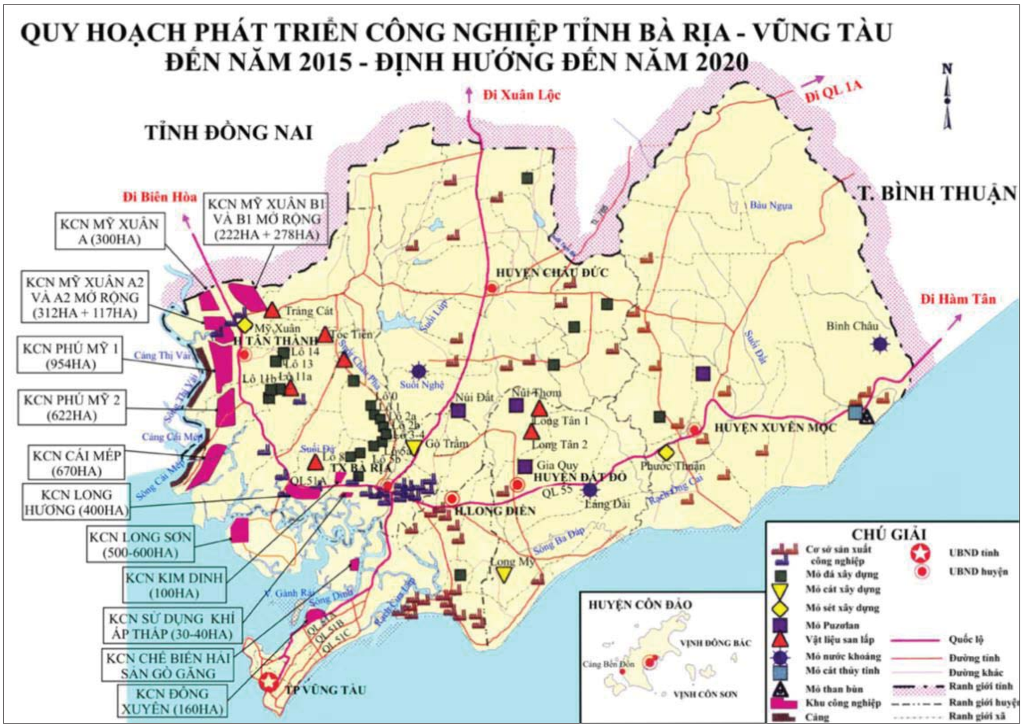
## 2.6 Location

| | |
|---|---|
| a. Overall quality | Good |
| b. Prospects of the location (both macro and micro) | Improving |
| c. Impact to the subject property | Positive |

The subject property is located on the northwest side of Street No.6 of Dong Xuyen Industrial Park. Approximately 7km radially north east of the People's Committee Building of Ba Ria – Vung Tau Province and in a radius of 10km of main sea ports including Petroleum Port, Cat Lo Port, Naval Port, Vung Tau Port. The location has provided an advantage to the subject property in its existing usage as shipyard. The subject Industrial Zone is fully occupied at the date of inspection providing facilities oil and gas industries, maritime service industry and integrated clean industry.

Surrounding development comprises mainly existing industrial factories/warehouses and processing workshops. The Dinh River abuts the subject site to the northwest provides abundance of water face.

Master plan of Industrial Zones in Ba Ria – Vung Tau Province:




## 2.7 Road systems and access

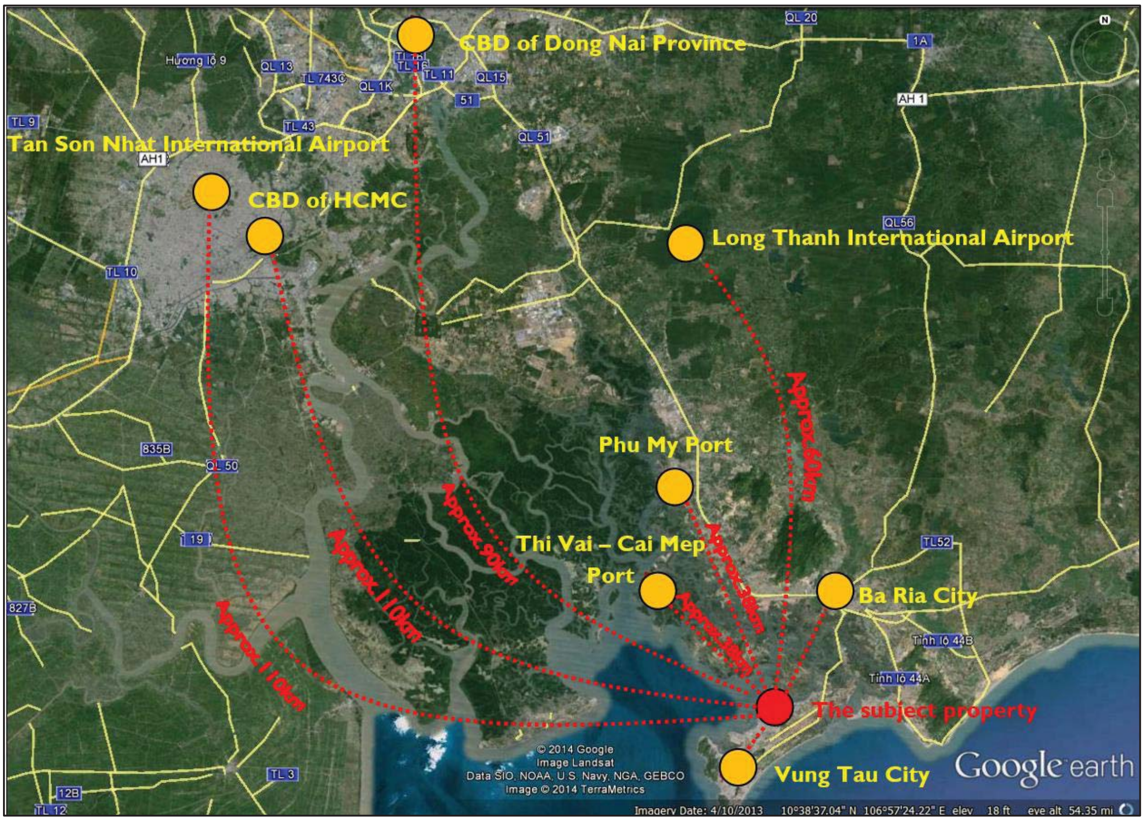
Access is available via Street No.6 within Dong Xuyen Industrial Park is bitumen sealed two lane roadways carrying low to moderate volumes of vehicular traffic. The 30/4 Street is the main road linking the Dong Xuyen Industrial Park to Vung Tau City.

Current Access and Travelling Time:

| Destination | Main access | Distance | Width | Lanes | Travel time |
|---|---|---|---|---|---|
| **To Central Business District** | | | | | |
| Ho Chi Minh City | HCMC - Long Thanh - Dau Giay Express Highway | 93km | 40m | 4 - 8 lanes (two ways) | 90 minutes |
| | National Highway No. 51 | 110km | 30m | 2 lanes (two ways) | 120 minutes |
| Vung Tau City | 30/4 Street | 11km | 20m | 2 lanes (two ways) | 15 minutes |
| Bien Hoa City | National Highway No. 51 | 90km | 30m | 2 lanes (two ways) | 85 minutes |

| Destination | Main access | Distance | Width | Lanes | Travel time |
|---|---|---|---|---|---|
| **To Port** | | | | | |
| Thi Vai - Cai Mep Port (For Ship 80,000 tons) | National Highway No. 51 | 38km | 30m | 2 lanes (two ways) | 40 minutes |
| Go Dau Port (For Ship 20,000 tons) | National Highway No. 51 | 45km | 30m | 2 lanes (two ways) | 50 minutes |
| Phu My Port (For Ship 72,000 tons) | National Highway No. 51 | 38km | 30m | 2 lanes (two ways) | 40 minutes |
| Cat Lai Port | HCMC - Long Thanh - Dau Giay Express Highway | 84km | 40m | 4 - 8 lanes (two ways) | 80 minutes |
| **To Airport** | | | | | |
| Tan Son Nhat Airport | HCMC - Long Thanh - Dau Giay Express Highway | 100km | 40m | 4 - 8 lanes (two ways) | 105 minutes |
| | National Highway No. 51 | 110km | 30m | 2 lanes (two ways) | 120 minutes |
| Long Thanh Airport (In future) | National Highway No. 51 | 60km | 30m | 2 lanes (two ways) | 55 minutes |

Connectivity:



Location maps of the subject property:


| No. | Code | Fixed asset description | No. of buildings/assets | Gross floor (m2) | Land area (m2) |
|---|---|---|---|---|---|
| 1 | 100 | Unit fabrication halls | 1 | 10555 | |
| 2 | 110 | Office building | 1 | 3947 | |
| 3 | 120 | Painting/Blasting hall | 1 | 850 | |
| 4 | 130 | Electro switchboard shop | 1 | 480 | |
| 5 | 130 | Electro switchboard warehouse | 1 | 170 | |
| 6 | 140 | Erection platform | 1 | 2950 | |
| 7 | 150 | Piping/outfitting workshop | 1 | 1956 | |
| 8 | 160 | Canteen area | | 838 | |
| 9 | 160 | Office area | | 370 | |
| 10 | 200 | Quay | 1 | 4771 | |
| 11 | 300 | Foundation for steel handling system | 1 | 2666 | |
| 12 | 310 | Fence and guard house | 1 | 200 | |
| 13 | 320 | House for transformer and generator | 2 | 170 | |
| 14 | 330 | Parking area | 1 | 2330 | |
| 15 | 360 | Underground water tank | 1 | 283 | |
| 16 | 370 | Waste house + steel scrap base | 1 | 668 | |
| 17 | 370 | Accommodation warehouse | 1 | 1320 | |
| 18 | 380 | Sleeping area for worker | 1 | 300 | |
| 19 | 400 | Green area and walkway | 1 | | 10185 |
| 20 | 500 | Warehouse 1 | 1 | 600 | |
| 21 | 510 | Warehouse 2 | 1 | 600 | |
| 22 | 520 | Warehouse 3 | 1 | 620 | |
| 23 | 600 | Land improvements | 1 | | 63433 |

## 2.8 Services and Amenities

Services connected to the site include sewerage, electricity, water, communication and telephone line.

## 2.9 Encumbrances/ Easements

| | |
|---|---|
| Encumbrances: | Not applicable to this assessment. See comment below. |
| Easements: | Not applicable to this assessment. See comment below. |
| Assumptions: | Overall from a cursory inspection there appears to be no encumbrances or easements which adversely impact on the value, marketability and use of the property. Should any encumbrances or easements that are not revealed in this report be discovered, the valuation should be requisitioned for comment. We have assumed that the property is free from easements and encumbrances. |

### Other Statutory Matters

Our valuation is made on the assumption that the property is not adversely affected by any approved/proposed road/drainage schemes or mortgage. It is recommended that your legal advisers review these documents and, should they discover any schemes, they should advise us, and we will consider the impact of the proposed scheme upon our valuation.

## 3. THE SUBJECT PROPERTY TO BE VALUED

The subject property to be valued consists of approximately 27,426sqm of gross floor area (GFA) of industrial facilities. A brief description of the main buildings is illustrated below:

| No. | Improvement | Description | GFA (sqm) | Year of Completion |
|---|---|---|---|---|
| **MAIN IMPROVEMENT** | | | | |
| 1 | Unit fabrication halls | Single storey. Reinforced concrete floor, steel frame, metal wall and metal sheeting roof. The structure is further installed with ten cranes with maximum capacity range of 60 tons. | 10,555 | 2008 |
| 2 | Office building | Three storeys. Reinforced concrete, brick walls and metal sheeting roof. | 3,947 | 2008 |
| 3 | Painting/ Blasting hall | Single storey. Reinforced concrete floor, steel frame, metal and brick walls and metal sheeting roof. | 850 | 2009 |
| 4 | Electro switchboard shop | Single storey. Reinforced concrete floor, steel frame, metal and brick walls and metal sheeting roof. | 614 | 2012 |
| 5 | Electro switchboard warehouse | Single storey. Reinforced concrete floor, steel frame, metal and brick walls and metal sheeting roof. | 100 | 2012 |
| 6 | Piping/ Outfitting workshop | Single storey. Reinforced concrete floor, steel frame, metal and brick walls and metal sheeting roof. The structure is further installed with three cranes with maximum capacity range of 3.2 tons. | 2,400 | 2010 |
| 7 | Canteen area | Reinforced concrete floor, steel frame, metal and brick walls and metal sheeting roof. | 960 | 2010 |
| 8 | Office area | Reinforced concrete floor, steel frame, metal and brick walls and metal sheeting roof. | 640 | 2010 |
| 9 | Fence and guard house | Single Storey. Reinforced concrete floor, brick walls, metal sheeting roof. | 289 | 2008 |

| No. | Improvement | Description | GFA (sqm) | Year of Completion |
|---|---|---|---|---|
| 10 | House for transformer and generator | Single Storey. Reinforced concrete floor, brick walls, metal sheeting roof. | 170 | 2015 |
| 11 | Parking area | Single storey. Reinforced concrete floor, steel frame, metal sheeting roof. | 2,330 | 2010 |
| 12 | Underground water tank | Reinforced concrete. | 283 | 2012 |
| 13 | Waste house + steel scrap base | Single storey. Reinforced concrete floor, steel frame, metal sheeting roof. | 668 | 2010 |
| 14 | Accommodation warehouse | Reinforced concrete floor, brick walls, metal sheeting roof. | 1,320 | 2010 |
| 15 | Sleeping area for worker | Reinforced concrete floor, brick walls, metal sheeting roof. | 300 | 2011 |
| 16 | Warehouse 1 | Single storey. Reinforced concrete floor, steel frame, metal walls and metal sheeting roof. | 600 | 2008 |
| 17 | Warehouse 2 | Single storey. Reinforced concrete floor, steel frame, metal walls and metal sheeting roof. | 600 | 2009 |
| 18 | Warehouse 3 | Single storey. Reinforced concrete floor, steel frame, metal walls and metal sheeting roof. | 800 | 2011 |
| **Sub-total – Main improvement** | | | **27,426** | |
| **OTHER FACILITIES** | | | | |
| **Launch lane/ Slipway** | | | **7,950** | |
| 19 | Erection platform | 318m x 25m | 7,950 | 2009 |
| **Wharf** | | | **4,771** | |
| 20 | Quay (Loading Capacity: 7,000DWT) | | 4,771 | 2010 |
| **Land Improvement** | | | **76,284** | |
| 21 | Foundation for steel handling system | | 2,666 | 2012 |
| 22 | Green area and walkway | | 10,185 | 2010 |
| 23 | Land improvements (on the leased land) | | 63,433 | 2008 |

# 4. VALUATION

## 4.1 Critical assumptions

The valuation report is prepared under following critical assumptions:

- The market value of the property is in its existing state;
- No change to the land lease contracts that are provided to us for the purpose of this assessment. We recommend a title search to determine whether any adverse conditions exist;
- The building ownership certificates are granted to the existing improvements. Other licenses for the current operation were fully obtained;
- That the subject property and its operation free from any encumbrance, environmental contamination or toxic material that could affect value. We are not trained to perform technical environmental inspections and recommend the hiring of a professional engineer with expertise in this field;
- No encumbrances or easements on the land and its development. We assume that the soil's load-bearing capacity is sufficient to support existing and/or proposed structure(s). We did not observe any evidence to the contrary during our physical inspection of the property;
- We were not given a flood survey to review. If subsequent engineering data reveal the presence of regulated flood, it could materially affect property value. We recommend a flood survey by a professional engineer with expertise in this field;
- The assets are to be valued on the assumption that the existing use of them will continue;
- Given the fact that the subject property is a specialist shipyard and we consider limited potential buyers and a longer marketing period would be necessary for any potential sale in the current economic condition. On the contrary, the limit in supply of such facilities with deep water face may gain back power of price negotiation to the seller. Therefore, for the purpose of this valuation, we assume there will be willing buyers in the resale

market for the assets type. We considered a continuance of the business and operation as in inspected if the assets are transferred;

- The valuation report is prepared based upon critical assumptions and this assessment will vary if any changes to the assumptions are made. Readers are advised to undertake their own due diligence prior to making any decisions over the property.

## 4.2 Valuation methods

Due to the particular situation and status of the subject property (an industrial facilities), we have used the Depreciated Replacement Cost approach in order to arrive at market value as it is our opinion that this is the most suitable.

We will discuss below the selected method of valuation.

Depreciated Replacement Cost is based on an estimate of the Market Value for the existing use of the land, plus the current replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization.

**Construction cost:** C&W note that the property is considered as a specialized asset which requires a large build cost to complete. In order to provide our estimation on the replacement cost for the property at this quality, we have analyzed the actual construction cost provided by the Client. We have also made reference to the construction cost indicated by David Langdon & Seah Vietnam (Q3 2017) as well as by the Ministry of Construction (Decision No.706/QD-BXD dated 30 June 2017) to arrive the indicative unit cost. Further references were then made from local and international constructors as well as developments of similar building type.

From above reference and consideration, for the purpose of this valuation given the current status and overall quality of the improvements at the date of valuation, C&W has adopted the unit construction cost ranging from $150/sqm of GFA to $400/sqm of GFA for main improvements.

**Remaining useful life:** Based upon Circular No.45/2013/TT-BTC dated 25 April 2013 and its amended versions (i.e. Circular No.147/2016 /TT-BTC dated 13 October 2016 and Circular

No.28/2017/TT-BTC dated 12 April 2017) by the Ministry of Finance guiding the Regime on Management, Use and Calculations of Depreciation of Fixed Assets, type of typical improvements within the subject property will have maximum life span of 25 years. Based upon our on-site inspection, we have considered the life span of 25 years in general is reasonable.

C&W considers that a range of 12% to 40% depreciation rate for the main building components because the buildings were constructed in various periods i.e. 2008 to 2015 and an allowance must be applied for age obsolescence. We applied a further 10% discount to account for the functional obsolescence of the improvement as well as buyer sentiment given the fact that the subject property is transferred in the secondary market. Total depreciation range of 22% to 50% over the property is considered in this assessment.

Our calculations indicate the total value of about US$14,300,000 (rounded). We have presented our estimations below:

| No. | Items | GFA (sqm) | Estimated total useful life | Completion date | Depreciated life (yrs) | % Cumulative depreciation | % Depreciation premium | % Carrying quality | Replacement cost (US$) | Replacement cost rate (US$/m2) | Depreciated replacement cost (US$) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Main improvement** | | | | | | | | | | |
| 1 | Unit fabrication halls | 10,555.0 | 30 | 2008 | 10.0 | 33.3% | 10.0% | 56.7% | 8,103,954 | 559 | 4,592,241 |
| 2 | Office building | 3,947.0 | 30 | 2008 | 10.0 | 33.3% | 10.0% | 56.7% | | | |
| 3 | Painting/ Blasting hall | 850.0 | 30 | 2009 | 9.0 | 30.0% | 10.0% | 60.0% | 285,989 | 336 | 171,594 |
| 4 | Electro switchboard shop | 614.0 | 30 | 2012 | 6.0 | 20.0% | 10.0% | 70.0% | 281,732 | 395 | 197,212 |
| 5 | Electro switchboard warehouse | 100.0 | 30 | 2012 | 6.0 | 20.0% | 10.0% | 70.0% | | | |
| 6 | Piping/ Outfitting workshop | 2,400.0 | 30 | 2010 | 8.0 | 26.7% | 10.0% | 63.3% | 1,635,518 | 409 | 1,035,828 |
| 7 | Canteen area | 960.0 | 30 | 2010 | 8.0 | 26.7% | 10.0% | 63.3% | | | |
| 8 | Office area | 640.0 | 30 | 2010 | 8.0 | 26.7% | 10.0% | 63.3% | | | |
| 9 | Fence and guard house | 289.0 | 25 | 2008 | 10.0 | 40.0% | 10.0% | 50.0% | 311,384 | 1,077 | 155,692 |
| 10 | House for transformer and generator | 170.0 | 25 | 2015 | 3.0 | 12.0% | 10.0% | 78.0% | 93,722 | 551 | 73,104 |
| 11 | Parking area | 2,330.0 | 25 | 2010 | 8.0 | 32.0% | 10.0% | 58.0% | 82,651 | 35 | 47,937 |
| 12 | Underground water tank | 283.0 | 25 | 2012 | 6.0 | 24.0% | 10.0% | 66.0% | 120,781 | 427 | 79,715 |
| 13 | Waste house + steel scrap base | 668.0 | 25 | 2010 | 8.0 | 32.0% | 10.0% | 58.0% | 33,690 | 17 | 19,540 |
| 14 | Accommodation warehouse | 1,320.0 | 25 | 2010 | 8.0 | 32.0% | 10.0% | 58.0% | | | |
| 15 | Sleeping area for worker | 300.0 | 25 | 2011 | 7.0 | 28.0% | 10.0% | 62.0% | 40,656 | 136 | 25,206 |
| 16 | Warehouse 1 | 600.0 | 25 | 2008 | 10.0 | 40.0% | 10.0% | 50.0% | 115,246 | 192 | 57,623 |
| 17 | Warehouse 2 | 600.0 | 25 | 2009 | 9.0 | 36.0% | 10.0% | 54.0% | 103,534 | 173 | 55,908 |
| 18 | Warehouse 3 | 800.0 | 25 | 2011 | 7.0 | 28.0% | 10.0% | 62.0% | 48,274 | 60 | 29,930 |
| | **Other facilities** | | | | | | | | | | |
| | **Launch lane/ Slipway** | | | | | | | | | | |
| 19 | Erection platform | 7,950.0 | 25 | 2009 | 9.0 | 36.0% | 10.0% | 54.0% | 2,355,976 | 296 | 1,272,227 |
| | **Wharf** | | | | | | | | | | |
| 20 | Quay | 4,771.0 | 40 | 2010 | 8.0 | 20.0% | 10.0% | 70.0% | 7,698,531 | 1,614 | 5,388,972 |
| | **Land Improvement** | | | | | | | | | | |
| 21 | Foundation for steel handling system | 2,666.0 | 20 | 2012 | 6.0 | 30.0% | 10.0% | 60.0% | 412,286 | 155 | 247,372 |
| 22 | Green area and walkway | 10,185.0 | 20 | 2010 | 8.0 | 40.0% | 10.0% | 50.0% | 84,281 | 8 | 42,141 |
| 23 | Land improvements (on the leased land) | 63,433.0 | 20 | 2008 | 10.0 | 50.0% | 10.0% | 40.0% | 1,897,764 | 30 | 759,106 |
| | **TOTAL** | **12,924.00** | | | | | | | | | **14,251,347** |
| | | | | | | | | | | **ROUNDED TO** | **14,300,000** |

### 4.3 Market Value

Subject to the assumptions and limiting conditions of this report, we are of the opinion that the Market Value of the subject property in its existing state as at the date of valuation (i.e. 08 January 2018), assuming the subject property is free from any encumbrances is estimated to be:

**US$14,300,000**

**(UNITED STATES DOLLARS FOURTEEN MILLION AND THREE HUNDRED THOUSAND)**

## Appendix 1: Photographs

**The Subject property – External view**


**Unit fabrication halls – External view**

**Workshop area – Internal view**

**Office building**

**Painting/ Blasting hall**

**Electro switchboard warehouse**

**Erection platform** **Canteen**

**Piping/ Outfitting workshop**



**Quay**

**Foundation for steel handling system**

**Security guard house**

**House for transformer and generator**

**Parking area**

**Waste house**

**Steel scrap base**

**Accommodation warehouse**

**Sleeping area for worker**

**Warehouses**

**Overview**

**Accessibility to the SP – Street No.6**

**Surrounding developments**

## Appendix 2: Principal Terms and Conditions of Appointment as Valuers

1. PRELIMINARY

1.1 These general terms and conditions (the "Terms and Conditions") shall apply to all forms of professional services, other than agency services (to which separate terms will apply), provided by Cushman & Wakefield Vietnam Ltd, ("we", "us" or "the Firm") to the client to whom the instruction confirmation letter is sent ("you"). They shall apply separately to each service provided to you.

1.2 The Terms and Conditions are to be read in conjunction with the instruction confirmation letter (the "Letter") sent by us to you. In the event of any ambiguity or conflict between the Letter and these Terms and Conditions, the provisions in the Letter shall prevail. These Terms and Conditions and the Letter may only be varied in writing by agreement between the parties.

2. PERFORMANCE OF THE SERVICES

2.1 We undertake to use all reasonable skill and care in providing the services and advice described in the instruction given by you (the "Services"). We will inform you if it becomes apparent that the Services need to be varied or external third party advice is required. Any variation is to be confirmed in writing.

2.2 We may need to appoint third party providers to perform all or part of the Services and we shall agree this with you in advance.

2.3 Where matters beyond the control of ourselves cause delay to the performance of the services we will notify the client as soon as we become aware of the situation. The client agrees that we will not be held responsible for such delay.

3. BASIS OF FEES

3.1 The basis of our fees for our Services is set out in the Letter.

3.2 When applicable, VAT shall be payable by you in addition to any fees or disbursements invoiced at the applicable rate.

3.3 You shall pay our fees on completion of our Services (whether or not additional work is still to be carried out by third parties) or, where the fees are in relation to an ongoing instruction or an instruction of duration of more than three months, at least quarterly in arrears upon submission by us of quarterly fee accounts. Payment is due within 30 days of the invoice date.

3.4 Where valuations are undertaken for a lender for loan security purposes and it is agreed that a borrower will pay our fee, you shall remain primarily liable to pay our fee should such borrower fail to meet its liabilities to us in full. Payment of our fees is not conditional upon the loan being drawn down or any of the conditions of the loan being met.

3.5 If you do not dispute with us an invoice or any part thereof within 30 days of the date of such invoice, you shall be deemed to have accepted the invoice in its entirety.

3.6 If we are required by you to undertake additional work in relation to an instruction, you shall pay additional fees based upon our usual rates. We will notify you of the amount of such additional fees.

3.7 Where there is a change to the stated purpose for which our valuation is being commissioned and in our sole opinion we deem this to result in an increase in our liability (for example a valuation for annual accounts being used for loan security purposes), we reserve the right to charge an additional fee.

3.8 In the event that you withdraw our instructions prior to completion of a valuation, you shall be liable to pay us for a fair and reasonable proportion of our fees and any agreed disbursements. If we have sent you a draft valuation report, such fees shall be subject to a minimum of 80% of the fee originally agreed between us.

3.9 We will advise you in advance if it is necessary or convenient to instruct a third party to provide advice or to act as an expert or arbitrator and provide an estimate of the likely cost. If you approve, either verbally or in writing, that the third party be instructed, we will instruct the party as agent on your behalf and request that all the third party's invoices be addressed to you care of us. If we are requested by you to advance payment of the third party invoices, you shall be obliged to reimburse the advance payment made and pay a handling charge.

Associated/Related Entities of the Client

3.10 Where we are instructed to provide Services to one of your subsidiaries or associate/related entities or should you subsequently request that another entity be substituted for you at a later stage and we are unable to seek or obtain payment of any outstanding monies for whatever reason, you shall remain primarily liable to pay those outstanding monies if the subsidiary, associate/related or other entity does not meet its liabilities in relation to the Services.

4. INTEREST

4.1 You shall pay interest on the amount of any invoice for fees or other disbursements that remain unpaid for 30 days after the date of the invoice. Interest shall be payable at the Prime lending rate published by the Hong Kong and Shanghai Banking Corporation from the date of the invoice until payment is made whether after or before judgement.

5. INFORMATION RECEIVED FROM THE CLIENT

5.1 We will take all reasonable steps to ensure property information is accurate where we are responsible for its preparation. Where you provide us with any information on a property that is necessary or convenient to enable us to provide the Services properly, you are aware that we will rely on the accuracy, completeness and consistency of any information supplied by you or on your behalf and, unless specifically instructed otherwise in writing, we will not carry out any investigation to verify such information. We accept no liability for any inaccuracy or omission contained in information disclosed by you or on your behalf, whether prepared directly by you or by a third party, and whether or not supplied directly to us by that third party and you shall indemnify us should any such liability arise. If our valuation is required for the purpose of purchase or loan security, you accept that full investigation of the legal title and any leases is the responsibility of your lawyers.

6. CONFLICTS OF INTEREST

6.1 We have conflict management procedures designed to prevent us acting for one client in a matter where there is or could be a conflict with the interest of another client for whom we are acting. If you are aware or become aware of a possible conflict of this type, please raise it immediately with us. If a conflict of this nature arises, then we will take account of legal constraints, relevant regulatory body rules and your and the other client's interests and wishes, whether we can continue to act for both parties (e.g. through the use of separate teams), for one only or for neither. Where we do not believe that any potential or actual conflict of interest can be managed appropriately, we will inform you and consult with you as soon as reasonably practicable. Should you have any queries on this, you should contact your client partner.

7. MANAGEMENT OF THE PROPERTY

7.1 We shall not be responsible for the management of the property nor have any other responsibility (such as maintenance or repair) in relation to the property. We shall not be liable for any damage that may occur while the property is unoccupied. The property shall be your sole responsibility. You are aware that while a property is unoccupied, the property is likely to suffer from adverse weather conditions. You are strongly recommended to take all necessary actions to protect the property from such risks and to ensure that adequate insurance cover is in force.

8. VALUATION BASES AND ASSUMPTIONS

Date of Valuation

8.1 Unless we have said otherwise within the Letter, the date of valuation will be the date of our report.

Basis of Valuation

8.2 Unless we have said otherwise within the Letter, the valuation will be prepared in accordance with the RICS Valuation Standards, 6th Edition as amended ("The Red Book") by Valuers conforming to its requirements, acting as external valuer.

8.3 Each property will be valued on a basis appropriate to the purpose of the valuation, in accordance with the Red Book. The basis of valuation that we will adopt for each property is specified in the Letter. The definitions are as follows:-

(i) Market Value

PS 3.2 defines Market Value as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

(ii) Market Rent

PS 3.3 defines Market Rent as "the estimated amount for which a property, or space within a property, should lease (let) on the date of valuation between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion."

Valuation Assumptions

8.4 Unless otherwise advised by you in writing, we will provide the Services in relation to any property on the assumption that:-

(i) the property and any existing buildings are free from any defect whatsoever;

(ii) all buildings have been constructed having appropriate regard to existing ground conditions or that these would have no unusual effect on building costs, property values or viability of any development or existing buildings;

Structure

8.5 If we give the age of a building in our report, this will be an estimate and for guidance only.

Measurements

8.6 Where we are required to measure a property we will generally do so in accordance with the Royal Institution of Chartered Surveyors ("the RICS") Code of Measuring Practice. However, you should specifically note that the floor areas contained in any report we may publish are approximate and if measured by us will be within a 3% tolerance either way. In cases where the configuration of the floor plate is unusually irregular or is obstructed, this tolerance may be exceeded.

8.7 We will not be able to measure areas that we are unable to access. In these cases we may estimate floor areas from plans or by extrapolation. Where we are required to measure land or site areas, the areas will be approximate and will be measured from plans supplied or from Ordnance Survey plans. They will not be physically checked on site.

8.8 The areas we report will be appropriate for the valuation purpose, but should not be relied upon for any other purpose.

Planning and Statutory Regulations

8.9 Unless specifically instructed in writing to make formal searches with local planning authorities, we shall rely in the provision of our Services on the information provided informally by the local planning authority or its officers. We recommend that your lawyers be instructed to confirm the planning position relating to the property and review our comments on planning in the light of their findings.

8.10 Unless otherwise notified by you in writing, we shall assume that the property and any existing buildings comply with all planning and building regulations existing uses have the benefit of appropriate planning consent or other statutory authorisation, and that no adverse planning conditions or restrictions apply.

Other

8.11 Any plans we provide to you indicating the site of a property are for identification only. We will rely on our inspection and information that you provide in outlining the extent of each property, but you should not rely upon our plans to define boundaries.

8.12 Where comparable evidence information is included in our report, this information is often based upon our oral enquiries and its accuracy cannot always be assured, or may be subject to undertakings as to confidentiality. However, such information would only be referred to where we had reason to believe its general accuracy or where it was in accordance with expectation. In addition, we have not inspected comparable properties.

8.13 For a recently completed development property, we will not take account of any retentions or outstanding development costs. For a property in the course of development, we will reflect your advice on the stage of construction, the costs already incurred and those still to be spent at the date of valuation, and will have regard to any contractual liabilities.

8.14 We will not make any allowance in our Services for the existence of any mortgage or other financial encumbrance on or over the property nor take account of any leases between subsidiaries.

8.15 Any valuation figures provided will be exclusive of VAT whether or not the building has been elected.

8.16 We will not make any allowance in any valuation advice provided for the expenses of realisation or any taxation liability arising from the sale or development of the property.

8.17 Unless we have said otherwise in the Letter, each property will be valued individually; in the case of a portfolio, we will assume that the properties would be marketed in an orderly way and not placed on the market at the same time.

8.18 We will value in the local currency. If we are to report to you in another currency, unless we have agreed otherwise we will adopt a conversion rate equivalent to the closing rate ("spot rate") on the date of valuation.

8.19 Our valuation does not make allowance either for the cost of transferring sale proceeds to another state, or for any restrictions on doing so.

9. TERMINATION BY NOTICE

9.1 Unless a fixed period has been agreed, either party may terminate the instruction by giving 14 days' notice in writing to the other party.

9.2 In the event of termination by notice, you shall be obliged to pay forthwith all the fees accrued in relation to the Services and work performed up to the date of termination (and any agreed abort fee) (the "Termination Fees") plus any expenses or disbursements incurred by us or to which we are committed at the date of termination.

10. CONFIDENTIALITY AND INTELLECTUAL PROPERTY

10.1 We owe our clients a duty of confidentiality. You agree, however, that we may, when required by our insurers or other advisers, provide details to them of any engagement on which we have acted for you, and that we may also disclose confidential information relating to your affairs if required to do so for legal, regulatory or insurance purposes only.

10.2 Both parties agree never to disclose sensitive details of transactions or our advice without the other's consent. Unless we are expressly bound by a duty of confidentiality which otherwise overrides this, both parties shall be entitled to mention to third parties (e.g. in the course of presentations, speeches or pitches) and/or publish (e.g. in brochures, marketing or other written material) that we provide our services to you.

10.3 We shall provide the Services to you only for the purposes stated in our valuation report. We shall not be liable to any third party in respect of our Services. Save as set our below, you shall not mention nor refer to our advice, in whole or in part, to any third party orally or in annual accounts or other document, circular or statement without our prior written approval. The giving of an approval shall be at our sole discretion.

10.4 We agree to (1) the inclusion of our valuation report in the Delisting Circular and (2) the disclosure of our valuation report to Vard Holding Limited and its officers, employees, agents and advisors (including financial and legal advisers) and relevant regulatory bodies in Singapore (including the Singapore Exchange Securities Trading Limited and the Securities Industry Council). We will not approve any mention of our Services unless it contains sufficient reference to all the special assumptions and/or limitations (if any) to which our Services are subject. For the avoidance of doubt our approval is required whether or not we are referred to by name and whether or not our advice is combined with others. We hereby agree to the inclusion of our name in the Delisting Circular.

10.5 We may make the approval of any mention of our Services, or re-address to third parties our Services, subject to the payment of an additional fee to cover additional work and professional liability.

10.6 All intellectual property rights (including copyrights) in the documents, materials, records, data and information in any form developed or provided to you by us or otherwise generated in the provision of our Services shall belong to us solely.

11. GENERAL

11.1 If any provision of the Terms and Conditions is found by any court, tribunal or administrative body of competent jurisdiction to be wholly or partly illegal, invalid, void, voidable, unenforceable or unreasonable it shall to the extent of such illegality, invalidity, voidness, voidability, unenforceability or unreasonableness be deemed severable and the remaining provisions of the Terms and Conditions and the remainder of such provision shall continue in full force and effect.

11.2 Failure or delay by us in enforcing or partially enforcing any provision of these Terms and Conditions shall not be construed as a waiver of any of our rights under these Terms and Conditions.

# Vard Aukra

Valuation for VARD Group AS
4th of April 2018

Cushman & Wakefield | Realkapital

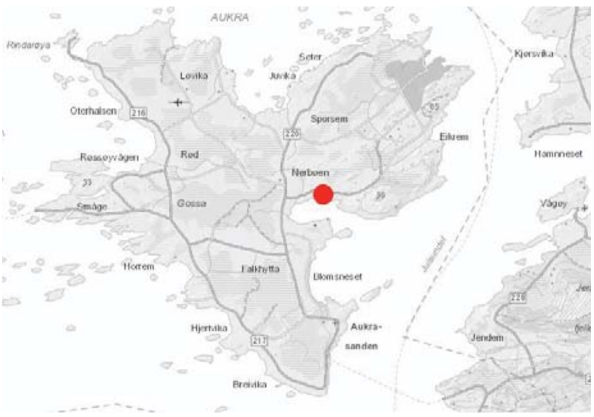
## CONTENT



## KEY FIGURES & SUMMARY

| | |
|---|---|
| Municipality: | Aukra |
| Cadastral ref: | Gnr.: 12, Bnr.: 15, 16, 28, 60, 63, 68, 69, 70, 89, 50, 54 and 26, gnr.: 13, bnr.: 284 |
| Area: | 22 521 m2 building and 89 679 m2 of land |
| **Value:** | **78.9 mNOK** |


*Nerbøvegen 104, 6480 Aukra*




*Location, source: Location analytics*

## INTRODUCTION

### Terms of engagement and assignment

Cushman & Wakefield Realkapital (Cushman & Wakefield) has been instructed by Vard Holdings Limited (Vard) to undertake a valuation of portfolio of six assets in Norway. Vard owns all the assets. This report is specifically about Vard Aukra in Møre og Romsdal, Norway. The valuation is completed by an external valuer, as defined by RICS in the "Global Standards 2017". This includes incorporating the IVSC International valuation standards.

We confirm that we have no previous engagement with Vard in Norway or any conflict of interest in assessing the value of the asset.

The valuation date is set to be 4th of January 2018.

### Purpose of the valuation

The reports and/or its valuation summary for the property valuation are to be used in relation to the Delisting and the report may be a) included in the circular to the shareholders of the Company (the "Circular"), and b) disclosed to Client and its officers, employees, agents and advisors (including financial and legal advisors) and relevant regulatory bodies in Singapore (including the Singapore Exchange Securities Trading Limited and the Securities Industry Council).

### Report and valuation basis

The valuation of the properties will be prepared on the basis of Market value, defined by the International Valuation Standards (2017 edition). Market Value is set out as follows:

"The estimated amount for which an asset or liability should exchange on the valuation date, between a willing buyer and a willing seller in arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

### Inspection and valuation date

The valuation date is equal to inspection date. The asset was inspected by Jørgen Haugsvold from Cushman & Wakefield, on the 04.01.2018.

The asset has been inspected, but we have not completed a technical or environmental investigation. See general limitation and disclaimer, terms of engagement for further details.

### Valuation approach and assumptions

We have based many of our assumptions on information provided to us by Vard and have checked this information against publicly available information. Furthermore, this also includes environmental provisions on the combined assets. The valuation is based on market knowledge possessed by Cushman & Wakefield.

None of the assets have binding contract or split between property and the shipyard operation/user. The market value must have been seen in conjunction with this assumption and fact. Therefore, to calculate a market value we have utilised a cost approach, comparable transactions for similar properties and/or income approach, as deemed appropriate pr asset.

The specific assumptions to the valuation are set out in the report.

We have not taken into account any balance sheet items, tax related issues like tax loss carry-forwards, the value is a gross asset value as is common in the Norwegian real estate market.

We have also been asked to include a vacant possession value if Vard no longer utilises the asset. The value of the shipyard is nearly binary to the asset value, i.e. with no operation the value is significantly lower.

Should any of the information and assumptions on which the valuation is based, afterward is found to be incorrect, the result of valuation might be incorrect and should be reassessed.

#### Capacity of valuer

The person responsible for the valuation is qualified for the purpose in accordance with the Red Book. We also confirm that we have no previous material involvement with the property or conflict of interest, as previously stated.

#### Limitation

Cushman & Wakefield has valued the property from a market point of view, and taken into account the information as we perceive it. If there are environmental, technical and/or legal issues that we have not been informed about, we assume that the gross market value will be adjusted accordingly.

Cushman & Wakefield has undertaken the valuation based upon material we believe to be reliable in our possession or supplied to us. Whilst every effort has been made to ensure its accuracy and completeness, we cannot offer any warranty that factual errors may not have occurred. Cushman & Wakefield takes no responsibility for any damages or loss suffered by reason of the inaccuracy or incorrectness of our valuation.

Due to the nature of the instructions and subject to the provisions in these terms and conditions and agreement, C&W's total aggregate liability in contract, tort (including negligence or breach of statutory duty), misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the services shall be limited to an aggregate sum not exceeding the fee paid. Cushman & Wakefield's responsibility shall be limited to the Client, and any use of the product (including, without limitation, the Report and contents therein) by third parties shall be solely at the risk of the Client and any such third parties. Please read the engagement letter in the end of the report for further details and information regarding limitation and responsibilities in regards to the report and valuation work done in conjunction with this instruction.

## MACRO ECONOMIC OVERVIEW

#### Inflation

The inflation prognosis is based on yearly average forecast from Bank of Norway, DNB and Statistics Norway. After 2020 we have utilised the inflationary target from Bank of Norway.

| Inflation prognosis | | | | |
|---|---|---|---|---|
| **Source** | **2017** | **2018** | **2019** | **2020** |
| DNB | 1.90% | 1.80% | 1.40% | 1.50% |
| Norges Bank | 1.90% | 1.90% | 1.80% | 2.10% |
| SSB | 1.80% | 1.90% | 2.00% | 2.00% |
| **Prognosis** | **1.87%** | **1.87%** | **1.73%** | **1.87%** |

#### Interest Rates and Financing Terms

The Central Bank had rate decision on the 14th of December 2017 where they decided to keep the key policy rate unchanged at 0.50%. Since New Year, oil has been traded downwards from 57 to 45 in end of June. However, since then, the price has been steadily climbing upwards to above 60 USD/barrel.

Governor Olsen stated in the press release; "The Executive Board's current assessment of the outlook and the balance of risks suggests that the key policy rate will remain at today's level in the period ahead."

The 5 and 10 year NOK SWAP increased significantly from July 2016 throughout the year. In 2017 the trend has been relatively flat.


*Source: Nordea Markets*

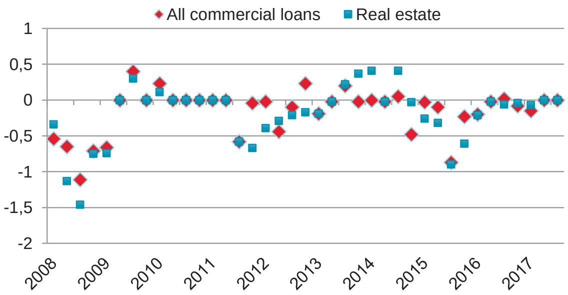
The main trends for loans to commercial real estate have increased from last period and appear to be:

- Spread of 125-175 bps for the best projects, and around 250 bps +/- 50 bps for a normal loan.
- LTV up to 70% for the best projects, but compensate the margin upwards
- Uncertainty around traditional bank loan, but new possibilities through direct financing from pension funds. Bonds financing is also active.
- Latest experience suggests there is more competition between banks.
- Banks are carefully considering counterpart risk in syndicate structures.

Norges Bank's 'Survey of Bank Lending' from October 2017 can be summarised as follows:

- Credit standards for households and for non-financial enterprises were unchanged in Q3
- Credit demand from households fell and non-financial enterprises rose slightly in Q3
- Banks do not expect any changes in credit standards, loan conditions, lending rates, margins on loans or corporate credit demand in 2017 Q4.
- Household credit demand is expected to fall further in Q4.

The survey measures the banks' attitude towards real estate lending by asking if they are in this quarter more or less strict than in the previous. Results show that banks have had a relatively unchanged attitude the last year. Survey from October 2017 the banks' attitude for the second consecutive quarters are unchanged.




The indicative trading levels for bond spreads of real estate companies in the last 3 months have increased as we can see from the table below.

| BOND SPREADS Q4 (Q3) | | | | |
|---|---|---|---|---|
| Duration | 3 yr. | 5 yr. | 7 yr. | 10 yr |
| Entra | 57 (50) | 74 (68) | 88 (82) | 100 (96) |
| Olav Thon 1 pr pledge | 61 (57) | 80 (75) | 90 (89) | 100 (102) |
| NPRO 1. Pri pledge | 100 (85) | 135 (110) | 160 (135) | 185 (160) |
| Steen & Strøm secured | 59 (54) | 76 (74) | 91 (N/A) | 100 (N/A) |

## Employment market

The latest Manpower Employment Outlook Survey (MEOS) from September 2017 shows nearly a steady state in employment outlook for the year and is still positive. Among the 751 companies surveyed, 11% report that they will increase the number of employees in the next quarter and 4% report that they will reduce the workforce. Furthermore, there are 84 % who are not expecting any change and 1% who do not know yet.

According to NAV's annual company survey publication 24% are going to increase, while 10% are decreasing. The publication also shows a negative development in the demand for employees from the last survey. NAV estimates that Norwegian business is lacking 33 800 persons, which is 7 300 more than the same period last year.

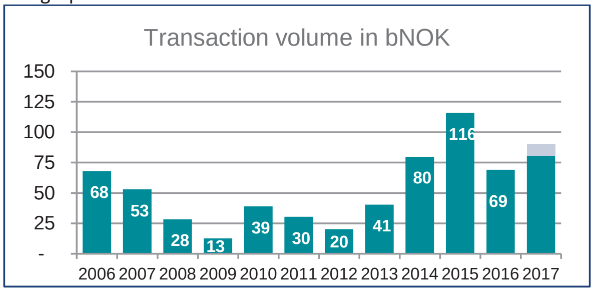
| Employment survey | | |
|---|---|---|
| Source | % increase workforce | % decrease workforce |
| Manpower | 7 | 4 |
| NAV | 24 | 10 |

The number of completely unemployed was according to NAV's latest "Helt Ledige" 64 216 persons in November 2017, which is a reduction of 13 941 persons compared to November 2016.

## Transaction market

In 2017, we expect a transaction volume around 90 bNOK, due to the eventful first three quarters with more than 61 bNOK in transaction volume. On average, Q4 has logged almost 30 bNOK, the last 5 years. International investors are still active in the market representing around 19% of the buy side so far. The largest transaction so far, this year is Swedish SBB's purchase of DNB's HQ at Bjørvika for 4.3 bNOK.

See graph for an overview of the transaction market since 2001:




Selected transactions 2017:

| Asset | Buyer | Seller | mNOK | Type |
|---|---|---|---|---|
| DNB Midtbygget | SSB | Arctic Securities | 4 300 | Office |
| 50% of Lørenskog Vinterpark | Canica og Baumann Invest | Selvaag Eiendom | 3 000 | Leisure |
| Storebrand HQ | Arctic Securities | Storebrand ASA | 2 200 | Office |
| Eufemia | KLP Eiendom | Oslo S Utvikling | 1 740 | Office |
| 50 % of Sundtkvartalet | Entra ASA | Skanska CD | 1 590 | Office |
| Esso portfolio | DCC Energy | ExxonMobil | 1 420 | Retail |
| Lilleakerveien 2 | Mustad Eiendom | Nordea Liv | 1 245 | Office |
| Horisont kjøpesenter | Coop Norge Eiendom | Capto Eiendom/Profier/Storm Eiendom/Harteig | 1 150 | Retail |
| Norwegian Outlet Vestby | Meyer Bergman | Norwegian Outlet Vestby | 1 100 | Retail |

| | | | | |
|---|---|---|---|---|
| Forskningsvn 2 | Pareto | Union Real Estate Fund | **1 100** | Office |
| Other | | | **61 964** | |
| **Total** | | | **80 809** | |

*Source: Cushman & Wakefield Realkapital, research.*

Office makes out approximately 50% of all transactions followed by retail with just below 20%. Private real estate companies are most active with around 40% of the volume, while syndicate structures have been on the buy side of above 25%.

The transaction market will remain sensitive to changes in the interest rates. However, our leading macro economists suggest that we will have a low interest rate scenario the next years. New build activity is present and centrally located properties of high standard are being let. Norwegian economy is going well with expected growth in onshore GDP of 2.0 % and 2.5% in 2017 and 2018 respectively. As mentioned the oil price has increased significantly in the second half of 2017. Should this continue and the price stabilize on a higher level, the office areas exposed to oil and gas could be positively affected.

Cushwake Investor Confidence Index from September 2017 reports that 73% of all investors has an objective to be net buyers the next 6 months. Only 11% plans to reduce their stock. Above 60% of all investors expect improved office occupiers demand in the coming six months, a near doubling from the January survey. This is consistent with the results reported from both Arealstatistikk and Entra's Konsensusrapport. Possibly easing financing conditions, by signals from Norges Bank's lending survey, were confirmed by the survey where 26% (up from 10% in January) of the respondents believe in improved conditions.

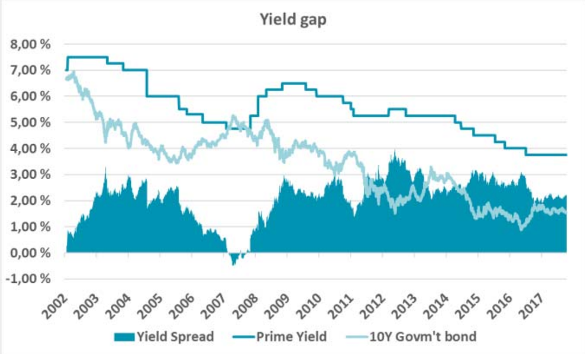
### Yield Trends

We still believe in a prime yield estimate at 3.75%. Recently we have observed transactions that might indicate that the prime yield has a downwards pressure.

- Winta Eiendom sold Cort Adelers gate 33 to Deka Investments for 73 million euros on a net initial yield of 3.70%.
- DNB's headquarters at Bjørvika (CBD 2) in Oslo was acquired by Swedish listed company SBB for 4.3 bNOK and a reported yield around 4%. Bjørvika is still not considered to be main CBD, indicating prime yield at Aker Brygge/Vika is still lower and around 3.75%.
- Eufemia, a 90% pre-let new-build project in CBD 2 was sold on a forward contract at around 3.9%.

It seems the gap between prime real estate and real estate located on the fringe of the best area is less. It could be reasoned by the limited supply of centrally located assets, but also that the comparable assets on the fringe are let on attractive lease contracts. Historically, spread between prime yield office and logistics has been higher than what is communicated today. This is due to several things; including that prime office yield is based on a mid-long contract around 5 years, while logistic assets often get transacted on double digit durations. Additionally, logistic properties often have substantial land plots with implicit value added from outdoor rent or development potential. The logistics property Bølerveien 61 with Skanska on a 12-year contract was recently transacted to around 4.85% initial yield, confirming the communicated gap between office and logistics in declining.

With a prime yield at 3.75% we get a yield gap against 10 yr gov. bond at 2.20% as of 13th December 2017.




*Source: Cushman & Wakefield Realkapital and Norges Bank*

## SHIPYARDS IN NORWAY

Norway has historically a long tradition for boat building. The long coast line and dependence on the sea has also been pivotal for the country. Up until the middle of 1970's Norway was one of the foremost ship building nations in the world. The business was dominated by large shipyards in the cities. Due to the shipping and oil crisis on the 1970's, the market for building ships changed, the cost of labour and lack of automatic solutions lead to a drastic reduction in shipyards of the more economically developed countries. More specifically in Norway many shipyards changed the operations from shipyards to offshore related production or converted to city transformational areas (like Aker Brygge or Værste). Norwegian shipyards lost the leading international position, but smaller and flexible shipyards emerged with high degree of competences and specialisation. This is seen in conjunction with the changes in the fishing fleet and the energy sector. The cluster for ship building is main focused along the coast from Rogaland to Trøndelag with the thickest density in Møre og Romsdal.

Norwegian shipyards currently have niche specialist shipyard activity towards smaller special constructions, such as offshore vessels, fishing trawls, research vessels, coastguards, coastal ferries, platform manufacturing and modules for installations on the Norwegian continental shelf.

Many of the yards makes a living from a combination of repairs, maintenance work, rebuilding and new construction. In the case of major work, many work tasks are outsourced to subcontractors, while the more advanced and technically demanding parts of the production is performed at home. Thus, the majority of value creation are retained in Norway.

### The shipyard markets

The Norwegian shipbuilding industry is fragmented as geographically and in size as in sales and earnings. The shipyards operate in a market with great national and international competition. The new Ship Scheme, which the government has entered into the state budget for 2018, is expected to have a positive effect on the order intake at Norwegian shipyards. It is

expected in the years that there will be continued growth in ferry construction, cruise and expedition ships, speedboats, fisheries (including well boats), offshore wind farms, and service and work boats for the aquaculture industry. Examples of new types of ships in notification can be support vessels for offshore mining on the seabed. A certain fleet renewal in oil offshore with newbuilding and partly upgrading of existing fleet is also expected.

The total ingoing order book of Norwegian shipyards as of 1 January 2018 consists of 83 vessels for a total value of 34 bnNOK (individual orders each exceeding 50 mNOK). The ingoing order book in 2017 was 48 ships for a total value of 15.5 bnNOK (individual orders each exceeding 50 mNOK). Corresponding ingoing order book in 2016 was 30 ships for a total value of 12.5 bnNOK. In addition, we assume that a larger number of vessels each with a value of less than 50 mNOK are ordered in 2017, we put the total value of these orders to 3 bnNOK. The corresponding amount and value of this vessel type think we will also apply for 2018. Overall, it is expected that the market place is fairly good all things considered. The sources of information on the order book is Norske Skipsverft.

The value of the ship operations, property and the counter party risk is all bound up with the activity and order book reserve. Rosenberg verft (operations) was sold from Aker Kværner in 2003 for a non- disclosed sum. In 2007 the company was sold from the local investors, that bought the company in 2003, for 700 mNOK to Bergen Group. In 2014 the company was again sold and this time WorleyParsons for 1.1 bnNOK. The property has had same majority owner since Kværner sold the property in 2003. The general activity in the energy started falling towards the end of 2014. The sector has undergone major cost cutting and restructuring. In addition, the oil price is starting to climb and the activity looks to increase. The pelagic and automatic fisheries have a record turnover and activity increasing order book in the shipyard sector. Ferries and especially more eco-friendly alternatives are driving investments and boosting yard activity. Maintenance is important for all types of sector. For market rent we have looked at other ship yards and industrial properties that deliver products for specialised and international markets.

Shipyards often need extensive piece of land to operate. Both income and value can be compared by looking into these parameters and the percentage split between them. We have investigated both the rental income and transactions regarding shipyards. It is not the most liquid market and is deemed to cyclical and more cyclical than the average/normal property market. See summaries of below of market rent and transactions;

### Market rent

The information is based on properties where there is a split between operator and owner. If the rent seems to indicate variable based income we have taken approximately a five-year average. The main sources are a mix between infoland.ambita and purehelp.no. We have looked into the percentage difference on land versus building as well income on the operations to quality check. Another important aspect on the market rent than land and building size is technical specification such as quay length and depth, weight of cranes, division of cost, upgrades, etc. The follow findings give us an expectation of the market rent either by NOK/m2 building or NOK/m2 plot;

| Name | Location | Size daa | Building m2 | Income mNOK | NOK/m2 building | NOK/m2 plot | Comments |
|---|---|---|---|---|---|---|---|
| Miljøbase Vats | Vats | 97,7 | 6778 | 24,6 | 3 629 | 252 | The rental income also includes that to run the property, 195 daa is rented from the municipality. The buyer ran both operations and wanted control over the rent paid according to several sources. |
| Rosenberg | Stavanger | 434 | 173172 | 65 | 375 | 150 | Multiple tenants and plans to convert part of the shipyard to residential. |
| Brevik | Porsgrunn | 65,4 | 20525 | 11,8 | 575 | 180 | New contract signed for a three-year contract. Income from public sources are higher than the contract we have received |
| Fjellstrand | Kvam | 33 | | 8,0 | | 242 | One of the prior Kværner shipyards that were bought and restructured. There are many cadastral reference numbers that we have based the plot size on a web measurement |
| Fiskarstrand verft | Sula (Ålesund) | 44,2 | 3535 | 11,5 | 3 253 | 260 | Several of the buildings are without m2 in ambita, which make the parameter somewhat difficult to check. |
| Aker Solution Egersund | Egersund | 500,3 | 41500 | 18,8 | 453 | 38 | Set contract with indexation. Large plot of land, that with web survey seems to be unused or undeveloped. That indicates the rent NOK/m2 plot parameter is less important. Triple net bare house contract |
| Midsund Bruk | Midsun | 77,5 | 6500 | 3,1 | 484 | 41 | Set contract with indexation. Large plot of land, that with web survey seems to be unused or undeveloped. That indicates the rent NOK/m2 plot parameter is less important. Triple net bare house contract |
| Sandnessjøen | Alstahaug | 81,3 | 14139 | 5,1 | 360 | 63 | Set contract with indexation. Based outside of Sandnessjøen. Triple net bare house contract |
| Sandnessjøen | Alstahaug | 81,3 | 14139 | 3,6 | 255 | 44 | Bought to Aker Solutions. Renegotiated afterwards based on the transaction that happened afterwards and purehelp from the public accounts |
| Mongstad supply base | Mongstad | 600 | 72000 | 85,6 | 1 189 | 143 | Supply base for the energy sector and not directly comparable. Active management of assets by landlord. Not directly a shipyard as such. |
| Risavika Havn | Risavika | 110 | 12000 | 56,5 | 4 708 | 514 | Harbour more than a shipyard and not directly comparable. |
| Ulstein verf | Osnes | 185 | 20645 | 49 | 2 373 | 265 | Average income is based on a five-year average. |

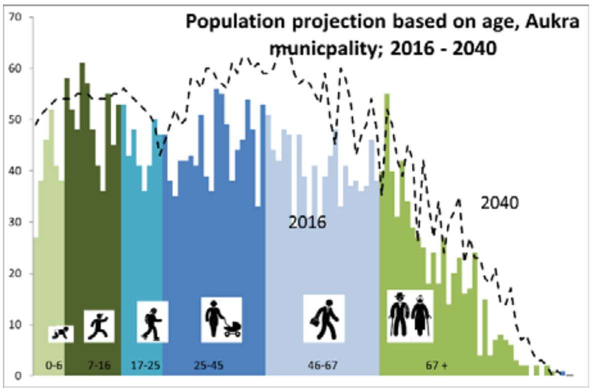
### Market transaction

The transactions we have tracked and found are used for method C. Based on our transaction database and available public information we have found the following transactional evidence;

| Name | Date | Type of transaction | Value mNOK | NOK/m2 | NOK/plot | Comparison with subject property |
|---|---|---|---|---|---|---|
| Miljøbase Vats | 2014 | Operator buyback property | 226,3 | 33 387 | 2 316 | AFGruppen had 40% and rebought back 99.9%. Wanted more flexible structure on rent for property based on turnover |
| Vestbase | 2010 | Property transaction | 520 | 17 333 | 2 600 | Central base in Kristiansund. Pure property transaction. |
| Rosenberg | 2003 | Property | 350 | 2 021 | 806 | Kværner sold the operations to local investors in a separate transaction. The property was sold to Jacobson family as main owner. |
| Brevik | 2016 | Property, but distressed sale | 220 | 10 719 | 3 363 | Part of structured sale from Otium. Part of portfolio sale. |
| Bredalsholmen verft | 2015 | Land | 7 | | 323 | Very special property for museums ships and national competency. |
| Fosen | 2015 | Property | 5,26 | 1 513 | 72 | Bankruptcy – local group purchased |
| Kaldnes Vest | 2010 | Property | 125,7 | | 1 082 | Bought by local investor. Long term development. |
| Pusnes verft | 2016 | Property | 33,6 | 1 522 | 494 | Vacant possession – Otterland bought the assets. Located in Arendal |
| Aker Solution Egersund | 2016 | Property | 280 | 6 747 | 560 | Long contract. Clear split between operator and property. Estimated value from portfolio |
| Midsund Bruk | 2016 | Proprety | 45 | 6 923 | 581 | Long contract. Clear split between operator and property. Operations sold to NOV, property to TRG |
| Sandnessjøen | 2016 | Property | 68 | 4 809 | 836 | Long contract. Clear split between operator and property. Estimated value from portfolio |
| Sandnessjøen | 2012 | Property & operations? | 25,15 | 1 779 | 309 | From public registry. Rent was significantly lower. Uncured duration. |
| Mongstad supply base | 2015 | Property | 950 | 13 194 | 1 583 | Sold from Wimoh to EQT. Several investments made afterwards. Property is actively marketed now, but significantly large part of Mongsdad. Clear split. Statoil main tenant |
| Portfolio | 2015 | Property | 1243 | | | TRG bought portfolio from Aker Solutions |
| Risavika Havn | 2016 | Proprety | 1800 | | | Risavika IKS (public) bought out minority shareholder |
| Risavika Havn | 2016 | Property portfolio | 800 | 66 667 | 7 273 | Portfolio sold from Risavika to Asset Buyout Partners. |
| Umoe mandal | 2017 | Operator buyback property | 4 | 687 | 392 | Smaller side property, no seafront, unsure whether or not internal transaction. |

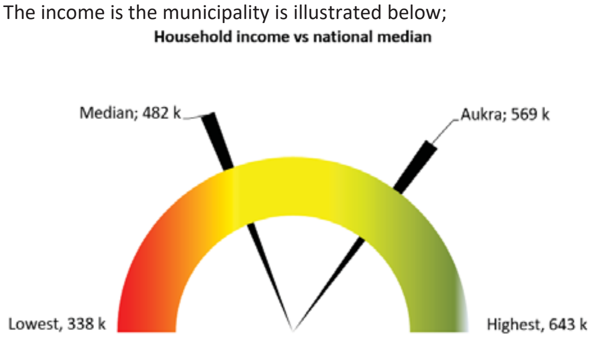
### Location

Aukra is a municipality in Møre and Romsdal county. It has about 3 500 inhabitants and a total areal 57.07 km2 of land mass.
According the SSB the population in Aukra is expected to grow to 4 498 by 2040. This give a CAGR of 1.03%, which is over the national average of 0.81%. It is expected that annually the municipality will grow with 36 people.




*Source: SSB and CWR analysis*

The income is the municipality is illustrated below;




*Source: SSB and CWR analysis*

The median income is well above the national average with 87 000 NOK. This indicates that the people living the municipality is either earning well over the national average. This a positive aspect.

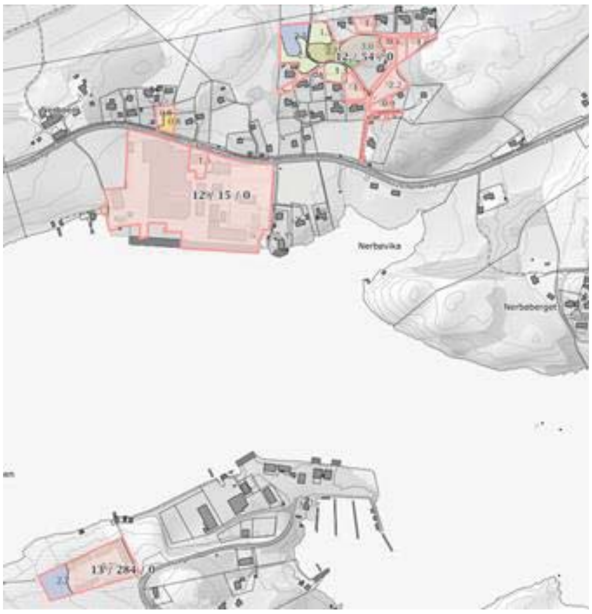
The average residential prices for detached houses and flats in Aukra are respectively 15 404 NOK/m2 p-rom and 24 311 NOK/m2 p-rom. We had to use 1 year of registries sales due to few benchmark transactions.

Today there is a major industrial development at Gossa Aukra. One of Northern Europe's largest gas stations, Nyhamna, which will receive gas from the Ormen Lange field, has been built here. The terminal will provide gas deliveries to the UK and other countries in Europe. Before the gas came to Aukra, the largest tax revenues in the municipality were obtained from agriculture, fishing industry and shipbuilding. The largest industrial workplace in the municipality is Vard Aukra Shipyard (former known as Aukra Bruk).

### Description of property

Aukra Bruk is a shipyard located on the island of Gossen in Aukra municipality in the county of Møre og Romsdal. Aukra Bruk was founded in 1949. The shipyard has gradually changed its name to Aukra Industrier (1986), Aker Aukra (2001) and now Vard Aukra. The shipyard is part of the Fincantieri Group. A large number of ships have been built at Aukra Bruk - ranging from fishing vessels and car ferries to offshore vessels, chemical tankers and cargo ships of various kinds.

Vard Aukra consists of several property numbers and has a total area of 89 679 m2. Most of this land is regulated to industry, and consists mainly of the yard itself. The yard property is 48 214 m2. In addition, there is also an industrial property of 11 212 m2, located on the opposite side of Nerbøvågen, on Naustneset. Here is a barrack site that is used for accommodation of workers. Vard owns the land, but The yard also owns a number of housing and residential areas located northeast of the shipyard, In Eindalen. In total, the detached houses consist of 926 m2 and the total land area is 30 253 m2.




*Overview of the properties, source: Gårdskart*

### State of repair

The yard has been in continuous development since the 1940s. Most buildings are from the 1970s and 1980s, but there are also newer buildings built according to needs or public requirements. For example, are quays of relative new date. In 2009 a building with warehouse and workshop, and with a canteen and office facilities on top, vas built. A special warehouse for paint and oil was constructed in 2016.

Although several buildings are from previous years, they appear to be well maintained and with good functionality. Office space appears bright and fine. The yard also has several tenants who run their own, and partly independent business.

| Category | Unit | Total |
|---|---|---|
| Office/admin. | m2 | 1 970 |
| Workshop | m2 | 16 794 |
| Warehouse | m2 | 1 784 |
| Painting / Sandblasting Hall | m2 | 672 |
| Detached / apartment | m2 | 1 158 |
| Barracks | m2 | 147 |
| Quay/Quays | M | 240 |
| Ground area | A | 57 953 |
| Total | M2 | 22 525 |

*Vard Aukra buildings overview*

For this valuation, we have not received any technical DD or DD as such, hence, we have not factored this into the valuation. Any DD findings that may contribute to affect the valuation in a positive or negative way should be deducted from the market value we have arrived at.

There is no ongoing development on the site that we know of.

### Zoning for the area

The yard area is regulated for industrial purposes. PlanID 200715 with name Aker yards as (stx europe) was adopted 28.11.2007.


*Clipart from the zoning plan, source: Aukra municipality*

The area at Naustneset is regulated for nutrition and services. PlanID 201407 with name Nautneset vest was adopted 26.03.2015.

*Clipart from the zoning plan, source: Aukra municipality*

The residential area of Eindalen is not regulated, but devoted to housing purposes in the municipal plan.

### Accessibility

There is no road link between Molde and Aukra, so it is necessary to take a ferry between Aukra and Hollingsholmen. This ferry leaves every 30 min. The route is estimated to take about 50 min. Situated in natural protected cove.

### Dockyard capabilities

We have been provided with a technical specification for yard capabilities from Vard based on information from 2016. The asset has the following yard capacities;

| Aukra 2016 | |
|---|---|
| Number of Employees | 131 |
| Established | 1949 |
| Total Yard Area | 53 500 m2 |
| Quay/Quays | Total length: 240 m and depth: 7.6 m |
| Crane capacities: | 1 x 75 t + 1 x 58 t |
| Power | 230 V / 315 A, 400 V / 315 A, 440 V / 60 Hz / 250 A |
| Piping Workshop | Capacity: 2 400 m2 and Crane capacities: 2 x 16 t + 2 x 5 t |
| Warehouse Capacity approx.: | 4 000 m2 |
| Painting /Sandblasting Hall | Capacity: 600 m2 |
| Carpentry Shop | Capacity: 300 m2 |
| Number of Employees | 131 |

### Marketability

The marketability of the asset is limited. The asset is highly specialised, in a rural location, the operator and landlord is the same organisation, but currently the split between property and operations is not set. These factors all affect the marketability and the type of purchaser. For example, a financial based buyer will be sceptical to purchase an asset where the contractual obligation between the parties are not set. The shipyards are all the key private employer and cornerstone employer in their respective areas and the alternative use of land and buildings are small, if not used for the current purpose. The most likely purchaser would be another operator, local management or investors, ship owner in the area or governmental owned entity. Unless it is a distressed sale, we believe it would take 18 months to sell the asset. For a sale process, we would also recommend splitting the property and operating entity.

### Environmental

We have been provided with an environmental summary based on a survey made by an authorised consultancy. They found 3 areas that required clean-up. This has been completed. In addition, Vard has posted a remaining provision of 73.4 mNOK for seabed sediment clean-up. The approach we have used for the valuation purposes is to divide the provision between the four industrial assets on an equal measure or 18.35 mNOK. Should the environmental DD indicate capital needed to clean up the assets, the gross property value must be adjusted accordingly.

We have also checked with Norwegian Environment Agency. The property is listed in their database as an industrial property and that there is exists ground pollution that can be used with restrictions.

### Property tax

Property tax is set at 832 222 NOK and the property is valued at 118,9 mNOK of external valuer by the municipality. The approach is a mix between substantial and market based. The property tax has not been questioned by the landlord.

### Costs

In assessing operation costs, we have considered the profile of tenants who pay VAT and the impact on deduction of VAT in the landlord's expenses. We have based our estimates on our best judgements but have not investigated the VAT status of each tenant. We have based our estimate of future reletting expenses on the assumption that these expenses will be VAT deductible.

## METHODS FOR THE VALUATION

The instruction entails to give a market value as the situation is now, including only the asset value, not the operation. As the operation and property value components are not in formalised structure on most of the asset we have used different approaches to derive at market value under the set assumption that you are to sell the asset and not the operation, and that the property is full use. Should this assumption change, the market value of the underlying property asset and the balance sheet of the owner will change. We have looked at the following approaches to value the asset;

**a) Book and land value approach**
**b) Reinstatement value**
**c) Comparable sales**
**d) New Vard contract day after valuation**
**e) Vacant possession value**

The order book of the operator of the shipyard is a decisive point when valuing a shipyard. Given that there is a clear separation between property asset and operator, the operator financial status and guarantees are important as well. We have seen both bankruptcies and a willingness to pay more for when the circumstances on the specific shipyard is right. We have not had access to the order book of the assets, but have assumed that market is more positive than it was in 2011, 2015 and 2016. It means, as we perceive it, to be competitive, but it is possible to make money this year.

The most common contract between a landlord and tenant is a triple net bare-house contract due to nature of the equipment and running maintenance. We have assumed that when valuing the assets. In the vacant possession value estimation, we have assumed that the landlord will cover property tax, own administration and insurance of the building shell.

For the methods in which the value is calculated based on a lease and cash flow, it will be of a significant nature what kind of lease agreement that is agreed. Maintenance responsibility and equipment ownership plays a major role in the valuation of shipyards.

### Method a) Depreciation values

In order to arrive at market value by using this method we use the depreciated valued and an estimated land value. Combined these two make an estimated market value.

The land can be valued by several methods. One way is to calculate the project value as the difference between sales price and construction cost. This project value must then be split between land value and site value. It is common to use various methods of splitting.

One way is to split the project value at a percentage rate between land owner and developer. 50/50 is quite common in projects with relatively low completion time and risk. The more time and risk involved, the more percentage must be adjusted in favour of the developer. Another way to look at it, is that a developer will require a profit, either per m2 or a percentage of the construction cost. Also here, the figures will normally be adjusted according to the risk involved in the project – high risk projects will be adjusted in favour of the developer.

A much-used method is to set up a cash-flow, where the profit is discounted over the period the project is estimated to take. This is the best method for projects that runs over some time, since it shows the downside of tying capital to a site purchase early in a development project.

It is also possible to consider market price for land through comparable transactions. This requires a liquid market, where sites with approximately similar qualities can be compared.

We have been given specific information on depreciation values based on the 30.9.2017. The following table consist of the situation at that time;

| Summary of depreciation tNOK at 30.9.2017 | | | |
|---|---|---|---|
| **Building & Property** | **COST** | **DEPR.** | **NET VALUE** |
| Barracks | 2 266,6 | -513,1 | 1 744,9 |
| Building at quay | 22 632,7 | -9 147,4 | 13 296,7 |
| Houses | 2 022,0 | -396,0 | 1 609,2 |
| Office barracks | 269,0 | -132,3 | 134,5 |
| Office building | 9 668,9 | -6 019,2 | 3 569,6 |
| Piping workshop | 342,2 | -293,4 | 47,1 |
| Plastic hall | 737,4 | -219,6 | 514,1 |
| Production other | 20 691,2 | -9 553,5 | 10 986,4 |
| Property houses | 540,5 | - | 540,5 |
| Property Production | 10,0 | - | 10,0 |
| Quay | 39 101,2 | -18 249,6 | 20 670,2 |
| Painting/Sandblasting | 7 296,5 | -5 985,3 | 1 283,5 |
| Warehouse | - | - | - |
| Carpentry workshop | - | - | - |
| Steel workshop | - | - | - |
| Machine buildings | - | - | - |
| Total | 105 578,2 | -50 509,4 | 54 406,6 |

As you see the depreciated value is 54.4 mNOK, we have valued the land to 18.6 mNOK (see appendix for details of land value calculations) and the environmental liability at 18.4 mNOK. The combined value by this method is **54.6 mNOK.** This gives a value of 2 425 NOK/m2 building and 609 NOK/m2 land. The value seems to be under what we expect to see for this type of asset. Given that you an investor would achieve a total direct return of the market value of 8% this would indicate a rent of 4.4 mNOK or 193 NOK/m2 building and 49 NOK/m2 land. Please note, that the rent simulation as a percentage of the market value will not take into account void days and other uncertainty and will be definition be lower than the estimated market rent, but it is used as a benchmark for the different approaches.

### Method b) reinstatement value

The reinstatement value, excluding land, has been estimated at 144.1 mNOK at the valuation date 04.01.2018. The reinstatement has been estimated by using construction cost parameters known to CWR in the current market. We have done several investigations for benchmark figures for the building types, while the specifications of equipment are based partly on the depreciation values. The main reason is to check if method a) is very different from the reinstatement value due to general CPI might outpace the depreciation figure and investor might find it more reasonable to invest in due to the entry barrier.

The depreciation used to deduct from the new built price for a similar shipyard today is the actual depreciation percentage as we have been sent.

The cost we operate with is based on a combined actual construction and developer's cost such as project management, financing and marketing. This results in the following estimation of reinstatement costs on the valuation date:

| Component | M2 | NOK/m2 (or unit) | Cost kNOK |
|---|---|---|---|
| Office/admin. | 1 970 | 21 000 | 41 370 000 |
| Workshop | 16 794 | 8 500 | 142 749 000 |
| Warehouse | 1 784 | 6 000 | 10 704 000 |
| Painting / Sandblasting Hall | 672 | 13 500 | 9 072 000 |
| Detached / apartment | 1 158 | 20 000 | 23 160 000 |
| Barracks | 147 | 15 000 | 2 205 000 |
| Quay/Quays | 240 | 150 000 | 36 000 000 |
| Ground area | 57 953 | 250 | 14 488 160 |
| Total, excel depreciation | 22 525 | | 279 748 160 |
| Depreciation | | | 51,50 % |
| Reinstatement value | | | 144 070 302 |

**Units (# of parking spaces)*

We add reinstatement value 144.1 mNOK with the land value from method a) 18.6 mNOK and deducted the environmental liability 18.4 mNOK. The combined value by this method **is 144.3 mNOK**. This gives a value of 6 406 NOK/m2 building and 1 609 NOK/m2 land. The value seems to be over what we expect to see for this type of asset. Given that you an investor would achieve a total direct return of the market value of 8% this would indicate a rent of 11.5 mNOK or 512 NOK/m2 building and 129 NOK/m2 land. Please note, that the rent simulation as a percentage of the market value will not take into account void days and other uncertainty and will be definition be lower than the estimated market rent, but it is used as a benchmark for the different approaches.

### Method c) sale comparable

Based on the property location, capabilities, the previously stated assumptions, the transactions we have observed on dockyards, the percentage between m2 of buildings/land, we deem the property to have the same characteristics as Sandnessjøen bought by TRG.

When using this approach to the value we have assumed that the environmental aspects were included in the prices we have compared to. Furthermore, we have used both NOK/m2 building and NOK/m2 plot of land and used the average of the two.
The combined value by this method **89.9 mNOK**. This gives a value of 4 000 NOK/m2 building and 1 000 NOK/m2 land. The value seems to be around what we expect to see for this type of asset. Given that you an investor would achieve a total direct return of the market value of 8% this would indicate a rent of 7.2 mNOK or 319 NOK/m2 building and 80 NOK/m2 land. Please note, that the rent simulation as a percentage of the market value will not take into account void days and other uncertainty and will be definition be

lower than the estimated market rent, but it is used as a benchmark for the different approaches.

### Method d) new Vard contract day after valuation

We have valued the property with the use of a discounted cash flow analysis and discounted different parts of the cash flow with different discount rates – depending on the risk associated with each segment of the cash flow. Hence, agreed rent payments from tenants have been discounted at lower rates than the residual value. The residual value has been computed by applying an Exit Yield to the estimated net market rent. If there is a clearly identified land value in addition to the existing cash flow properties this is valued separately. As the asset is fully operative today, we believe that the asset will have no void days from the valuation date and based on the previously stated assumptions about triple bare house contracts and the rental information we have found, we present our assumptions of the parameters included in the valuation of the property.

| | ASSUMPTIONS |
|---|---|
| Parameter | Valuation |
| Income let area | Annual rent is 749 kNOK on valuation date with parties and Vard. We have assumed that the asset will yield a rent of 10.6 mNOK from the day after valuation date. We believe this will happen without tenant improvements (TI) as the asset is in active use today. Should any TIs be included the rent should be renegotiated to reflect the cost of capital.<br><br>Going forward, rental income is cpi adjusted annually based on the average of Statistics Norway, Norges Bank and DNB's estimate. From 2022, we have used Norges Bank's long-term inflation target at 2.5%. |
| Rental income, future area | When the entire asset is to be negotiated again after 5 years from the valuation date we believe a market rent of 469 NOK/m2. Due to uncertainty on the contract to be signed we have discounted the coming cash flow with 11.0%. |
| Reletting costs and vacancy | We have assumed a reletting period of 182 days for the shipyard, with relet costs of 70 NOK/m2. |
| Owner's costs | The owner is responsible for the administration of the ownership structure the property is based in, building insurance, and property tax. The rest is covered by the tenant<br><br>For administration and insurance, we have estimated 14 NOK/m2 and 8 NOK/m2. For property tax, we have utilised 37 NOK/m2. This equals 59 NOK/m2 or a total of 1 328 mNOK per year. This is 12.6 % of the gross market rent. |
| Common costs | Common costs are estimated to be NOK 325 per sqm. We have assumed that the owner will have to cover 50% of the actual costs during any void periods. |
| Residual value | The residual value has been discounted at a nominal rate of 11.00% p.a. which is based on the exit yield of 8.50% (the real-term return) plus 2.50% inflation. |
| Yield | We have considered that the exit yield for the property will be 8.50% and have applied this in our valuation. The net initial yield output is not relevant considering the assumptions we have based the valuation on. |

This method gives a market value **80.3 mNOK**. This gives a value of 3 565 NOK/m2 building and 895 NOK/m2 land. The value seems to be below what we expect to see for this type of asset. Given that you an investor would achieve a total direct return of the market value of 8% this would indicate a rent of 6.4 mNOK or 285 NOK/m2 building and 72 NOK/m2 land. Please note, that the rent simulation as a percentage of the market value will not take into account void days and other uncertainty and will be definition be lower than the estimated market rent, but it is used as a benchmark for the different approaches.

The cash flow details of the valuation are specified in the following appendices.

### Method e) Vacant possession value

The shipyard has, as we perceive the local market, no other use than the current. If Vard vacate the asset on the valuation date it would impact the value significantly as the risk would increase exponentially. This is illustrated with what happened with Fosen. This dockyard is situated in Rissa in Trøndelag and went bankrupt in 2015. It was sold for 5.6 mNOK to a local consortium and they also paid another 2.2 mNOK for equipment. The asset is in our list of transaction and was sold for 1 513 NOK/m2 building and 72 NOK/m2 land. We have utilised three years vacancy initially and then let for five years and then another period of vacancy. Please look in the appendices for details. The value for Aukra as vacant possession value is set to **25.3 mNOK** or 1 123 NOK/m2 building or 282 NOK/m2 land. The value compared to Fosen is lower pr m2 building value, but higher than the pr m2 land value.

## CONCLUSION

Based on the five methods and the outcomes of each method we have used, the mandate and assumptions given therein, we have estimated the market value to be **78.9 mNOK**. This gives a value 3 502 NOK/m2 building and 879 NOK/m2 land. There are several ways an owner operator can affect the value at the asset, but it will affect both sides of the owner operators financial statement. Please note, that the rent simulation as a percentage of the market value will not take into account void days and other uncertainty and will by definition be lower than the estimated market rent. However, this is used as a benchmark for the final value.

Depending on the valuation assumptions, gives a valuation range from **25.3 mNOK to 144.3 mNOK.**

**For Cushman & Wakefield Realkapital AS**

Arthur H. Lie
Head of Valuation, MRICS, REV

CUSHMAN & WAKEFIELD | Realkapital

# APPENDICES

## Land value

### Property information - VARD Aukra — 15.10.2016

#### Property facts

| | |
|---|---|
| County: | Møre og Romsdal |
| Municipality: | Aukra |
| Property number(s): | 12/15 m.f. |
| Total land size m2: | 89 700 |
| Current zoning level: | Regulation plan |
| Zoning utilization: | Industry |
| Value mNOK: | **18,6** |
| Value NOK/m2 construction: | **486** |
| Value NOK/m2 gross land: | **207** |

#### County and Municipality

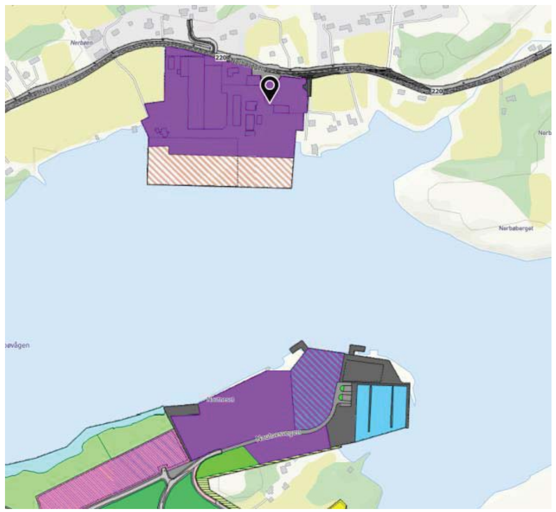
#### Location

#### Sites included in valuation

#### About the property

Aukra Bruk is a shipyard located on the island of Gossen in Aukra municipality in the county of Møre og Romsdal. The yard has ownership to several properies in Aukra.

#### Current zoning plan



#### Zoning information

The yard area is regulated for industrial purposes. PlanID 200715 with name Aker yards as (stx europe) was adopted 28.11.2007. The area at Naustneset is regulated for nutrition and services. PlanID 201407 with name Nautneset vest was adopted 26.03.2015. The residential area of Eindalen is not regulated, but devoted to housing purposes in the municipal plan.

#### Assumptions in valuation

It is assumed that the area is undeveloped and can achieve a different utilization than today's. The plan area is estimated to be 61 acres for the industrial section, and 28.7 acres for the residential area. Further, a utilization rate of 50% of the industrial area and 17% of the residential area is required. The industrial area is being built with combination premises, and the residential area is built with detached houses. In total, 30 500 m2 of industrial area and 7 749 m2 of living space are calculated. A positive difference between sales price and construction cost of 535 NOK/m2 for industrial area and 3 496 NOK/m2 for living space must be achieved in order to achieve the estimated value. We have estimated the sales yield of industrial property in the area to be 8%. It is assumed that the construction period will start in 2019 and last for 4 years. The discount rate is set at 15% during the period.

Finally, we have looked at the turnover of plots in the area. This to match the calculated value. We have had access to 36 residential properties that were traded between 2014 and 2017. The average price of these plots is 328 NOK / m2 and the median price is 423 NOK / m2.

#### Conclusion

Based on the information described above, we have estimated the market value of the subject area to be: **18,6** mNOK

This represents a value per construkted m2 of: **486** NOK/m2

This represents a value per gross m2 land of: **207** NOK/m2

#### Disclaimer

The valuation is based on information from the principal, as well as publicly available information. This review is only a desk-top exercise, and without inspection of the property. The scope of application is therefore limited. There may be more predictions for the value than described.

CUSHMAN & WAKEFIELD | Realkapital

# Assumptions and summary - VARD Aukra

## Assumptions

| Commercial | | Residential | | Parking | |
|---|---|---|---|---|---|
| Lease / m2 | 1 010 | Sales price | 26 000 | Sales price | - |
| CPI adjustment | 100 % | Construction cost | 20 254 | Const. Cost | 25 000 |
| Owners cost | 7,6 % | Admin.& Project cost | 2 000 | # spaces | 355 |
| Sales yield | 8,0 % | Price growth / yr | 2,5 % | | |
| Construction cost | 9 658 | Avg. Size (m2) | 200 | Total cost per m2 inc. parking | |
| Admin.& Project cost | 1 500 | Sales rate / yr | 10 | | |
| CPI | 2,5 % | Total # of units | 39 | Commercia | 11 385 |
| Total m2 | 30 500 | Total m2 | 7 749 | Residential | 22 504 |

## SENSITIVITY ANALYSIS

**Commercial**

| | | Rent / m2 | | | | |
|---|---|---|---|---|---|---|
| Yield | | 860 | 985 | 1 010 | 1 035 | 1 060 |
| | 7,50 % | 1,5 | 26,1 | 31,0 | 35,9 | 40,8 |
| | 7,75 % | -3,9 | 19,8 | 24,6 | 29,3 | 34,1 |
| | 8,00 % | -9,0 | 14,0 | **18,6** | 23,2 | 27,8 |
| | 8,25 % | -13,8 | 8,5 | 12,9 | 17,4 | 21,9 |
| | 8,50 % | -18,3 | 3,3 | 7,6 | 12,0 | 16,3 |

**Residential**

| | | Salgspris per m2 | | | | |
|---|---|---|---|---|---|---|
| Construction cost | | 22 000 | 24 000 | 26 000 | 28 000 | 30 000 |
| | 16 254 | 18,6 | 26,7 | 34,8 | 42,9 | 51,0 |
| | 18 254 | 10,5 | 18,6 | 26,7 | 34,8 | 42,9 |
| | 20 254 | 2,4 | 10,5 | **18,6** | 26,7 | 34,8 |
| | 22 254 | -5,7 | 2,4 | 10,5 | 18,6 | 26,7 |
| | 24 254 | -13,8 | -5,7 | 2,4 | 10,5 | 18,6 |

## VALUATION

| Method | mNOK | Weight |
|---|---|---|
| Cash flow | 18,6 | 100 % |
| Profit split | | 0 % |
| Profit / m2 | | 0 % |
| Profit margin (%) | | 0 % |
| **Total** | **18,6** | **100 %** |

**The value represent to the buyer a;**

| | |
|---|---|
| 15,0 % | discounted return on investment |
| 47,8 % | share of profit |
| 444 | NOK return per m2 |
| 3,1 % | return on project |
| **486** | **NOK/m2 (value developed area)** |

| Distribution of value | mNOK | NOK/m2 |
|---|---|---|
| Commercial | 8,0 | 264 |
| Residential | 15,2 | 1 957 |
| Parking | -4,6 | -13 060 |
| **Sum** | **18,6** | **486** |

| Total exposure for buyer | |
|---|---|
| Purchase of plot | 18,6 |
| Total investment | 521,6 |
| **Total** | **540,2** |
| **Nominal profit** | **17,0** |

## Construction period / completion

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Commercial m2 (BTA) | - | - | - | 7 625 | 7 625 | 7 625 | 7 625 | - | - | - | - | - | - | - | - | - | - |
| Residential m2 (BRAs) | - | - | - | 1 937 | 1 937 | 1 937 | 1 937 | - | - | - | - | - | - | - | - | - | - |
| Parking, space | - | - | - | 89 | 89 | 89 | 89 | - | - | - | - | - | - | - | - | - | - |
| Total | - | - | - | 9 562 | 9 562 | 9 562 | 9 562 | - | - | - | - | - | - | - | - | - | - |
| Number of apartments | - | - | - | 10 | 10 | 10 | 10 | - | - | - | - | - | - | - | - | - | - |

## Cash flow value

# Vard Aukra

## Market Value mNOK 80,3

| Discount Rates | |
|---|---|
| Tenant A | 4,50 % |
| Tenant B | 5,75 % |
| Tenant C | 7,75 % |
| **Blend rate passing rent** | **5,75 %** |
| Future rent | 11,00 % |
| **Blend rate cash flow** | **10,94 %** |
| Residual value | 11,00 % |
| **Total blend rate (IRR)** | **13,21 %** |

| Yields | |
|---|---|
| Exit yield | 8,50 % |
| Initial Yield | -0,72 % |
| Yield fully let | -0,72 % |
| Yield ex build rights etc | -0,59 % |

| Costs | NOK/m2 | kNOK |
|---|---|---|
| Maintenanc | - | (0) |
| Administrati | 14 | 315 |
| Insurance | 8 | 180 |
| Land lease | - | (0) |
| Property tax | 37 | 832 |
| Other costs | - | (0) |
| **OPEX** | **59** | **1 328** |
| OPEX % of gross mrkt rent | | 12,6 % |
| VAT recoverable | | 100,0 % |
| Common costs | | 325 |
| Non-rec @ vacancy | | 50,0 % |

| Change Analysis | |
|---|---|
| **Previous value** | |
| Disc.rate /yield change | |
| Change market rent | |
| Change in costs | |
| Change inflation | |
| Other changes | |
| **New value** | **80,30** |

| Sensitivity tests | | |
|---|---|---|
| *Parameter* | *Event* | *Value* |
| Market rent | 10,0 % | 91,8 |
| Disc.rate | 0,25 % | 78,6 |
| Exit yield | 0,25 % | 79,2 |
| Inflation yr 1 | 1,0 % | 81,2 |

| **Valuation** | mNOK |
|---|---|
| NPV passing rent | 2,0 |
| NPV future rent | 77,1 |
| NPV of costs | -18,1 |
| Residual value | 37,6 |
| Building rights | - |
| Other corr. | -18,4 |
| **Total** | **80,3** |

| Key Ratios | |
|---|---|
| Value per m2 | 3 565 |
| Residual value per m2 | 4 941 |
| Value of vacant space | - |
| Rent potential | 1309,55 % |
| Implicit value increment | 1,68 % |

| Valuation Period | |
|---|---|
| From: | 04.01.2018 |
| To: | 31.12.2030 |

Comments

Deduction for environmental provision is made baded on expert consultancy report. Ground is measured by deduction footprint of building and 20 % margin of error. Totalt plot is 89.7 daa. We have assumed a bare-house contrac except landlord covers property tax, insurance and own administration. The market rent calibrated based on this assumption. Vard utilise the property today and we cannot see that Vard can move from the property on such a short notice even ift the property is without a set

### Net Rent Summary

| | | Area Distribution | | | | Gross Rent - kNOK | | Rent - NOK/unit | | Costs @ first relet | | Cost @ future relets | | As-is rent | Duration | | Valuation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Category | Unit | Total | Let | Vacant | Adj.'mt | Passing | Market | Passing | Market | Void days | Cost/m2 | Void days | Cost/m2 | NOK/m2 | Current | Next | NOK/m2 |
| Office/admin. | m2 | **1 970** | 1 970 | - | - | 313 | 985 | 159 | 500 | | | 183 | 250 | 500 | 0,6 | 5,0 | 4 715 |
| Workshop | m2 | **16 794** | 16 794 | - | - | - | 6 718 | - | 400 | | | 183 | 250 | - | | 5,0 | 3 721 |
| Warehouse | m2 | **1 784** | 1 784 | - | - | 7 | 714 | 4 | 400 | | | 183 | 250 | 400 | 4,0 | 5,0 | 3 731 |
| Painting / Sandblasting Hall | m2 | **672** | 672 | - | - | 429 | 429 | 638 | 638 | | | 183 | 250 | 638 | 4,4 | 5,0 | 6 363 |
| Detached / appartment | m2 | **1 158** | 1 158 | - | - | - | 695 | - | 600 | | | 183 | 250 | 600 | | 5,0 | 5 582 |
| Baracks | m2 | **147** | 147 | - | - | - | 88 | - | 600 | | | 183 | 250 | 600 | | 5,0 | 5 582 |
| | m2 | **-** | - | - | - | - | - | - | | | | 183 | | - | | 5,0 | - |
| | m2 | **-** | - | - | - | - | - | - | | | | 183 | | - | | 5,0 | - |
| Quay/Quays | M | **240** | 240 | - | - | - | 60 | - | 250 | | | 183 | | 250 | | 5,0 | 2 326 |
| Ground area | A | **57 953** | 57 953 | - | - | - | 869 | - | 15 | | | 183 | | 15 | | 5,0 | 140 |
| **Total** | | **22 525** | **22 525** | **-** | **-** | **749** | **10 558** | **33** | **469** | **-** | **-** | **183** | **70** | **469** | **2,8** | **5,0** | **3 565** |

| Cash Flow - kNOK | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 362 | 365 | 366 | 365 | 365 | 365 | 366 | 365 | 365 | 365 | 366 | 365 | 365 | 365 | 366 | 365 | 365 |
| CPI | 0 % | 1,67 % | 1,63 % | 1,73 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % |
| CPI index | 100 % | 101,67 % | 103,33 % | 105,12 % | 107,75 % | 110,44 % | 113,20 % | 116,03 % | 118,93 % | 121,90 % | 124,95 % | 128,08 % | 131,28 % | 134,56 % | 137,92 % | 141,37 % | 144,91 % |
| Real market rent change | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Yield change | | | | | | | | | | | | | | | | | |
| Income from current leases | 633 | 444 | 450 | 458 | 205 | - | - | - | - | - | - | - | - | - | - | - | - |
| Income from future leases | 10 016 | 10 296 | 10 464 | 10 646 | 11 170 | 6 095 | 11 923 | 12 250 | 12 556 | 12 608 | 6 989 | 13 412 | 13 860 | - | - | - | - |
| **Gross rent** | **10 649** | **10 740** | **10 915** | **11 104** | **11 375** | **6 095** | **11 923** | **12 250** | **12 556** | **12 608** | **6 989** | **13 412** | **13 860** | **-** | **-** | **-** | **-** |
| Operating costs | (1 317) | (1 350) | (1 372) | (1 396) | (1 431) | (1 466) | (1 503) | (1 541) | (1 579) | (1 619) | (1 659) | (1 701) | (1 743) | - | - | - | - |
| Reletting costs | - | - | - | - | - | (5 983) | (52) | - | - | (206) | - | (6 977) | (20) | - | - | - | - |
| Share of common costs | - | - | - | - | - | (1 952) | (9) | - | - | (67) | (2 176) | (37) | (0) | - | - | - | - |
| CAPEX | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Residual value | - | - | - | - | - | - | - | - | - | - | - | - | 146 113 | - | - | - | - |
| **Net cash flow** | **9 333** | **9 390** | **9 543** | **9 708** | **9 945** | **(3 305)** | **10 359** | **10 709** | **10 977** | **10 717** | **3 153** | **4 698** | **158 210** | **-** | **-** | **-** | **-** |

CUSHMAN & WAKEFIELD | Realkapital

# Vard Aukra Vacant Possession Value

## Market Value mNOK 25,3

| Discount Rates | |
|---|---|
| Tenant A | 4,50 % |
| Tenant B | 5,75 % |
| Tenant C | 7,75 % |
| **Blend rate passing rent** | **5,75 %** |
| Future rent | 11,00 % |
| **Blend rate cash flow** | **10,91 %** |
| Residual value | 11,00 % |
| **Total blend rate (IRR)** | **15,41 %** |

| Yields | |
|---|---|
| Exit yield | 8,50 % |
| Initial Yield | -2,29 % |
| Yield fully let | -2,29 % |
| Yield ex build rights etc | -1,33 % |

| Costs | *NOK/m2* | *kNOK* |
|---|---|---|
| Maintenanc | - | (0) |
| Administrati | 14 | 315 |
| Insurance | 8 | 180 |
| Land lease | - | (0) |
| Property tax | 37 | 832 |
| Other costs | - | (0) |
| **OPEX** | **59** | **1 328** |
| OPEX % of gross mrkt ren | | 12,6 % |
| VAT recoverable | | 100,0 % |
| Common costs | | 325 |
| Non-rec @ vacancy | | 50,0 % |

| Change Analysis | |
|---|---|
| **Previous value** | |
| Disc.rate /yield change | |
| Change market rent | |
| Change in costs | |
| Change inflation | |
| Other changes | |
| **New value** | **25,30** |

| Sensitivity tests | | |
|---|---|---|
| *Parameter* | *Event* | *Value* |
| Market rent | 10,0 % | 33,1 |
| Disc.rate | 0,25 % | 24,0 |
| Exit yield | 0,25 % | 24,2 |
| Inflation yr 1 | 1,0 % | 81,2 |

| Valuation | mNOK |
|---|---|
| NPV passing rent | 2,0 |
| NPV future rent | 40,7 |
| NPV of costs | -36,7 |
| Residual value | 37,6 |
| Building rights | - |
| Other corr. | -18,4 |
| **Total** | **25,3** |

| Key Ratios | |
|---|---|
| Value per m2 | 1 123 |
| Residual value per m2 | 4 941 |
| Value of vacant space | - |
| Rent potential | 1309,55 % |
| Implicit value increment | 10,86 % |

| Valuation Period | |
|---|---|
| From: | 04.01.2018 |
| To: | 31.12.2030 |

### Comments

Vacant possession value. The asset is empty and for sale. New owner is responsible for environmental cleanup costs of 18.4 mNOK.

### Net Rent Summary

| | | Area Distribution | | | | Gross Rent - kNOK | | Rent - NOK/unit | | Costs @ first relet | | Cost @ future relets | | As-is rent | Duration | | Valuation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Category | Unit | Total | Let | Vacant | Adj.'mt | Passing | Market | Passing | Market | Void days | Cost/m2 | Void days | Cost/m2 | NOK/m2 | Current | Next | NOK/m2 |
| Office/admin. | m2 | **1 970** | 1 970 | - | - | 313 | 985 | 159 | 500 | 1 095 | 500 | 1 095 | 500 | 400 | 0,6 | 5,0 | 2 087 |
| Workshop | m2 | **16 794** | 16 794 | - | - | - | 6 718 | - | 400 | 1 095 | 400 | 1 095 | 400 | - | | 5,0 | 1 610 |
| Warehouse | m2 | **1 784** | 1 784 | - | - | 7 | 714 | 4 | 400 | 1 095 | 400 | 1 095 | 400 | 320 | 4,0 | 5,0 | 1 621 |
| Painting / Sandblasting Hall | m2 | **672** | 672 | - | - | 429 | 429 | 638 | 638 | 1 095 | 638 | 1 095 | 638 | 511 | 4,4 | 5,0 | 4 082 |
| Detached / apartment | m2 | **1 158** | 1 158 | - | - | - | 695 | - | 600 | 1 095 | 600 | 1 095 | 600 | 480 | | 5,0 | 2 414 |
| Barracks | m2 | **147** | 147 | - | - | - | 88 | - | 600 | 1 095 | 600 | 1 095 | 600 | 480 | | 5,0 | 2 414 |
| | m2 | **-** | - | - | - | - | - | - | | | | 183 | - | - | | 5,0 | - |
| | m2 | **-** | - | - | - | - | - | - | | | | 183 | - | - | | 5,0 | - |
| Quay/Quays | M | **240** | 240 | - | - | - | 60 | - | 250 | 1 095 | 250 | 1 095 | 250 | 200 | | 5,0 | 1 006 |
| Ground area | A | **57 953** | 57 953 | - | - | - | 869 | - | 15 | 1 095 | 15 | 1 095 | 15 | 12 | | 5,0 | 60 |
| **Total** | | **22 525** | **22 525** | **-** | **-** | **749** | **10 558** | **33** | **469** | **1 095** | **131** | **1 095** | **131** | **443** | **2,8** | **5,0** | **1 123** |

### Cash Flow - kNOK

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 362 | 365 | 366 | 365 | 365 | 365 | 366 | 365 | 365 | 365 | 366 | 365 | 365 | 365 | 366 | 365 | 365 |
| CPI | 0 % | 1,67 % | 1,63 % | 1,73 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % |
| CPI index | 100 % | 101,67 % | 103,33 % | 105,12 % | 107,75 % | 110,44 % | 113,20 % | 116,03 % | 118,93 % | 121,90 % | 124,95 % | 128,08 % | 131,28 % | 134,56 % | 137,92 % | 141,37 % | 144,91 % |
| Real market rent change | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Yield change | | | | | | | | | | | | | | | | | |
| Income from current leases | 633 | 444 | 450 | 458 | 205 | - | - | - | - | - | - | - | - | - | - | - | - |
| Income from future leases | - | - | - | 10 472 | 10 912 | 11 185 | 11 464 | 12 030 | 676 | 525 | 538 | 13 380 | 13 542 | - | - | - | - |
| **Gross rent** | **633** | **444** | **450** | **10 930** | **11 117** | **11 185** | **11 464** | **12 030** | **676** | **525** | **538** | **13 380** | **13 542** | **-** | **-** | **-** | **-** |
| Operating costs | (1 317) | (1 350) | (1 372) | (1 396) | (1 431) | (1 466) | (1 503) | (1 541) | (1 579) | (1 619) | (1 659) | (1 701) | (1 743) | - | - | - | - |
| Reletting costs | - | - | - | (10 614) | (32) | - | (1) | (498) | - | - | - | (12 932) | (39) | - | - | - | - |
| Share of common costs | (3 485) | (3 610) | (3 669) | (59) | (66) | (121) | (124) | (56) | (4 167) | (4 328) | (4 437) | (47) | (81) | - | - | - | - |
| CAPEX | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Residual value | - | - | - | - | - | - | - | - | - | - | - | - | 146 113 | - | - | - | - |
| **Net cash flow** | **(4 168)** | **(4 516)** | **(4 590)** | **(1 139)** | **9 588** | **9 597** | **9 836** | **9 936** | **(5 071)** | **(5 422)** | **(5 558)** | **(1 300)** | **157 791** | **-** | **-** | **-** | **-** |

CUSHMAN & WAKEFIELD | Realkapital

## PICTURES FROM SITE VISIT



CUSHMAN & WAKEFIELD | Realkapital

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## GENERAL TERMS & CONDITIONS

These General Terms & Conditions shall apply for this valuation report and the following shall apply unless otherwise stated in the valuation report:

**Scope of the valuation report**

The object of the valuation covers the real property or the equivalent stated, with appurtenant rights and obligations in the form of easements, rights of way, community association and other rights or obligations stated in extracts from the Land Register pertaining to the object of the valuation. The valuation report also covers, where applicable, fixtures and fittings of the property and fixtures and fittings of the building relating to the object of the valuation, however not industrial fixtures and fittings to an extent other than as set forth in the report. For the purpose of this valuation report, Cushman & Wakefield Realkapital has not been instructed to extract information from the Land Register, hence, we assume that registered rights in respect of the property can be verified by means of an extract from the Land Register and that the information obtained from the Land Register is accurate and complete. Furthermore, that the object of the valuation is not encumbered by any unregistered easements, right of use agreements or any other agreements which limit, in any respect, the property owner's right to use the property and that the object of the valuation is not encumbered by onerous expenses, fees or other encumbrances. It has also been assumed that the object of the valuation is, in no respect, the subject of a dispute.

**Assumptions for the valuation report**

The information included in the valuation report has been obtained from sources which are deemed to be reliable. All information obtained from the client/owner or his representative and any holders of rights of use has been assumed to be accurate. The information has only been verified through a general assessment of reasonableness. In addition, it has been assumed that no information of relevance to the valuation opinion has been omitted by the client/owner or his representative.

The land areas which form the basis of the valuation have been obtained from the client/owner or his representative. The valuer has relied on these land areas and has not measured them on site or on drawings, but the areas have been verified by means of an assessment of reasonableness. The areas have been assumed to be measured in accordance with the "Norwegian Standards" applicable from time to time. As regards tenancies and leasehold conditions relating to land or other rights of use, the valuation opinion has, where applicable, been based on applicable leases of property and leases of land, and other rights of use agreements. Copies of these, or other documents, indicating relevant terms and conditions have been obtained from the client/owner or his representative. It has been assumed that the object of the valuation complies with all requisite requirements from public authorities and terms and conditions applicable to the property, such as plans, etc., and has obtained all requisite permits from public authorities for its use in the manner stated in the report.

**Environmental matters**

The valuation opinion is conditional on land or buildings relating to the object of the valuation not being in need of an environmental clean-up and there being no form of environmental encumbrance. In light of the provisions stated above, the valuer shall not be liable for any loss incurred by the client or a third party as a consequence of the inaccuracy of the valuation opinion due to the object of the valuation being in need of an environmental clean-up or there being any form of environmental encumbrance.

**Inspection, technical condition**

The physical condition of the facilities (buildings, etc.) as described in the report is based on an overall ocular inspection. The inspection conducted has not been of such a nature as to satisfy the seller's duty of disclosure or the buyer's duty to investigate pursuant. The object of the valuation is assumed to be in a condition and to be of the standard which the ocular inspection indicated at the time of the inspection. The valuer assumes no liability whatsoever for any latent defects or circumstances which are not obvious on the property, under the ground or in the building and which might affect the value. No liability is assumed for; any matter which would require specialist expertise or special knowledge to discover or; the functionality (freedom from defects) and/or the condition of fixtures of buildings, mechanical equipment, pipes or electrical components.

**Liability**

Any claims for damages arising from proven loss arising from any error in the valuation report must be made within one year from the date of the valuation (the date on which the valuation is signed). The maximum amount of damages which may be payable for proven loss arising from an error in the valuation report is 5 times the price base amount at the date of the valuation. Any force majeure that could affect the market value after the date of the written valuations report cannot be used to hold the valuer responsible.

**Validity of the valuation report**

Depending on whether the factors influencing the market value of the object of the valuation change, the valuation opinion referred to in the report is only valid at the date of the valuation, subject to the assumptions and reservations set forth in the report. Future incoming payments and outgoing payments and growth in value as declared in the report, where applicable, have been made based on a scenario which, in the opinion of the valuer, reflects the future projections of the property market. The valuation opinion does not constitute any undertaking as regards actual future growth in cash flow and growth in value.

**Use of the valuation report**

The content of the valuation report and its appendices is the property of the client and shall be used in its entirety for the purpose set forth in the report. Where the valuation report is used for legal matters, the valuer shall only be liable for direct and indirect loss which may affect the client provided that the report is used in accordance with what is stated above. The valuer shall have no liability whatsoever for any loss incurred by any third party as a consequence of such third party having used the valuation report or information provided therein. The valuations are governed by the laws of the Kingdom of Norway. Any disputes will be settled by the court of Oslo (Oslo Tingrett). Prior to the valuation report or parts thereof being reproduced, or referred to in any other written document, the valuer must approve the content and the manner in which the report is to be referred to.

# Vard Brattvåg

Valuation for VARD Group AS
4th of April 2018

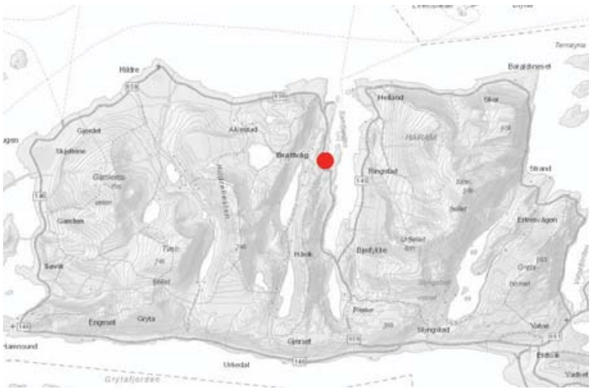
## CONTENT



## KEY FIGURES & SUMMARY

| | |
|---|---|
| Municipality: | Haram |
| Cadastral ref: | Gnr./bnr.: 28/235, 28/761, 28/216, 28/216, 28/697, 28/376, 28/370, 28/317, 28/218, 28/221, 28/85, 28/831, 28/377, 28/377. |
| Area: | 12 421 m2 building and 36 323 m2 of land. |
| **Value:** | **45.7 mNOK** |

*Strandgata 74, 6270 Brattvåg*



*Location, source: Location analytics*

## INTRODUCTION

### Terms of engagement and assignment

Cushman & Wakefield Realkapital (Cushman & Wakefield) has been instructed by Vard Holdings Limited (Vard) to undertake a valuation of portfolio of six assets in Norway. Vard owns all the assets. This report is specifically about Vard Brattvåg in Møre og Romsdal, Norway. The valuation is completed by an external valuer, as defined by RICS in the "Global Standards 2017". This includes incorporating the IVSC International valuation standards.

We confirm that we have no previous engagement with Vard in Norway or any conflict of interest in assessing the value of the asset.

The valuation date is set to be 5$^{th}$ of January 2018.

### Purpose of the valuation

The reports and/or its valuation summary for the property valuation are to be used in relation to the Delisting and the report may be a) included in the circular to the shareholders of the Company (the "Circular"), and b) disclosed to Client and its officers, employees, agents and advisors (including financial and legal advisors) and relevant regulatory bodies in Singapore (including the Singapore Exchange Securities Trading Limited and the Securities Industry Council).

### Report and valuation basis

The valuation of the properties will be prepared on the basis of Market value, defined by the International Valuation Standards (2017 edition). Market Value is set out as follows:

"The estimated amount for which an asset or liability should exchange on the valuation date, between a willing buyer and a willing seller in arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

### Inspection and valuation date

The valuation date is equal to inspection date. The asset was inspected by Jørgen Haugsvold from Cushman & Wakefield, on the 05.01.2018.

The asset has been inspected, but we have not completed a technical or environmental investigation. See general limitation and disclaimer, terms of engagement for further details.

### Valuation approach and assumptions

We have based many of our assumptions on information provided to us by Vard and have checked this information against publicly available information. Furthermore, this also includes environmental provisions on the combined assets. The valuation is based on market knowledge possessed by Cushman & Wakefield.

None of the assets have binding contract or split between property and the shipyard operation/user. The market value must been seen in conjunction with this assumption and fact. The market value must be seen in conjunction with this assumption and fact. Therefore, to calculate a market value we have utilised a cost approach, comparable transactions for similar properties and/or income approach, as deemed appropriate per asset.

The specific assumptions to the valuation are set out in the report. We have not taken into account any balance sheet items, tax related issues like tax loss carry-forwards, the value is a gross asset value as is common in the Norwegian real estate market.

Should any of the information and assumptions on which the valuation is based, afterward is found to be incorrect, the result of valuation might be incorrect and should be reassessed.

### Capacity of valuer

The person responsible for the valuation is qualified for the purpose in accordance with the Red Book. We also confirm that we have no previous material involvement with the property or conflict of interest, as previously stated.

### Limitation

Cushman & Wakefield has valued the property from a market point of view, and taken into account the information as we perceive it. If there are environmental, technical and/or legal issues that we have not been informed about, we assume that the gross market value will be adjusted accordingly.

Cushman & Wakefield has undertaken the valuation based upon material we believe to be reliable in our possession or supplied to us. Whilst every effort has been made to ensure its accuracy and completeness, we cannot offer any warranty that factual errors may not have occurred. Cushman & Wakefield takes no responsibility for any damages or loss suffered by reason of the inaccuracy or incorrectness of our valuation.

Due to the nature of the instructions and subject to the provisions in these terms and conditions and agreement, C&W's total aggregate liability in contract, tort (including negligence or breach of statutory duty), misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the services shall be limited to an aggregate sum not exceeding the fee paid. Cushman & Wakefield's responsibility shall be limited to the Client, and any use of the product (including, without limitation, the Report and contents therein) by third parties shall be solely at the risk of the Client and any such third parties. Please read the engagement letter in the end of the report for further details and information regarding limitation and responsibilities in regards to the report and valuation work done in conjunction with this instruction.

## MACRO ECONOMIC OVERVIEW

### Inflation

The inflation prognosis is based on yearly average forecast from Bank of Norway, DNB and Statistics Norway. After 2020 we have utilised the inflationary target from Bank of Norway.

| Inflation prognosis | | | | |
|---|---|---|---|---|
| **Source** | **2017** | **2018** | **2019** | **2020** |
| DNB | 1.90% | 1.80% | 1.40% | 1.50% |
| Norges Bank | 1.90% | 1.90% | 1.80% | 2.10% |
| SSB | 1.80% | 1.90% | 2.00% | 2.00% |
| **Prognosis** | **1.87%** | **1.87%** | **1.73%** | **1.87%** |

### Interest Rates and Financing Terms

The Central Bank had rate decision on the 14th of December 2017 where they decided to keep the key policy rate unchanged at 0.50%. Since New Year, oil has been traded downwards from 57 to 45 in end of June. However, since then, the price has been steadily climbing upwards to above 60 USD/barrel.

Governor Olsen stated in the press release; "The Executive Board's current assessment of the outlook and the balance of risks suggests that the key policy rate will remain at today's level in the period ahead."

The 5 and 10 year NOK SWAP increased significantly from July 2016 throughout the year. In 2017 the trend has been relatively flat.


*Source: Nordea Markets*

The main trends for loans to commercial real estate have increased from last period and appear to be:

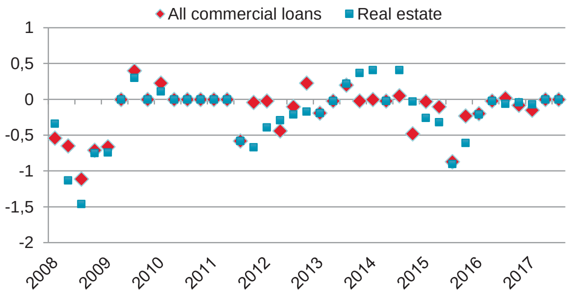
- Spread of 125-175 bps for the best projects, and around 250 bps +/- 50 bps for a normal loan.
- LTV up to 70% for the best projects, but compensate the margin upwards
- Uncertainty around traditional bank loan, but new possibilities through direct financing from pension funds. Bonds financing is also active.
- Latest experience suggests there is more competition between banks.
- Banks are carefully considering counterpart risk in syndicate structures.

Norges Bank's 'Survey of Bank Lending' from October 2017 can be summarised as follows:

- Credit standards for households and for non-financial enterprises were unchanged in Q3
- Credit demand from households fell and non-financial enterprises rose slightly in Q3

- Banks do not expect any changes in credit standards, loan conditions, lending rates, margins on loans or corporate credit demand in 2017 Q4.
- Household credit demand is expected to fall further in Q4.

The survey measures the banks' attitude towards real estate lending by asking if they are in this quarter more or less strict than in the previous. Results show that banks have had a relatively unchanged attitude the last year. Survey from October 2017 the banks' attitude for the second consecutive quarters are unchanged.




The indicative trading levels for bond spreads of real estate companies in the last 3 months have increased as we can see from the table below.

| BOND SPREADS Q4 (Q3) | | | | |
|---|---|---|---|---|
| Duration | 3 yr. | 5 yr. | 7 yr. | 10 yr |
| Entra | 57 (50) | 74 (68) | 88 (82) | 100 (96) |
| Olav Thon 1 pr pledge | 61 (57) | 80 (75) | 90 (89) | 100 (102) |
| NPRO 1. Pri pledge | 100 (85) | 135 (110) | 160 (135) | 185 (160) |
| Steen & Strøm secured | 59 (54) | 76 (74) | 91 (N/A) | 100 (N/A) |

### Employment market

The latest Manpower Employment Outlook Survey (MEOS) from September 2017 shows nearly a steady state in employment outlook for the year and is still positive. Among the 751 companies surveyed, 11% report that they will increase the number of employees in the next quarter and 4% report that they will reduce the workforce. Furthermore, there are 84 % who are not expecting any change and 1% who do not know yet.

According to NAV's annual company survey publication 24% are going to increase, while 10% are decreasing. The publication also shows a negative development in the demand for employees from the last survey. NAV estimates that Norwegian business is lacking 33 800 persons, which is 7 300 more than the same period last year.

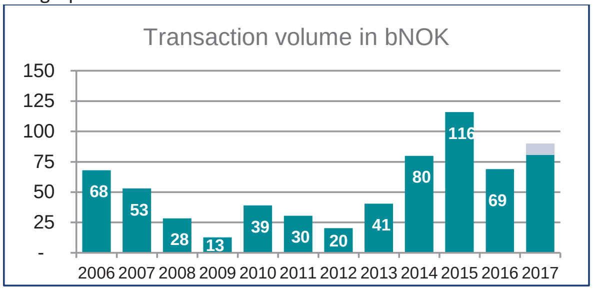
| Employment survey | | |
|---|---|---|
| Source | % increase workforce | % decrease workforce |
| Manpower | 7 | 4 |
| NAV | 24 | 10 |

The number of completely unemployed was according to NAV's latest "Helt Ledige" 64 216 persons in November 2017, which is a reduction of 13 941 persons compared to November 2016.

### Transaction market

In 2017, we expect a transaction volume around 90 bNOK, due to the eventful first three quarters with more than 61 bNOK in transaction volume. On average, Q4 has logged almost 30 bNOK, the last 5 years. International investors are still active in the market representing around 19% of the buy side so far. The largest transaction so far, this year is Swedish SBB's purchase of DNB's HQ at Bjørvika for 4.3 bNOK.

See graph for an overview of the transaction market since 2001:




Selected transactions 2017:

| Asset | Buyer | Seller | mNOK | Type |
|---|---|---|---|---|
| DNB Midtbygget | SSB | Arctic Securities | 4 300 | Office |
| 50% of Lørenskog Vinterpark | Canica og Baumann Invest | Selvaag Eiendom | 3 000 | Leisure |
| Storebrand HQ | Arctic Securities | Storebrand ASA | 2 200 | Office |
| Eufemia | KLP Eiendom | Oslo S Utvikling | 1 740 | Office |
| 50 % of Sundtkvartalet | Entra ASA | Skanska CD | 1 590 | Office |
| Esso portfolio | DCC Energy | ExxonMobil | 1 420 | Retail |
| Lilleakerveien 2 | Mustad Eiendom | Nordea Liv | 1 245 | Office |
| Horisont kjøpesenter | Coop Norge Eiendom | Capto Eiendom/Profier/Storm Eiendom/Harteig | 1 150 | Retail |
| Norwegian Outlet Vestby | Meyer Bergman | Norwegian Outlet Vestby | 1 100 | Retail |
| Forskningsvn 2 | Pareto | Union Real Estate Fund | 1 100 | Office |
| Other | | | 61 964 | |
| **Total** | | | **80 809** | |

*Source: Cushman & Wakefield Realkapital, research.*

Office makes out approximately 50% of all transactions followed by retail with just below 20%. Private real estate companies are most active with around 40% of the volume, while syndicate structures have been on the buy side of above 25%.

The transaction market will remain sensitive to changes in the interest rates. However, our leading macro economists suggest that we will have a low interest rate scenario the next years. New build activity is present and centrally located properties of high standard are being let. Norwegian economy is going well with expected growth in onshore GDP of 2.0 % and 2.5% in 2017 and 2018 respectively. As mentioned the oil price has increased significantly in the second half of 2017. Should this continue and the price stabilize on a higher level, the office areas exposed to oil and gas could be positively affected.

Cushwake Investor Confidence Index from September 2017 reports that 73% of all investors has an objective to be net buyers the next 6 months. Only 11% plans to reduce their stock. Above 60% of all investors expect improved office occupiers demand in the coming six months, a near doubling from the January survey. This is consistent with the results reported from both Arealstatistikk and Entra's Konsensusrapport. Possibly easing financing conditions, by signals from Norges Bank's lending survey, were confirmed by the survey where 26% (up from 10% in January) of the respondents believe in improved conditions.

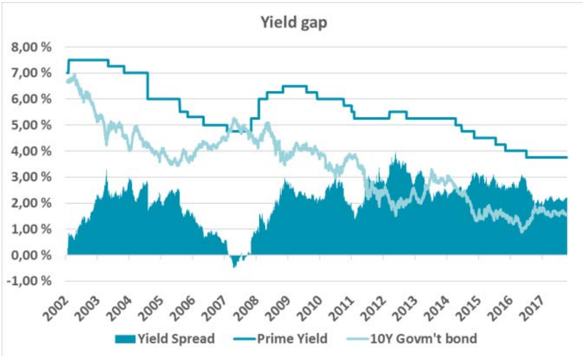
### Yield Trends

We still believe in a prime yield estimate at 3.75%. Recently we have observed transactions that might indicate that the prime yield has a downwards pressure.

- Winta Eiendom sold Cort Adelers gate 33 to Deka Investments for 73 million euros on a net initial yield of 3.70%.
- DNB's headquarters at Bjørvika (CBD 2) in Oslo was acquired by Swedish listed company SBB for 4.3 bNOK and a reported yield around 4%. Bjørvika is still not considered to be main CBD, indicating prime yield at Aker Brygge/Vika is still lower and around 3.75%.
- Eufemia, a 90% pre-let new-build project in CBD 2 was sold on a forward contract at around 3.9%.

It seems the gap between prime real estate and real estate located on the fringe of the best area is less. It could be reasoned by the limited supply of centrally located assets, but also that the comparable assets on the fringe are let on attractive lease contracts. Historically, spread between prime yield office and logistics has been higher than what is communicated today. This is due to several things; including that prime office yield is based on a mid-long contract around 5 years, while logistic assets often get transacted on double digit durations. Additionally, logistic properties often have substantial land plots with implicit value added from outdoor rent or development potential. The logistics property Bølerveien 61 with Skanska on a 12-year contract was recently transacted to around 4.85% initial yield, confirming the communicated gap between office and logistics in declining.

With a prime yield at 3.75% we get a yield gap against 10 yr gov. bond at 2.20% as of 13th December 2017.




*Source: Cushman & Wakefield Realkapital and Norges Bank*

## SHIPYARDS IN NORWAY

Norway has historically a long tradition for boat building. The long coast line and dependence on the sea has also been pivotal for the country. Up until the middle of 1970's Norway was one of the foremost ship building nations in the world. The business was dominated by large shipyards in the cities. Due to the shipping and oil crisis on the 1970's, the market for building ships changed, the cost of labour and lack of automatic solutions lead to a drastic reduction in shipyards of the more economically developed countries. More specifically in Norway many shipyards changed the operations from shipyards to offshore related production or converted to city transformational areas (like Aker Brygge or Værste). Norwegian shipyards lost the leading international position, but smaller and flexible shipyards emerged with high degree of competences and specialisation. This is seen in conjunction with the changes in the fishing fleet and the energy sector. The cluster for ship building is main focused along the coast from Rogaland to Trøndelag with the thickest density in Møre og Romsdal.

Norwegian shipyards currently have niche specialist shipyard activity towards smaller special constructions, such as offshore vessels, fishing trawls, research vessels, coastguards, coastal ferries, platform manufacturing and modules for installations on the Norwegian continental shelf.

Many of the yards makes a living from a combination of repairs, maintenance work, rebuilding and new construction. In the case of major work, many work tasks are outsourced to subcontractors, while the more advanced and technically demanding parts of the production is performed at home. Thus, the majority of value creation are retained in Norway.

### The shipyard markets

The Norwegian shipbuilding industry is fragmented as geographically and in size as in sales and earnings. The shipyards operate in a market with great national and international competition. The new Ship Scheme, which the government has entered into the state budget for 2018, is expected to have a positive effect on the order intake at Norwegian shipyards. It is expected in the years that there will be continued growth in ferry construction, cruise and expedition ships, speedboats, fisheries (including well boats), offshore wind farms, and service and work boats for the aquaculture industry. Examples of new types of ships in notification can be support vessels for offshore mining on the seabed. A certain fleet renewal in oil offshore with newbuilding and partly upgrading of existing fleet is also expected.

The total ingoing order book of Norwegian shipyards as of 1 January 2018 consists of 83 vessels for a total value of 34 bnNOK (individual orders each exceeding 50 mNOK). The ingoing order book in 2017 was 48 ships for a total value of 15.5 bnNOK (individual orders each exceeding 50 mNOK). Corresponding ingoing order book in 2016 was 30 ships for a total value of 12.5 bnNOK. In addition, we assume that a larger number of vessels each with a value of less than 50 mNOK are ordered in 2017, we put the total value of these orders to 3 bnNOK. The corresponding amount and value of this vessel type think we will also apply for 2018. Overall, it is expected that the market place is fairly good all things considered. The sources of information on the order book is Norske Skipsverft.

The value of the ship operations, property and the counter party risk is all bound up with the activity and order book reserve. Rosenberg verft (operations) was sold from Aker Kværner in 2003 for a non- disclosed sum. In 2007 the company was sold from the local investors, that bought the company in 2003, for 700 mNOK to Bergen Group. In 2014 the company was again sold and this time WorleyParsons for 1.1 bnNOK. The property has had same majority owner since Kværner sold the property in 2003. The general activity in the energy started fallin towards the end of 2014. The sector has undergone major cost cutting and restructuring. In addition, the oil price is starting to climb and the activity looks to increase. The pelagic and automatic fisheries has has a record turnover and activity increasing order book in the shipyard sector. Ferries and especially more eco-friendly alternatives are driving investments and boosting yard activity. Maintenance is important for all types of sector. For market rent we have looked at other ship yards and industrial properties that deliver products for specialiased and international markets.

Shipyards often need extensive piece of land to operate. Both income and value can be compared by looking into these parameters and the percentage split between them. We have investigate both the rental income and transactions in regards to shipyards. It is not the most liquid market and is deemed to cyclical and more cyclical than the average/normal property market. See summaries of below;

## Market rent

The information is based on properties where there is a split between operator and owner. If the rent seems to indicate variable based income we have taken approximately a five-year average. The main sources is a mix between infoland.ambita and purehelp.no. We have looked into the percentage difference on land versus building as well income on the operations to quality check. Another important aspect on the market rent than land and building size is technical specification such as quay length and depth, weight of cranes, division of cost, upgrades, etc. The follow findings give us an expectation of the market rent either by NOK/m2 building or NOK/m2 plot;

| Name | Location | Size daa | Building m2 | Income mNOK | NOK/m2 building | NOK/m2 plot | Comments |
|---|---|---|---|---|---|---|---|
| Miljøbase Vats | Vats | 97,7 | 6778 | 24,6 | 3 629 | 252 | The rental income also includes that to run the property, 195 daa is rented from the municipality. The buyer ran both operations and wanted control over the rent paid according to several sources. |
| Rosenberg | Stavanger | 434 | 173172 | 65 | 375 | 150 | Multiple tenants and plans to convert part of the shipyard to residential. |
| Brevik | Porsgrunn | 65,4 | 20525 | 11,8 | 575 | 180 | New contract signed for a three-year contract. Income from public sources are higher than the contract we have received |
| Fjellstrand | Kvam | 33 | | 8,0 | | 242 | One of the prior Kværner shipyards that were bought and restructured. There are many cadastral reference numbers that we have based the plot size on a web measurement |
| Fiskarstrand verft | Sula (Ålesund) | 44,2 | 3535 | 11,5 | 3 253 | 260 | Several of the buildings are without m2 in ambita, which make the parameter somewhat difficult to check. |
| Aker Solution Egersund | Egersund | 500,3 | 41500 | 18,8 | 453 | 38 | Set contract with indexation. Large plot of land, that with web survey seems to be unused or undeveloped. That indicates the rent NOK/m2 plot parameter is less important. Triple net bare house contract |
| Midsund Bruk | Midsun | 77,5 | 6500 | 3,1 | 484 | 41 | Set contract with indexation. Large plot of land, that with web survey seems to be unused or undeveloped. That indicates the rent NOK/m2 plot parameter is less important. Triple net bare house contract |
| Sandnessjøen | Alstahaug | 81,3 | 14139 | 5,1 | 360 | 63 | Set contract with indexation. Based outside of Sandnessjøen. Triple net bare house contract |
| Sandnessjøen | Alstahaug | 81,3 | 14139 | 3,6 | 255 | 44 | Bought to Aker Solutions. Renegotiated afterwards based on the transaction that happened afterwards and purehelp from the public accounts |
| Mongstad supply base | Mongstad | 600 | 72000 | 85,6 | 1 189 | 143 | Supply base for the energy sector and not directly comparable. Active management of assets by landlord. Not directly a shipyard as such. |
| Risavika Havn | Risavika | 110 | 12000 | 56,5 | 4 708 | 514 | Harbour more than a shipyard and not directly comparable. |
| Ulstein verf | Osnes | 185 | 20645 | 49 | 2 373 | 265 | Average income is based on a five-year average. |

## Market transaction

The transactions we have tracked and found are used for method C. Based on our transaction database and available public information we have found the following transactional evidence;

| Name | Date | Type of transaction | Value mNOK | NOK/m2 | NOK/plot | Comparison with subject property |
|---|---|---|---|---|---|---|
| Miljøbase Vats | 2014 | Operator buyback property | 226,3 | 33 387 | 2 316 | AFGruppen had 40% and rebought back 99.9%. Wanted more flexible structure on rent for property based on turnover |
| Vestbase | 2010 | Property transaction | 520 | 17 333 | 2 600 | Central base in Kristiansund. Pure property transaction. |
| Rosenberg | 2003 | Property | 350 | 2 021 | 806 | Kværner sold the operations to local investors in a separate transaction. The property was sold to Jacobson family as main owner. |
| Brevik | 2016 | Property, but distressed sale | 220 | 10 719 | 3 363 | Part of structured sale from Otium. Part of portfolio sale. |
| Bredalsholmen verft | 2015 | Land | 7 | | 323 | Very special property for museums ships and national competency. |
| Fosen | 2015 | Property | 5,26 | 1 513 | 72 | Bankruptcy – local group purchased |
| Kaldnes Vest | 2010 | Property | 125,7 | | 1 082 | Bought by local investor. Long term development. |
| Pusnes verft | 2016 | Property | 33,6 | 1 522 | 494 | Vacant possession – Otterland bought the assets. Located in Arendal |
| Aker Solution Egersund | 2016 | Property | 280 | 6 747 | 560 | Long contract. Clear split between operator and property. Estimated value from portfolio |
| Midsund Bruk | 2016 | Proprety | 45 | 6 923 | 581 | Long contract. Clear split between operator and property. Operations sold to NOV, property to TRG |
| Sandnessjøen | 2016 | Property | 68 | 4 809 | 836 | Long contract. Clear split between operator and property. Estimated value from portfolio |
| Sandnessjøen | 2012 | Property & operations? | 25,15 | 1 779 | 309 | From public registry. Rent was significantly lower. Uncured duration. |
| Mongstad supply base | 2015 | Property | 950 | 13 194 | 1 583 | Sold from Wimoh to EQT. Several investments made afterwards. Property is actively marketed now, but significantly large part of Mongsdad. Clear split. Statoil main tenant |
| Portfolio | 2015 | Property | 1243 | | | TRG bought portfolio from Aker Solutions |
| Risavika Havn | 2016 | Proprety | 1800 | | | Risavika IKS (public) bought out minority shareholder |
| Risavika Havn | 2016 | Property portfolio | 800 | 66 667 | 7 273 | Portfolio sold from Risavika to Asset Buyout Partners. |
| Umoe mandal | 2017 | Operator buyback property | 4 | 687 | 392 | Smaller property, no seafront, unsure whether or not internal transaction. |

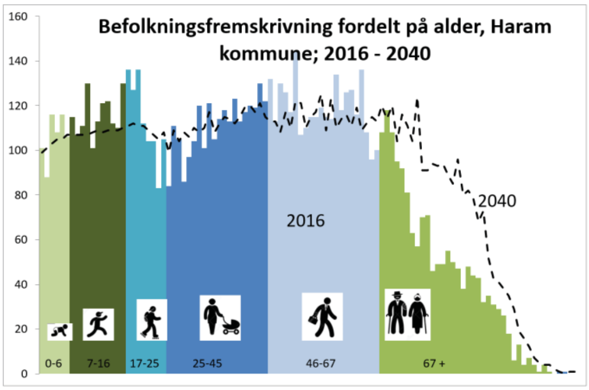
### Location

Haram is a municipality in Sunnmøre, in Møre og Romsdal, with 9 302 inhabitants. It borders in the east towards Vestnes and in the southeast towards Skodje. Over the Grytafjord in the south lies the municipality of Ålesund, and to the west lies the island of Giske. To the north of the Harøyfjord are the municipalities of Sandøy and Midsund.

Brattvåg is the town center and administration center in Haram municipality, on the western side of Samsfjorden, a southbound arm from the outer part of Romsdalsfjorden, 48 km northeast of Ålesund.

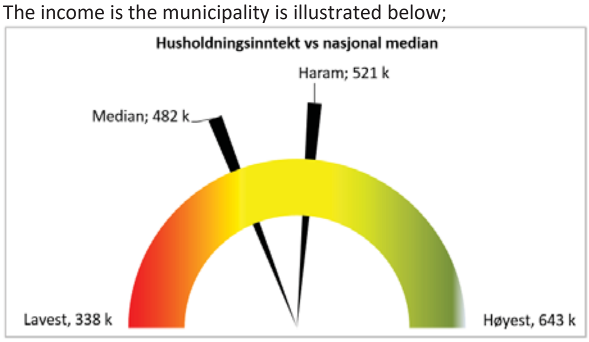
Brattvåg is a significant industrial center in northern Sunnmøre. The workshop industry dominates and forms the foundation of a maritime environment that also includes other industries and industries through suppliers and subcontractors. This environment comprises a number of towns in Sunnmøre and has the whole world as its market. Central businesses in this network in Brattvåg are Rolls-Royce Marine, as well as Vard AS. Brattvåg also has a textile and fish processing industry.

According the SSB the population in Haram municipality is expected to grow to 9 783 by 2040. This give a CAGR of 0.26 %, which is below the national average of 0.81%. It is expected that annually the municipality will grow with 24 people.




*Source: SSB and CWR analysis*

The income is the municipality is illustrated below;




*Source: SSB and CWR analysis*

The median income is above the national average with 39 000 NOK. This indicates that the people living the municipality is earning well over the national average. This a positive aspect.

The average price for housing in Brattvåg is 15 399 NOK/m2 p-rom. We had to use 1 year of registrated sales due to few benchmark transactions. For Haram municipality, the average residential prices for detached houses and flats are respectively 11 202 NOK/m2 and 25 793 NOK/m2 p-rom.

### Description of property

Vard Brattvåg was established in 1950, and has been in continuous operation since its startup. Today the yard employs up to 700 workers in project periods, and can be easily upgraded to handle 900. The number of permanent employees is 131 on valuation date according the web page of Vard (the number is 156 in the presentation we were given). The yard has after the oil downturn in 2014 had to reschedule and adjust its business to other shipping industry than the offshore industry.

Vard Brattvåg consists of several property numbers and has a total area of 36 323 m2. Most of this area is regulated to industry, and consists the following; The yard itself. This property is 33 829 m2 (several property numbers). The rest of the area is regulated as residential area, a total of 2 494 m2 located west of the yard property. This area is partly developed with detached houses. Theese houses is today used to accommodate project employes of the yard.

*Overview of the properties, source: Gårdskart*

### State of repair

The yard has been in continuous development since 1950. The buildings are built between 1984 and 2012, evenly distributed over these years. . Some of the facilities are not up to date, but it seems that it has been relatively well maintained over the years. Insulated combined administration and warehouse buildings from 2007 are heated with sea heat and heat pumps. This building also has a gym for the employes. In 2011, 2013 and 2014 workshop, canteen and the reception was upgraded. Last year, the cranes were overhauled and painted.

| Category | Unit | Total |
|---|---|---|
| Office/admin. | m2 | 3 207 |
| Workshop | m2 | 5 340 |
| Warehouse | m2 | 3 178 |
| Detached / apartment | m2 | 490 |
| Barracks | m2 | 206 |
| Quay/Quays | M | 205 |
| Ground area | A | 20 048 |
| **Total** | **m2** | **12 421** |

*Vard Brattvåg buildings overview*

For this valuation, we have not received any technical DD or DD as such, hence, we have not factored this into the valuation. Any DD findings that may contribute to affect the valuation in a positive or negative way should be deducted from the market value we have arrived at.

There is no ongoing development on the site that we know of.

### Zoning for the area

The yard area is regulated for industrial purposes, and the area with the detached houses, west of the yard, is regulated for residential area. PlanID 1534-95 named Brattvåg aust for Storgata, was adopted 8.12.1983.

*Clipart from the zoning plan, source: Haram municipality.*

### Accessibility

The closest city is Ålesund, 46.5 km away. The closest airport is Ålesund Airport, 50 km away. Car is the most common transport vehicle. The property is situated in an inlet and seems to be a safe harbour.

### Dockyard capabilities

We have been provided with a technical specifications for yard capabilities from Vard based on information from 2016. The assets has the following yard capacities;

| Brattvåg 2016 | |
|---|---|
| Number of Employees | 156 |
| Established | 1950 |
| Total Yard Area | 20 500 m2 |
| Quay/Quays | Total length main quay: 205 m<br>Depth main quay: 100 m of the quay has a depth over 7 m, the rest of the quay has depth 5 - 7 m<br>Total length second quay: 70 m<br>Depth second quay: 6.5 m<br>Number of cranes: 3<br>Crane capacities: 2 x 50 t + 1 x 60 t |
| Outfitting Hall | Capacity: 1 672 m2<br>Crane capacities: 3 x 20 t |
| Power | 2 500 kW / 220 V<br>3 000 kW / 415 V |
| Piping Workshop | Capacity: 1 500 m2<br>Crane capacities: 1 x 25 t + 2 x 6.3 t |
| Warehouse | Insulated warehouse: 800 m2<br>Uninsulated warehouse: 800 m2 |
| Carpentry Shop | Capacity: 240 m2 |
| Machine Shop | Capacity. 300 m2<br>Crane capacities: 1 x 25 t + 2 x 6.3 t<br>Lathes: 2<br>Cutting machine: 1<br>Drill press: 1 |
| Additional Information | Canteen and wardrobe capacity for up to 450 persons.<br>Independent office building with office accommodation for 22 subcontractors.<br>300 m2 covered storage space. |

### Marketability

The marketability of the asset is limited. The asset is highly specialised, in a rural location, the operator and landlord is the same organisation, but currently the split between property and operations is not set. These factors all affect the marketability and the type of purchaser. For example, a financial based buyer will be sceptical to purchase an asset where the contractual obligation between the parties are not set. The shipyards are all the key private employer and cornerstone employer in their respective areas and the alternative use of land and buildings are small, if not used for the current purpose. The most likely purchaser would be another operator, local management or investors, ship owner in the area or governmental owned entity. Unless it is a distressed sale, we believe it would take 18 months to sell the asset. For a sale process, we would also recommend to split property and operating entity.

### Environmental

We have been provided with an environmental summary based on a survey made by an authorised consultancy. They found 3 areas that required clean-up. This has been completed. In addition, Vard has posted a remaining provision of 73.4 mNOK for seabed sediment clean-up. The approach we have used for the valuation purposes is to divide the provision between the four industrial assets on an equal measure or 18.35 mNOK. Should the environmental DD indicate capital needed to clean up the assets, the gross property value must be adjusted accordingly.

We have also checked with Norwegian Environment Agency. The property is listed in their database as an industrial property and that there is exists ground pollution that can be used with restrictions.

### Property tax

There is no property tax in Haram municipality.

### Costs

In assessing operation costs, we have considered the profile of tenants who pay VAT and the impact on deduction of VAT in the landlord's expenses. We have based our estimates on our best judgements but have not investigated the VAT status of each tenant. We have based our estimate of future reletting expenses on the assumption that these expenses will be VAT deductible.

## METHODS FOR THE VALUATION

The instruction entails to give a market value as the situation is now, including only the asset value, not the operation. As the operation and property value components are not in formalised structure on most of the asset we have used different approaches to derive at market value under the set assumption that you are to sell the asset and not the operation, and that the property is full use. Should this assumption change, the market value of the underlying property asset and the balance sheet of the owner will change. We have looked at the following approaches to value the asset;

**a) Book and land value approach**
**b) Reinstatement value**
**c) Comparable sales**
**d) New Vard contract day after valuation**
**e) Vacant possession value**

The order book of the operator of the shipyard is a decisive point when valuing a shipyard. Given that there is a clear separation between property asset and operator, the operator financial status and guarantees are important as well. We have seen both bankruptcies and a willingness to pay more for when the circumstances on the specific shipyard is right. We have not had access to the order book of the assets, but have assumed that market is more positive than it was in 2011, 2015 and 2016. It means, as we perceive it, to be competitive, but it is possible to make money this year.

The most common contract between a landlord and tenant is a triple net bare-house contract due to nature of the equipment and running maintenance. We have assumed that when valuing the assets. In the vacant possession value estimation, we have assumed that the landlord will cover property tax, own administration and insurance of the building shell.

For the methods in which the value is calculated based on a lease and cash flow, it will be of a significant nature what kind of lease agreement that is agreed. Maintenance responsibility and equipment ownership plays a major role in the valuation of shipyards.

### Method a) Depreciation values

In order to arrive at market value by using this method we use the depreciated valued and an estimated land value. Combined these two make an estimated market value.

The land can be valued by several methods. One way is to calculate the project value as the difference between sales price and construction cost. This project value must then be split between land value and site value. It is common to use various methods of splitting.

One way is to split the project value at a percentage rate between land owner and developer. 50/50 is quite common in projects with relatively low completion time and risk. The more time and risk involved, the more percentage must be adjusted in favour of the developer. Another way to look at it, is that a developer will require a profit, either per m2 or a percentage of the construction cost. Also here, the figures will normally be adjusted according to the risk involved in the project – high risk projects will be adjusted in favour of the developer.

A much used method is to set up a cash-flow, where the profit is discounted over the period the project is estimated to take. This is the best method for projects that runs over some time, since it shows the downside of tying capital to a site purchase early in a development project.

It is also possible to consider market price for land through comparable transactions. This requires a liquid market, where sites with approximately similar qualities can be compared.

We have been given specific information on depreciation values based on the 30.9.2017. The following table consist of the situation at that time;

| Summary of depreciation tNOK at 30.9.2017 | | | |
|---|---|---|---|
| **Building & Property** | **COST** | **DEPR.** | **NET VALUE** |
| Barracks and fixtures | 757,9 | 733,2 | 24,6 |
| Buildings | 61 753,0 | 45 090,9 | 16 662,0 |
| Construction site | 15 132,5 | 7 015,1 | 8 117,4 |
| Housing | 3 373,8 | 1 367,9 | 2 005,9 |
| Quay structures | 31 597,4 | 15 549,8 | 16 047,6 |
| Real property | 6 430,0 | - | 6 430,0 |
| **Total** | **119 044,7** | **69 757,1** | **49 287,6** |

As you see the depreciated value is 49.3 mNOK, we have valued the land to 12.1 mNOK (see appendix for details of land value calculations) and the environmental liability at 18.4 mNOK. The combined value by this method is **43 mNOK.** This gives a value of 3 463 NOK/m2 building and 1 184 NOK/m2 land. The value seems to be under what we expect to see for this type of asset. Given that an investor would achieve a total direct return of the market value of 8% this would indicate a rent of 3.9 mNOK or 317 NOK/m2 building and 109 NOK/m2 land. Please note, that the rent simulation as a percentage of the market value will not take into account void days and other uncertainty and will be definition be lower than the estimated market rent, but it is used as a benchmark for the different approaches.

### Method b) reinstatement value

The reinstatement value, excluding land, has been estimated at 76.0 mNOK at the valuation date 05.01.2018. The reinstatement has been estimated by using construction cost parameters known to CWR in the current market. We have done several investigations for benchmark figures for the building types, while the specifications of equipment are based partly on the depreciation values. The main reason is to check if method a) is very different from the reinstatement value due to general CPI might outpace the depreciation figure and investor might find it more reasonable to invest in due to the entry barrier.

The depreciation used to deduct from the new built price for a similar shipyard today is the actual depreciation percentage as we have been sent.

The cost we operate with is based on a combined actual construction and developer's cost such as project management, financing and marketing. This results in the following estimation of reinstatement costs on the valuation date:

| Component | M2 | NOK/m2 (or unit) | Cost kNOK |
|---|---|---|---|
| Office/admin. | 3 207 | 21 000 | 67 347 000 |
| Workshop | 5 340 | 8 500 | 45 390 000 |
| Warehouse | 3 178 | 6 000 | 19 068 000 |
| Painting / Sandblasting Hall | | | |
| Detached / apartment | 490 | 20 000 | 9 800 000 |
| Barracks | 206 | 15 000 | 3 090 000 |
| Quay/Quays | 205 | 150 000 | 30 750 000 |
| Ground area | 20 048 | 400 | 8 019 208 |
| Total, excel depreciation | 12 421 | | 183 464 208 |
| Depreciation | | | 41,40 % |
| Reinstatement value | | | 75 959 004 |

**Units (# of parking spaces)*

We add reinstatement value 76 mNOK with the land value from method a) 12.1 mNOK and deducted the environmental liability 18.4 mNOK. The combined value by this method is **69.7 mNOK**. This gives a value of 5 610 NOK/m2 building and 1 918 NOK/m2 land. The value seems to be over what we expect to see for this type of asset. Given that an investor would achieve a total direct return of the market value of 8% this would indicate a rent of 5.6 mNOK or 449 NOK/m2 building and 153 NOK/m2 land. Please note, that the rent simulation as a percentage of the market value will not consider void days and other uncertainty and will be definition be lower than the estimated market rent, but it is used as a benchmark for the different approaches.

### Method c) sale comparable

Based on the property location, capabilities, the previously stated assumptions, the transactions we have observed on dockyards, the percentage between m2 of buildings/land, we deem the property to have the same characteristics as Sandnessjøen bought by TRG.

When using this approach to the value we have assumed that the environmental aspects were included in the prices we have compared to. Furthermore, we have used both NOK/m2 building and NOK/m2 plot of land and used the average of the two.
The combined value by this method **62.8 mNOK**. This gives a value of 5 000 NOK/m2 building and 1 750 NOK/m2 land. The value seems to be around what we expect to see for this type of asset. Given that an investor would achieve a total direct return of the market value of 8% this would indicate a rent of 5 mNOK or 405 NOK/m2 building and 138 NOK/m2 land. Please note, that the rent simulation as a percentage of the market value will not consider void days and other uncertainty and will be definition be lower than the estimated market rent, but it is used as a benchmark for the different approaches.

### Method d) new Vard contract day after valuation

We have valued the property with the use of a discounted cash flow analysis and discounted different parts of the cash flow with different discount rates – depending on the risk associated with each segment of the cash flow. Hence, agreed rent payments from tenants have been discounted at lower rates than the residual value. The residual value has been computed by applying an Exit Yield to the estimated net market rent. If there is a clearly identified land value in addition to the existing cash flow properties this is valued separately. As the asset is fully operative today, we believe that the asset will have no void days from the valuation date and based on the previously stated assumptions about triple bare house contracts and the rental information we have found, we present our assumptions of the parameters included in the valuation of the property.

| ASSUMPTIONS | |
|---|---|
| Parameter | Valuation |
| Income let area | Annual rent is 0 NOK on valuation date, as there are no tenants besides Vard. We have assumed that the asset will yield a rent of 6.1 mNOK from the day after valuation date. We believe this will happen without tenant improvements (TI) as the asset is in active use today. Should any TIs be included the rent should be renegotiated to reflect the cost of capital. |

| | |
|---|---|
| | Going forward, rental income is cpi adjusted annually based on the average of Statistics Norway, Norges Bank and DNB's estimate. From 2022, we have used Norges Bank's long-term inflation target at 2.5%. |
| Rental income, future area | When the entire asset is to be negotiated again after 5 years from the valuation date we believe a market rent of 490 NOK/m2. Due to uncertainty on the contract to be signed we have discounted the coming cash flow with 11.0%. |
| Reletting costs and vacancy | We have assumed a reletting period of 183 days for the shipyard, with relet costs of 100 NOK/m2. |
| Owner's costs | The owner is responsible for the administration of the ownership structure the property is based in, building insurance, and property tax. The rest is covered by the tenant<br><br>For administration and insurance, we have estimated 25 NOK/m2 and 8 NOK/m2. This equals 33 NOK/m2 or a total of 410 kNOK per year. This is 6.7 % of the gross market rent. |
| Common costs | Common costs are estimated to be NOK 325 per sqm. We have assumed that the owner will have to cover 50% of the actual costs during any void periods. |
| Residual value | The residual value has been discounted at a nominal rate of 11.00% p.a. which is based on the exit yield of 8.50% (the real-term return) plus 2.50% inflation. |
| Yield | We have considered that the exit yield for the property will be 8.50% and have applied this in our valuation. The net initial yield output is not relevant considering the assumptions we have based the valuation on. |

This method gives a market value **42.5 mNOK**. This gives a value of 3 422 NOK/m2 building and 1 170 NOK/m2 land. The value seems to be below what we expect to see for this type of asset. Given that an investor would achieve a total direct return of the market value of 8% this would indicate a rent of 3.4 mNOK or 274 NOK/m2 building and 94 NOK/m2 land. Please note, that the rent simulation as a percentage of the market value will not take into account void days and other uncertainty and will be definition be lower than the estimated market rent, but it is used as a benchmark for the different approaches.

The cash flow details of the valuation are specified in the following appendices.

### Method e) Vacant possession value

The shipyard, has as we perceive the local market, no other use than the current. If Vard vacate the asset on the valuation date it would impact the value significantly as the risk would increase exponentially. This illustrated with what happened with Fosen. This dockyard is situated in Rissa in Trøndelag and went bankrupt in 2015. It was sold for 5.6 mNOK to a local consortium and they also paid another 2.2 mNOK for equipment. The asset is in our list of transaction and was sold for 1 513 NOK/m2 building and 72 NOK/m2 land. We have utilised three years vacancy initially and then let for five years and then another period of vacancy. Please look in the appendices for details. The value for Brattvåg as vacant possession value is set to **10.6 mNOK** or 853 NOK/m2 building or 292 NOK/m2 land. The value compared to Fosen is lower pr m2 building value, but higher than the pr m2 land value.

## CONCLUSION

Based on the five methods and the outcomes of each method we have used, the mandate and assumptions given therein, we have estimated the market value to be **45.7 mNOK**. This gives a value 3 681 NOK/m2 building and 1 259 NOK/m2 land. There are several ways an owner operator can affect the value at the asset, but it will affect both sides of the owner operators financial statement. Please note, that the rent simulation as a percentage of the market value will not take into account void days and other uncertainty and will by definition be lower than the estimated market rent. However, this is used as a benchmark for the final value.

Depending on the valuation assumptions, gives a valuation range from **10.6 mNOK to 69.7 mNOK.**

**For Cushman & Wakefield Realkapital AS**

Arthur H. Lie
Head of Valuation, MRICS, REV

# APPENDICES
## Land value

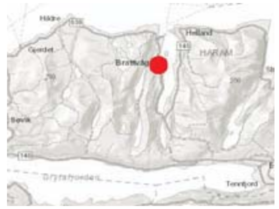
## Property information - VARD Brattvåg    05.01.2018

### Property facts

| | |
|---|---|
| County: | Møre og Romsdal |
| Municipality: | Haram |
| Property number(s): | N/A |
| Total land size m2: | 36 323 |
| Current zoning level: | Regulation plan |
| Zoning utilization: | Industry |
| Value mNOK: | **12,1** |
| Value NOK/m2 construction: | **691** |
| Value NOK/m2 gross land: | **333** |

### County and Municipality

### Location



### Sites included in valuation

### About the property

Vard Brattvåg was established in 1950, and has been in continuous operation since its startup. Today the yard employs up to 700 workers in project periods, and can be easily upgraded to handle 900. Vard Brattvåg consists of several property numbers and has a total area of 36 323 m2. Most of this area is regulated to industry, and consists the following; The yard itself. This property is 33 829 m2 (several property numbers). The rest of the area is regulated as residential area, a total of 2 494 m2 located west of the yard property. This area is partly developed with detached houses. Theese houses is today used to accommodate project employes of the yard.

### Zoning information

The yard area is regulated for industrial purposes, and the area with the detached houses, west of the yard, is regulated for residential area. PlanID 1534-95 named Brattvåg aust for Storgata, was adopted 8.12.1983.

### Current zoning plan


### Assumptions in valuation

It is assumed that the area is undeveloped and can achieve a different utilization than today's. The plan area is estimated to be 33.8 acres for the industrial section, and 2.5 acres for the residential area. Further, a utilization rate of 50% of the industrial area and 11% of the residential area is required. The industrial area is being built with combination premises, and the residential area is built with detached houses. In total, 16 915 m2 of industrial area and 590 m2 of living space are calculated. A positive difference between sales price and construction cost of 1 557 NOK/m2 for industrial area and 5 010 NOK/m2 for living space must be achieved in order to achieve the estimated value. We have estimated the sales yield of industrial property in the area to be 7,75%. It is assumed that the construction period will start in 2019 and last for 4 years. The discount rate is set at 15% during the period.

Finally, we have looked at the turnover of plots in the area. This to match the calculated value. We have had access to 20 residential properties that were traded between 2014 and 2017. The average price of these plots is 568 NOK/m2 and the median price is 670 NOK/m2.

### Conclusion

Based on the information described above, we have estimated the market value of the subject area to be: **12,1** mNOK

This represents a value per construkted m2 of: **691** NOK/m2

This represents a value per gross m2 land of: **333** NOK/m2

### Disclaimer

The valuation is based on information from the principal, as well as publicly available information. This review is only a desk-top exercise, and without inspection of the property. The scope of application is therefore limited. There may be more predictions for the value than described.

# Assumptions and summary - VARD Brattvåg

## Assumptions

| Commercial | |
|---|---|
| Lease / m2 | 1 060 |
| CPI adjustment | 100 % |
| Owners cost | 7,3 % |
| Sales yield | 7,75 % |
| Construction cost | 9 762 |
| Admin.& Project cost | 1 500 |
| CPI | 2,5 % |
| Total m2 | 16 915 |

| Residential | |
|---|---|
| Sales price | 27 500 |
| Construction cost | 20 212 |
| Admin.& Project cost | 2 000 |
| Price growth / yr | 2,5 % |
| Avg. Size (m2) | 180 |
| Sales rate / yr | 1 |
| Total # of units | 3 |
| Total m2 | 590 |

| Parking | |
|---|---|
| Sales price | - |
| Const. Cost | 25 000 |
| # spaces | 160 |

| Total cost per m2 inc. parking | |
|---|---|
| Commercia | 11 489 |
| Residential | 22 489 |

## SENSITIVITY ANALYSIS

Commercial

| Yield \ Rent / m2 | 910 | 1 035 | 1 060 | 1 085 | 1 110 |
|---|---|---|---|---|---|
| 7,25 % | 2,9 | 17,0 | 19,8 | 22,7 | 25,5 |
| 7,50 % | -0,6 | 13,1 | 15,8 | 18,6 | 21,3 |
| 7,75 % | -3,8 | 9,5 | **12,1** | 14,7 | 17,4 |
| 8,00 % | -6,8 | 6,0 | 8,6 | 11,2 | 13,7 |
| 8,25 % | -9,6 | 2,8 | 5,3 | 7,8 | 10,3 |

Residential

| Construction cost \ Salgspris per m2 | 23 500 | 25 500 | 27 500 | 29 500 | 31 500 |
|---|---|---|---|---|---|
| 16 212 | 12,1 | 12,7 | 13,3 | 14,0 | 14,6 |
| 18 212 | 11,5 | 12,1 | 12,7 | 13,3 | 14,0 |
| 20 212 | 10,9 | 11,5 | **12,1** | 12,7 | 13,3 |
| 22 212 | 10,2 | 10,9 | 11,5 | 12,1 | 12,7 |
| 24 212 | 9,6 | 10,2 | 10,9 | 11,5 | 12,1 |

## VALUATION

| Method | mNOK | Weight |
|---|---|---|
| Cash flow | 12,1 | 100 % |
| Profit split | | 0 % |
| Profit / m2 | | 0 % |
| Profit margin (%) | | 0 % |
| **Total** | **12,1** | **100 %** |

**The value represent to the buyer a;**

| | |
|---|---|
| 15,0 % | discounted return on investment |
| 47,8 % | share of profit |
| 632 | NOK return per m2 |
| 5,0 % | return on project |
| **691** | **NOK/m2 (value developed area)** |

| Distribution of value | mNOK | NOK/m2 |
|---|---|---|
| Commercial | 12,6 | 743 |
| Residential | 1,6 | 2 763 |
| Parking | -2,1 | -13 060 |
| **Sum** | **12,1** | **691** |

| Total exposure for buyer | |
|---|---|
| Purchase of plot | 12,1 |
| Total investment | 207,6 |
| **Total** | **219,7** |
| **Nominal profit** | **11,1** |

## Construction period / completion

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Commercial m2 (BTA) | - | - | - | 4 229 | 4 229 | 4 229 | 4 229 | - | - | - | - | - | - | - | - | - | - |
| Residential m2 (BRAs) | - | - | - | 148 | 148 | 148 | 148 | - | - | - | - | - | - | - | - | - | - |
| Parking, space | - | - | - | 40 | 40 | 40 | 40 | - | - | - | - | - | - | - | - | - | - |
| Total | - | - | - | 4 376 | 4 376 | 4 376 | 4 376 | - | - | - | - | - | - | - | - | - | - |
| Number of apartments | - | - | - | 1 | 1 | 1 | 1 | - | - | - | - | - | - | - | - | - | - |

## Cash flow value

## Vard Brattvåg

## Market Value mNOK 42,5

| Discount Rates | | |
|---|---|---|
| Tenant A | | 4,50 % |
| Tenant B | | 5,75 % |
| Tenant C | | 7,75 % |
| **Blend rate passing rent** | **N/A** | |
| Future rent | | 11,00 % |
| **Blend rate cash flow** | | **11,00 %** |
| Residual value | | 11,00 % |
| **Total blend rate (IRR)** | | **15,49 %** |

| Yields | |
|---|---|
| Exit yield | 8,50 % |
| Initial Yield | -0,96 % |
| Yield fully let | -0,96 % |
| Yield ex build rights etc | -0,67 % |

| Costs | NOK/m2 | kNOK |
|---|---|---|
| Maintenanc | - | (0) |
| Administrati | 25 | 311 |
| Insurance | 8 | 99 |
| Land lease | - | (0) |
| Property tax | - | (0) |
| Other costs | - | (0) |
| **OPEX** | **33** | **410** |
| OPEX % of market rent | | 6,7 % |
| VAT recoverable | | 100,0 % |
| Common costs | | 325 |
| Non-rec @ vacancy | | 50,0 % |

| Change Analysis | |
|---|---|
| **Previous value** | |
| Disc.rate /yield change | |
| Change market rent | |
| Change in costs | |
| Change inflation | |
| Other changes | |
| **New value** | **42,50** |

| Sensitivity tests | | |
|---|---|---|
| *Parameter* | *Event* | *Value* |
| Market rent | 10,0 % | 49,3 |
| Disc.rate | 0,25 % | 41,4 |
| Exit yield | 0,25 % | 41,8 |
| Inflation yr 1 | 1,0 % | 43,1 |

| **Valuation** | mNOK |
|---|---|
| NPV passing rent | - |
| NPV future rent | 45,3 |
| NPV of costs | -7,6 |
| Residual value | 23,1 |
| Building rights | - |
| Other corr. | -18,4 |
| **Total** | **42,5** |

| Key Ratios | |
|---|---|
| Value per m2 | 3 422 |
| Residual value per m2 | 5 510 |
| Value of vacant space | - |
| Rent potential | NA |
| Implicit value increment | 3,00 % |

| Valuation Period | |
|---|---|
| From: | 05.01.2018 |
| To: | 31.12.2030 |

### Comments

Deduction for environmental provision is made baded on expert consultancy report. Ground is measured by deduction footprint of building and 20 % margin of error. Totalt plot is 36.3 daa. We have assumed a bare-house contrac except landlord covers property tax, insurance and own administration. The market rent calibrated based on this assumption. Vard utilise the property today and we cannot see that Vard can move from the property on such a short notice even if the property is without a set contract.

### Net Rent Summary

| | | Area Distribution | | | | Gross Rent - kNOK | | Rent - NOK/unit | | Costs @ first relet | | Cost @ future relets | | As-is rent | Duration | | Valuation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Category** | **Unit** | **Total** | Let | Vacant | Adj.'mt | **Passing** | **Market** | **Passing** | **Market** | **Void days** | **Cost/m2** | **Void days** | **Cost/m2** | **NOK/m2** | **Current** | **Next** | **NOK/m2** |
| Office/admin. | m2 | **3 207** | 3 207 | - | - | - | 1 604 | - | 500 | | | 183 | 250 | 500 | | 5,0 | 5 001 |
| Workshop | m2 | **5 340** | 5 340 | - | - | - | 2 136 | - | 400 | | | 183 | 250 | - | | 5,0 | 4 001 |
| Warehouse | m2 | **3 178** | 3 178 | - | - | - | 1 271 | - | 400 | | | 183 | 250 | 400 | | 5,0 | 4 001 |
| Painting / Sandblasting Hall | m2 | **-** | - | - | - | - | - | - | - | | | 183 | 250 | - | | 5,0 | - |
| Detached / apartment | m2 | **490** | 490 | - | - | - | 368 | - | 750 | | | 183 | 500 | 750 | | 5,0 | 7 501 |
| Barracks | m2 | **206** | 206 | - | - | - | 155 | - | 750 | | | 183 | 500 | 750 | | 5,0 | 7 501 |
| | m2 | **-** | - | - | - | - | - | - | | | | 183 | | - | | 5,0 | - |
| | m2 | **-** | - | - | - | - | - | - | | | | 183 | | - | | 5,0 | - |
| Quay/Quays | M | **205** | 205 | - | - | - | 51 | - | 250 | | | 183 | | 250 | | 5,0 | 2 500 |
| Ground area | A | **20 048** | 20 048 | - | - | - | 501 | - | 25 | | | 183 | | 25 | | 5,0 | 250 |
| **Total** | | **12 421** | **12 421** | **-** | **-** | **-** | **6 085** | **-** | **490** | **-** | **-** | **183** | **100** | **490** | **#DIV/0!** | **5,0** | **3 422** |

| **Cash Flow - kNOK** | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 361 | 365 | 366 | 365 | 365 | 365 | 366 | 365 | 365 | 365 | 366 | 365 | 365 | 365 | 366 | 365 | 365 |
| CPI | 0 % | 1,67 % | 1,63 % | 1,73 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % |
| CPI index | 100 % | 101,67 % | 103,33 % | 105,12 % | 107,75 % | 110,44 % | 113,20 % | 116,03 % | 118,93 % | 121,90 % | 124,95 % | 128,08 % | 131,28 % | 134,56 % | 137,92 % | 141,37 % | 144,91 % |
| Real market rent change | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Yield change | | | | | | | | | | | | | | | | | |
| Income from current leases | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Income from future leases | 6 068 | 6 187 | 6 288 | 6 397 | 6 557 | 3 360 | 6 888 | 7 061 | 7 237 | 7 418 | 3 854 | 7 751 | 7 988 | - | - | - | - |
| **Gross rent** | **6 068** | **6 187** | **6 288** | **6 397** | **6 557** | **3 360** | **6 888** | **7 061** | **7 237** | **7 418** | **3 854** | **7 751** | **7 988** | **-** | **-** | **-** | **-** |
| Operating costs | (405) | (417) | (424) | (431) | (442) | (453) | (464) | (476) | (487) | (500) | (512) | (525) | (538) | - | - | - | - |
| Reletting costs | - | - | - | - | - | (3 622) | - | - | - | - | - | (4 200) | - | - | - | - | - |
| Share of common costs | - | - | - | - | - | (1 115) | - | - | - | - | (1 244) | (14) | - | - | - | - | - |
| CAPEX | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Residual value | - | - | - | - | - | - | - | - | - | - | - | - | 89 843 | - | - | - | - |
| **Net cash flow** | **5 663** | **5 770** | **5 864** | **5 966** | **6 115** | **(1 829)** | **6 424** | **6 585** | **6 750** | **6 918** | **2 098** | **3 012** | **97 293** | **-** | **-** | **-** | **-** |

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## Vard Brattvåg Vacant Possession Value

## Market Value mNOK 10,6

| Discount Rates | |
|---|---|
| Tenant A | 4,50 % |
| Tenant B | 5,75 % |
| Tenant C | 7,75 % |
| **Blend rate passing rent** | **N/A** |
| Future rent | 11,00 % |
| **Blend rate cash flow** | **11,00 %** |
| Residual value | 11,00 % |
| **Total blend rate (IRR)** | **19,56 %** |

| Yields | |
|---|---|
| Exit yield | 8,50 % |
| Initial Yield | -3,87 % |
| Yield fully let | -3,87 % |
| Yield ex build rights etc | -1,42 % |

| Costs | NOK/m2 | kNOK |
|---|---|---|
| Maintenanc | - | (0) |
| Administrati | 25 | 311 |
| Insurance | 8 | 99 |
| Land lease | - | (0) |
| Property tax | - | (0) |
| Other costs | - | (0) |
| **OPEX** | **33** | **410** |
| OPEX % of market rent | | 6,7 % |
| VAT recoverable | | 100,0 % |
| Common costs | | 325 |
| Non-rec @ vacancy | | 50,0 % |

| Change Analysis | |
|---|---|
| **Previous value** | |
| Disc.rate /yield change | |
| Change market rent | |
| Change in costs | |
| Change inflation | |
| Other changes | |
| **New value** | **10,60** |

| Sensitivity tests | | |
|---|---|---|
| *Parameter* | *Event* | *Value* |
| Market rent | 10,0 % | 15,3 |
| Disc.rate | 0,25 % | 9,8 |
| Exit yield | 0,25 % | 9,9 |
| Inflation yr 1 | 1,0 % | 43,1 |

| Valuation | mNOK |
|---|---|
| NPV passing rent | - |
| NPV future rent | 23,9 |
| NPV of costs | -18,2 |
| Residual value | 23,1 |
| Building rights | - |
| Other corr. | -18,4 |
| **Total** | **10,6** |

| Key Ratios | |
|---|---|
| Value per m2 | 853 |
| Residual value per m2 | 5 510 |
| Value of vacant space | - |
| Rent potential | NA |
| Implicit value increment | 14,57 % |

| Valuation Period | |
|---|---|
| From: | 05.01.2018 |
| To: | 31.12.2030 |

**Comments**

Vacant possession value. The asset is empty and for sale. New owner is responsible for environmental cleanup costs of 18.4 mNOK.

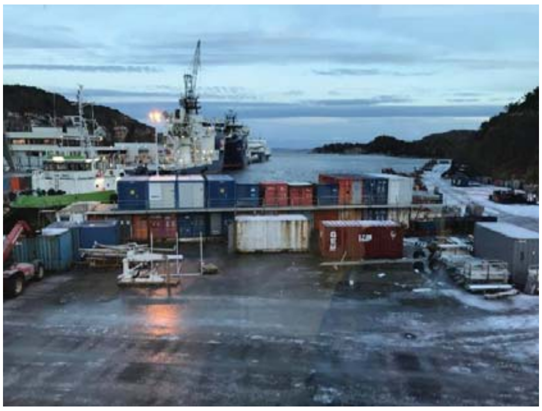
### Net Rent Summary

| | | Area Distribution | | | | Gross Rent - kNOK | | Rent - NOK/unit | | Costs @ first relet | | Cost @ future relets | | As-is rent | Duration | | Valuation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Category** | **Unit** | **Total** | Let | Vacant | Adj.'mt | **Passing** | **Market** | **Passing** | **Market** | **Void days** | **Cost/m2** | **Void days** | **Cost/m2** | **NOK/m2** | **Current** | **Next** | **NOK/m2** |
| Office/admin. | m2 | **3 207** | 3 207 | - | - | - | 1 604 | - | 500 | 1 095 | 500 | 1 095 | 500 | 400 | | 5,0 | 2 376 |
| Workshop | m2 | **5 340** | 5 340 | - | - | - | 2 136 | - | 400 | 1 095 | 400 | 1 095 | 400 | - | | 5,0 | 1 901 |
| Warehouse | m2 | **3 178** | 3 178 | - | - | - | 1 271 | - | 400 | 1 095 | 400 | 1 095 | 400 | 320 | | 5,0 | 1 901 |
| Painting / Sandblasting Hall | m2 | **-** | - | - | - | - | - | - | - | 1 095 | - | 1 095 | - | - | | 5,0 | - |
| Detached / apartment | m2 | **490** | 490 | - | - | - | 368 | - | 750 | 1 095 | 750 | 1 095 | 750 | 600 | | 5,0 | 3 564 |
| Barracks | m2 | **206** | 206 | - | - | - | 155 | - | 750 | 1 095 | 750 | 1 095 | 750 | 600 | | 5,0 | 3 564 |
| | m2 | **-** | - | - | - | - | - | - | | | | 183 | - | - | | 5,0 | - |
| | m2 | **-** | - | - | - | - | - | - | | | | 183 | - | - | | 5,0 | - |
| Quay/Quays | M | **205** | 205 | - | - | - | 51 | - | 250 | 1 095 | 250 | 1 095 | 250 | 200 | | 5,0 | 1 188 |
| Ground area | A | **20 048** | 20 048 | - | - | - | 501 | - | 25 | 1 095 | 25 | 1 095 | 25 | 20 | | 5,0 | 119 |
| **Total** | | **12 421** | **12 421** | **-** | **-** | **-** | **6 085** | **-** | **490** | **1 095** | **186** | **1 095** | **186** | **453** | **#DIV/0!** | **5,0** | **853** |

### Cash Flow - kNOK

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 361 | 365 | 366 | 365 | 365 | 365 | 366 | 365 | 365 | 365 | 366 | 365 | 365 | 365 | 366 | 365 | 365 |
| CPI | 0 % | 1,67 % | 1,63 % | 1,73 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % |
| CPI index | 100 % | 101,67 % | 103,33 % | 105,12 % | 107,75 % | 110,44 % | 113,20 % | 116,03 % | 118,93 % | 121,90 % | 124,95 % | 128,08 % | 131,28 % | 134,56 % | 137,92 % | 141,37 % | 144,91 % |
| Real market rent change | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Yield change | | | | | | | | | | | | | | | | | |
| Income from current leases | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Income from future leases | - | - | - | 6 327 | 6 557 | 6 720 | 6 888 | 7 061 | 59 | - | - | 7 751 | 7 988 | - | - | - | - |
| **Gross rent** | **-** | **-** | **-** | **6 327** | **6 557** | **6 720** | **6 888** | **7 061** | **59** | **-** | **-** | **7 751** | **7 988** | **-** | **-** | **-** | **-** |
| Operating costs | (405) | (417) | (424) | (431) | (442) | (453) | (464) | (476) | (487) | (500) | (512) | (525) | (538) | - | - | - | - |
| Reletting costs | - | - | - | (6 397) | - | - | - | - | - | - | - | (7 794) | - | - | - | - | - |
| Share of common costs | (1 991) | (2 052) | (2 086) | (23) | - | - | - | - | (2 381) | (2 461) | (2 522) | (14) | - | - | - | - | - |
| CAPEX | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Residual value | - | - | - | - | - | - | - | - | - | - | - | - | 89 843 | - | - | - | - |
| **Net cash flow** | **(2 396)** | **(2 469)** | **(2 509)** | **(524)** | **6 115** | **6 268** | **6 424** | **6 585** | **(2 809)** | **(2 960)** | **(3 034)** | **(582)** | **97 293** | **-** | **-** | **-** | **-** |

## PICTURES FROM SITE VISIT



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## GENERAL TERMS & CONDITIONS

These General Terms & Conditions shall apply for this valuation report and the following shall apply unless otherwise stated in the valuation report:

**Scope of the valuation report**
The object of the valuation covers the real property or the equivalent stated, with appurtenant rights and obligations in the form of easements, rights of way, community association and other rights or obligations stated in extracts from the Land Register pertaining to the object of the valuation. The valuation report also covers, where applicable, fixtures and fittings of the property and fixtures and fittings of the building relating to the object of the valuation, however not industrial fixtures and fittings to an extent other than as set forth in the report. For the purpose of this valuation report, Cushman & Wakefield Realkapital has not been instructed to extract information from the Land Register, hence, we assume that registered rights in respect of the property can be verified by means of an extract from the Land Register and that the information obtained from the Land Register is accurate and complete. Furthermore, that the object of the valuation is not encumbered by any unregistered easements, right of use agreements or any other agreements which limit, in any respect, the property owner's right to use the property and that the object of the valuation is not encumbered by onerous expenses, fees or other encumbrances. It has also been assumed that the object of the valuation is, in no respect, the subject of a dispute.

**Assumptions for the valuation report**
The information included in the valuation report has been obtained from sources which are deemed to be reliable. All information obtained from the client/owner or his representative and any holders of rights of use has been assumed to be accurate. The information has only been verified through a general assessment of reasonableness. In addition, it has been assumed that no information of relevance to the valuation opinion has been omitted by the client/owner or his representative.

The land areas which form the basis of the valuation have been obtained from the client/owner or his representative. The valuer has relied on these land areas and has not measured them on site or on drawings, but the areas have been verified by means of an assessment of reasonableness. The areas have been assumed to be measured in accordance with the "Norwegian Standards" applicable from time to time. As regards tenancies and leasehold conditions relating to land or other rights of use, the valuation opinion has, where applicable, been based on applicable leases of property and leases of land, and other rights of use agreements. Copies of these, or other documents, indicating relevant terms and conditions have been obtained from the client/owner or his representative. It has been assumed that the object of the valuation complies with all requisite requirements from public authorities and terms and conditions applicable to the property, such as plans, etc., and has obtained all requisite permits from public authorities for its use in the manner stated in the report.

**Environmental matters**
The valuation opinion is conditional on land or buildings relating to the object of the valuation not being in need of an environmental clean-up and there being no form of environmental encumbrance. In light of the provisions stated above, the valuer shall not be liable for any loss incurred by the client or a third party as a consequence of the inaccuracy of the valuation opinion due to the object of the valuation being in need of an environmental clean-up or there being any form of environmental encumbrance.

**Inspection, technical condition**
The physical condition of the facilities (buildings, etc.) as described in the report is based on an overall ocular inspection. The inspection conducted has not been of such a nature as to satisfy the seller's duty of disclosure or the buyer's duty to investigate pursuant. The object of the valuation is assumed to be in a condition and to be of the standard which the ocular inspection indicated at the time of the inspection. The valuer assumes no liability whatsoever for any latent defects or circumstances which are not obvious on the property, under the ground or in the building and which might affect the value. No liability is assumed for; any matter which would require specialist expertise or special knowledge to discover or; the functionality (freedom from defects) and/or the condition of fixtures of buildings, mechanical equipment, pipes or electrical components.

**Liability**
Any claims for damages arising from proven loss arising from any error in the valuation report must be made within one year from the date of the valuation (the date on which the valuation is signed). The maximum amount of damages which may be payable for proven loss arising from an error in the valuation report is 5 times the price base amount at the date of the valuation. Any force majeure that could affect the market value after the date of the written valuations report cannot be used to hold the valuer responsible.

**Validity of the valuation report**
Depending on whether the factors influencing the market value of the object of the valuation change, the valuation opinion referred to in the report is only valid at the date of the valuation, subject to the assumptions and reservations set forth in the report. Future incoming payments and outgoing payments and growth in value as declared in the report, where applicable, have been made based on a scenario which, in the opinion of the valuer, reflects the future projections of the property market. The valuation opinion does not constitute any undertaking as regards actual future growth in cash flow and growth in value.

**Use of the valuation report**
The content of the valuation report and its appendices is the property of the client and shall be used in its entirety for the purpose set forth in the report. Where the valuation report is used for legal matters, the valuer shall only be liable for direct and indirect loss which may affect the client provided that the report is used in accordance with what is stated above. The valuer shall have no liability whatsoever for any loss incurred by any third party as a consequence of such third party having used the valuation report or information provided therein. The valuations are governed by the laws of the Kingdom of Norway. Any disputes will be settled by the court of Oslo (Oslo Tingrett). Prior to the valuation report or parts thereof being reproduced, or referred to in any other written document, the valuer must approve the content and the manner in which the report is to be referred to.

CUSHMAN & WAKEFIELD | Realkapital

# Vard Langsten

Valuation for VARD Group AS
4th of April 2018

Cushman & Wakefield | Realkapital

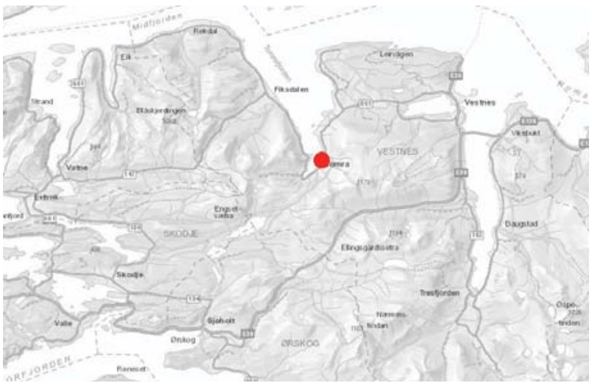
## CONTENT



## KEY FIGURES & SUMMARY

| | |
|---|---|
| Municipality: | Vestnes |
| Cadastral ref: | Gnr./bnr.: 60/112, 61/1, 60/112, 61/1, 61/104, 61/112, 64/73, 64/81, 64/83, 65/37, 65/43, 66/10, 66/19, 66/33, 66/4, 66/42, 66/7, 66/9, 67/10, 67/146, 67/155, 67/16, 67/18, 67/21, 67/29, 67/76, 70/64. |
| Area: | 39 497 m2 building and 291 210 m2 of land. |
| **Value:** | **120.1 mNOK** |

*Fjordvegen 420, 6393 Tomra*



*Location, source: Location analytics*

## INTRODUCTION

### Terms of engagement and assignment

Cushman & Wakefield Realkapital (Cushman & Wakefield) has been instructed by Vard Holdings Limited (Vard) to undertake a valuation of portfolio of six assets in Norway. Vard owns all the assets. This report is specifically about Vard Langsten in Møre og Romsdal, Norway. The valuation is completed by an external valuer, as defined by RICS in the "Global Standards 2017". This includes incorporating the IVSC International valuation standards.

We confirm that we have no previous engagement with Vard in Norway or any conflict of interest in assessing the value of the asset.

The valuation date is set to be 4th of January 2018.

### Purpose of the valuation

The reports and/or its valuation summary for the property valuation are to be used in relation to the Delisting and the report may be a) included in the circular to the shareholders of the Company (the "Circular"), and b) disclosed to Client and its officers, employees, agents and advisors (including financial and legal advisors) and relevant regulatory bodies in Singapore (including the Singapore Exchange Securities Trading Limited and the Securities Industry Council).

### Report and valuation basis

The valuation of the properties will be prepared on the basis of Market value, defined by the International Valuation Standards (2017 edition). Market Value is set out as follows:

"The estimated amount for which an asset or liability should exchange on the valuation date, between a willing buyer and a willing seller in arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

### Inspection and valuation date

The valuation date is equal to inspection date. The asset was inspected by Jørgen Haugsvold from Cushman & Wakefield, on the 04.01.2018.

The asset has been inspected, but we have not completed a technical or environmental investigation. See general limitation and disclaimer, terms of engagement for further details.

### Valuation approach and assumptions

We have based many of our assumptions on information provided to us by Vard and have checked this information against publicly available information. Furthermore, this also includes environmental provisions on the combined assets. The valuation is based on market knowledge possessed by Cushman & Wakefield.

None of the assets have binding contract or split between property and the shipyard operation/user. The market value must been seen in conjunction with this assumption and fact. The market value must be seen in conjunction with this assumption and fact. Therefore, to calculate a market value we have utilised a cost approach, comparable transactions for similar properties and/or income approach, as deemed appropriate pr asset.

The specific assumptions to the valuation are set out in the report.

We have not taken into account any balance sheet items, tax related issues like tax loss carry-forwards, the value is a gross asset value as is common in the Norwegian real estate market.

We have also been asked to include a vacant possession value if Vard no longer utilises the asset. The value of the shipyard is nearly binary to the asset value, i.e. with no operation the value is significantly lower.

Should any of the information and assumptions on which the valuation is based, afterward is found to be incorrect, the result of valuation might be incorrect and should be reassessed.

### Capacity of valuer

The person responsible for the valuation is qualified for the purpose in accordance with the Red Book. We also confirm that we have no previous material involvement with the property or conflict of interest, as previously stated.

### Limitation

Cushman & Wakefield has valued the property from a market point of view, and taken into account the information as we perceive it. If there are environmental, technical and/or legal issues that we have not been informed about, we assume that the gross market value will be adjusted accordingly.

Cushman & Wakefield has undertaken the valuation based upon material we believe to be reliable in our possession or supplied to us. Whilst every effort has been made to ensure its accuracy and completeness, we cannot offer any warranty that factual errors may not have occurred. Cushman & Wakefield takes no responsibility for any damages or loss suffered by reason of the inaccuracy or incorrectness of our valuation.

Due to the nature of the instructions and subject to the provisions in these terms and conditions and agreement, C&W's total aggregate liability in contract, tort (including negligence or breach of statutory duty), misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the services shall be limited to an aggregate sum not exceeding the fee paid. Cushman & Wakefield's responsibility shall be limited to the Client, and any use of the product (including, without limitation, the Report and contents therein) by third parties shall be solely at the risk of the Client and any such third parties. Please read the engagement letter in the end of the report for further details and information regarding limitation and responsibilities in regards to the report and valuation work done in conjunction with this instruction.

## MACRO ECONOMIC OVERVIEW

### Inflation

The inflation prognosis is based on yearly average forecast from Bank of Norway, DNB and Statistics Norway. After 2020 we have utilised the inflationary target from Bank of Norway.

| Inflation prognosis | | | | |
|---|---|---|---|---|
| **Source** | **2017** | **2018** | **2019** | **2020** |
| DNB | 1.90% | 1.80% | 1.40% | 1.50% |
| Norges Bank | 1.90% | 1.90% | 1.80% | 2.10% |
| SSB | 1.80% | 1.90% | 2.00% | 2.00% |
| **Prognosis** | **1.87%** | **1.87%** | **1.73%** | **1.87%** |

### Interest Rates and Financing Terms

The Central Bank had rate decision on the 14th of December 2017 where they decided to keep the key policy rate unchanged at 0.50%. Since New Year, oil has been traded downwards from 57 to 45 in end of June. However, since then, the price has been steadily climbing upwards to above 60 USD/barrel.

Governor Olsen stated in the press release; "The Executive Board's current assessment of the outlook and the balance of risks suggests that the key policy rate will remain at today's level in the period ahead."

The 5 and 10 year NOK SWAP increased significantly from July 2016 throughout the year. In 2017 the trend has been relatively flat.


*Source: Nordea Markets*

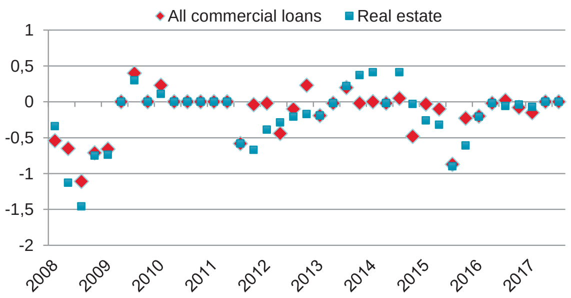
The main trends for loans to commercial real estate have increased from last period and appear to be:

- Spread of 125-175 bps for the best projects, and around 250 bps +/- 50 bps for a normal loan.
- LTV up to 70% for the best projects, but compensate the margin upwards
- Uncertainty around traditional bank loan, but new possibilities through direct financing from pension funds. Bonds financing is also active.
- Latest experience suggests there is more competition between banks.
- Banks are carefully considering counterpart risk in syndicate structures.

Norges Bank's 'Survey of Bank Lending' from October 2017 can be summarised as follows:

- Credit standards for households and for non-financial enterprises were unchanged in Q3
- Credit demand from households fell and non-financial enterprises rose slightly in Q3
- Banks do not expect any changes in credit standards, loan conditions, lending rates, margins on loans or corporate credit demand in 2017 Q4.
- Household credit demand is expected to fall further in Q4.

The survey measures the banks' attitude towards real estate lending by asking if they are in this quarter more or less strict than in the previous. Results show that banks have had a relatively unchanged attitude the last year. Survey from October 2017 the banks' attitude for the second consecutive quarters are unchanged.




The indicative trading levels for bond spreads of real estate companies in the last 3 months have increased as we can see from the table below.

| BOND SPREADS Q4 (Q3) | | | | |
|---|---|---|---|---|
| **Duration** | **3 yr.** | **5 yr.** | **7 yr.** | **10 yr** |
| Entra | 57 (50) | 74 (68) | 88 (82) | 100 (96) |
| Olav Thon 1 pr pledge | 61 (57) | 80 (75) | 90 (89) | 100 (102) |
| NPRO 1. Pri pledge | 100 (85) | 135 (110) | 160 (135) | 185 (160) |
| Steen & Strøm secured | 59 (54) | 76 (74) | 91 (N/A) | 100 (N/A) |

## Employment market

The latest Manpower Employment Outlook Survey (MEOS) from September 2017 shows nearly a steady state in employment outlook for the year and is still positive. Among the 751 companies surveyed, 11% report that they will increase the number of employees in the next quarter and 4% report that they will reduce the workforce. Furthermore, there are 84 % who are not expecting any change and 1% who do not know yet.

According to NAV's annual company survey publication 24% are going to increase, while 10% are decreasing. The publication also shows a negative development in the demand for employees from the last survey. NAV estimates that Norwegian business is lacking 33 800 persons, which is 7 300 more than the same period last year.

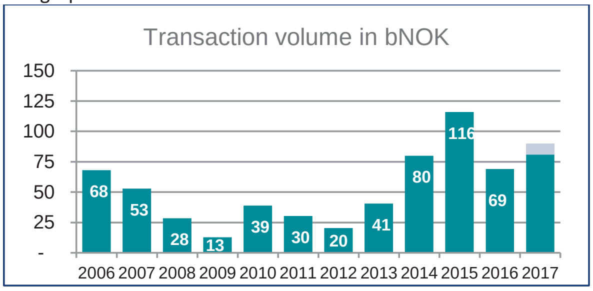
| Employment survey | | |
|---|---|---|
| **Source** | **% increase workforce** | **% decrease workforce** |
| Manpower | 7 | 4 |
| NAV | 24 | 10 |

The number of completely unemployed was according to NAV's latest "Helt Ledige" 64 216 persons in November 2017, which is a reduction of 13 941 persons compared to November 2016.

## Transaction market

In 2017, we expect a transaction volume around 90 bNOK, due to the eventful first three quarters with more than 61 bNOK in transaction volume. On average, Q4 has logged almost 30 bNOK, the last 5 years. International investors are still active in the market representing around 19% of the buy side so far. The largest transaction so far, this year is Swedish SBB's purchase of DNB's HQ at Bjørvika for 4.3 bNOK.

See graph for an overview of the transaction market since 2001:




Selected transactions 2017:

| Asset | Buyer | Seller | mNOK | Type |
|---|---|---|---|---|
| DNB Midtbygget | SSB | Arctic Securities | **4 300** | Office |
| 50% of Lørenskog Vinterpark | Canica og Baumann Invest | Selvaag Eiendom | **3 000** | Leisure |
| Storebrand HQ | Arctic Securities | Storebrand ASA | **2 200** | Office |
| Eufemia | KLP Eiendom | Oslo S Utvikling | **1 740** | Office |
| 50 % of Sundtkvartalet | Entra ASA | Skanska CD | **1 590** | Office |
| Esso portfolio | DCC Energy | ExxonMobil | **1 420** | Retail |
| Lilleakerveien 2 | Mustad Eiendom | Nordea Liv | **1 245** | Office |
| Horisont kjøpesenter | Coop Norge Eiendom | Capto Eiendom/Profier/Storm Eiendom/Harteig | **1 150** | Retail |
| Norwegian Outlet Vestby | Meyer Bergman | Norwegian Outlet Vestby | **1 100** | Retail |
| Forskningsvn 2 | Pareto | Union Real Estate Fund | **1 100** | Office |
| Other | | | **61 964** | |
| **Total** | | | **80 809** | |

*Source: Cushman & Wakefield Realkapital, research.*

Office makes out approximately 50% of all transactions followed by retail with just below 20%. Private real estate companies are most active with around 40% of the volume, while syndicate structures have been on the buy side of above 25%.

The transaction market will remain sensitive to changes in the interest rates. However, our leading macro economists suggest that we will have a low interest rate scenario the next years. New build activity is present and centrally located properties of high standard are being let. Norwegian economy is going well with expected growth in onshore GDP of 2.0 % and 2.5% in 2017 and 2018 respectively. As mentioned the oil price has increased significantly in the second half of 2017. Should this continue and the price stabilize on a higher level, the office areas exposed to oil and gas could be positively affected.

Cushwake Investor Confidence Index from September 2017 reports that 73% of all investors has an objective to be net buyers the next 6 months. Only 11% plans to reduce their stock. Above 60% of all investors expect improved office occupiers demand in the coming six months, a near doubling from the January survey. This is consistent with the results reported from both Arealstatistikk and Entra's Konsensusrapport. Possibly easing financing conditions, by signals from Norges Bank's lending survey, were confirmed by the survey where 26% (up from 10% in January) of the respondents believe in improved conditions.

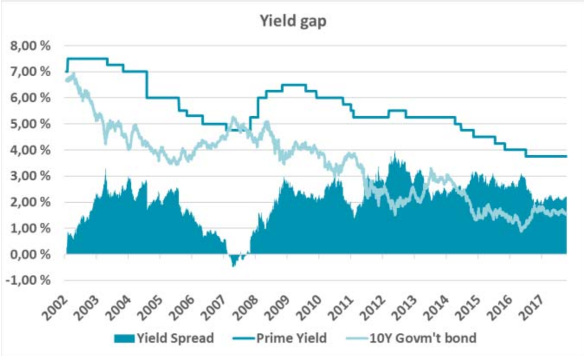
### Yield Trends

We still believe in a prime yield estimate at 3.75%. Recently we have observed transactions that might indicate that the prime yield has a downwards pressure.

- Winta Eiendom sold Cort Adelers gate 33 to Deka Investments for 73 million euros on a net initial yield of 3.70%.
- DNB's headquarters at Bjørvika (CBD 2) in Oslo was acquired by Swedish listed company SBB for 4.3 bNOK and a reported yield around 4%. Bjørvika is still not considered to be main CBD, indicating prime yield at Aker Brygge/Vika is still lower and around 3.75%.
- Eufemia, a 90% pre-let new-build project in CBD 2 was sold on a forward contract at around 3.9%.

It seems the gap between prime real estate and real estate located on the fringe of the best area is less. It could be reasoned by the limited supply of centrally located assets, but also that the comparable assets on the fringe are let on attractive lease contracts. Historically, spread between prime yield office and logistics has been higher than what is communicated today. This is due to several things; including that prime office yield is based on a mid-long contract around 5 years, while logistic assets often get transacted on double digit durations. Additionally, logistic properties often have substantial land plots with implicit value added from outdoor rent or development potential. The logistics property Bølerveien 61 with Skanska on a 12-year contract was recently transacted to around 4.85% initial yield, confirming the communicated gap between office and logistics in declining.

With a prime yield at 3.75% we get a yield gap against 10 yr gov. bond at 2.20% as of 13th December 2017.




*Source: Cushman & Wakefield Realkapital and Norges Bank*

## SHIPYARDS IN NORWAY

Norway has historically a long tradition for boat building. The long coast line and dependence on the sea has also been pivotal for the country. Up until the middle of 1970's Norway was one of the foremost ship building nations in the world. The business was dominated by large shipyards in the cities. Due to the shipping and oil crisis on the 1970's, the market for building ships changed, the cost of labour and lack of automatic solutions lead to a drastic reduction in shipyards of the more economically developed countries. More specifically in Norway many shipyards changed the operations from shipyards to offshore related production or converted to city transformational areas (like Aker Brygge or Værste). Norwegian shipyards lost the leading international position, but smaller and flexible shipyards emerged with high degree of competences and specialisation. This is seen in conjunction with the changes in the fishing fleet and the energy sector. The cluster for ship building is main focused along the coast from Rogaland to Trøndelag with the thickest density in Møre og Romsdal.

Norwegian shipyards currently have niche specialist shipyard activity towards smaller special constructions, such as offshore vessels, fishing trawls, research vessels, coastguards, coastal ferries, platform manufacturing and modules for installations on the Norwegian continental shelf.

Many of the yards makes a living from a combination of repairs, maintenance work, rebuilding and new construction. In the case of major work, many work tasks are outsourced to subcontractors, while the more advanced and technically demanding parts of the production is performed at home. Thus, the majority of value creation are retained in Norway.

### The shipyard markets

The Norwegian shipbuilding industry is fragmented as geographically and in size as in sales and earnings. The shipyards operate in a market with great national and international competition. The new Ship Scheme, which the government has entered into the state budget for 2018, is expected to have a positive effect on the order intake at Norwegian shipyards. It is

expected in the years that there will be continued growth in ferry construction, cruise and expedition ships, speedboats, fisheries (including well boats), offshore wind farms, and service and work boats for the aquaculture industry. Examples of new types of ships in notification can be support vessels for offshore mining on the seabed. A certain fleet renewal in oil offshore with newbuilding and partly upgrading of existing fleet is also expected.

The total ingoing order book of Norwegian shipyards as of 1 January 2018 consists of 83 vessels for a total value of 34 bnNOK (individual orders each exceeding 50 mNOK). The ingoing order book in 2017 was 48 ships for a total value of 15.5 bnNOK (individual orders each exceeding 50 mNOK). Corresponding ingoing order book in 2016 was 30 ships for a total value of 12.5 bnNOK. In addition, we assume that a larger number of vessels each with a value of less than 50 mNOK are ordered in 2017, we put the total value of these orders to 3 bnNOK. The corresponding amount and value of this vessel type think we will also apply for 2018. Overall, it is expected that the market place is fairly good all things considered. The sources of information on the order book is Norske Skipsverft.

The value of the ship operations, property and the counter party risk is all bound up with the activity and order book reserve. Rosenberg verft (operations) was sold from Aker Kværner in 2003 for a non- disclosed sum. In 2007 the company was sold from the local investors, that bought the company in 2003, for 700 mNOK to Bergen Group. In 2014 the company was again sold and this time WorleyParsons for 1.1 bnNOK. The property has had same majority owner since Kværner sold the property in 2003. The general activity in the energy started falling towards the end of 2014. The sector has undergone major cost cutting and restructuring. In addition, the oil price is starting to climb and the activity looks to increase. The pelagic and automatic fisheries have a record turnover and activity increasing order book in the shipyard sector. Ferries and especially more eco-friendly alternatives are driving investments and boosting yard activity. Maintenance is important for all types of sector. For market rent we have looked at other ship yards and industrial properties that deliver products for specialised and international markets.

Shipyards often need extensive piece of land to operate. Both income and value can be compared by looking into these parameters and the percentage split between them. We have investigated both the rental income and transactions regarding shipyards. It is not the most liquid market and is deemed to cyclical and more cyclical than the average/normal property market. See summaries of below;

## Market rent

The information is based on properties where there is a split between operator and owner. If the rent seems to indicate variable based income we have taken approximately a five-year average. The main sources are a mix between infoland.ambita and purehelp.no. We have considered the percentage difference on land versus building, as well as income on the operations to quality check. Another important aspect on the market rent than land and building size is technical specification such as quay length and depth, weight of cranes, division of cost, upgrades, etc. The follow findings give us an expectation of the market rent either by NOK/m2 building or NOK/m2 plot;

| Name | Location | Size daa | Building m2 | Income mNOK | NOK/m2 building | NOK/m2 plot | Comments |
|---|---|---|---|---|---|---|---|
| Miljøbase Vats | Vats | 97,7 | 6778 | 24,6 | 3 629 | 252 | The rental income also includes that to run the property, 195 daa is rented from the municipality. The buyer ran both operations and wanted control over the rent paid according to several sources. |
| Rosenberg | Stavanger | 434 | 173172 | 65 | 375 | 150 | Multiple tenants and plans to convert part of the shipyard to residential. |
| Brevik | Porsgrunn | 65,4 | 20525 | 11,8 | 575 | 180 | New contract signed for a three-year contract. Income from public sources are higher than the contract we have received |
| Fjellstrand | Kvam | 33 | | 8,0 | | 242 | One of the prior Kværner shipyards that were bought and restructured. There are many cadastral reference numbers that we have based the plot size on a web measurement |
| Fiskarstrand verft | Sula (Ålesund) | 44,2 | 3535 | 11,5 | 3 253 | 260 | Several of the buildings are without m2 in ambita, which make the parameter somewhat difficult to check. |
| Aker Solution Egersund | Egersund | 500,3 | 41500 | 18,8 | 453 | 38 | Set contract with indexation. Large plot of land, that with web survey seems to be unused or undeveloped. That indicates the rent NOK/m2 plot parameter is less important. Triple net bare house contract |
| Midsund Bruk | Midsun | 77,5 | 6500 | 3,1 | 484 | 41 | Set contract with indexation. Large plot of land, that with web survey seems to be unused or undeveloped. That indicates the rent NOK/m2 plot parameter is less important. Triple net bare house contract |
| Sandnessjøen | Alstahaug | 81,3 | 14139 | 5,1 | 360 | 63 | Set contract with indexation. Based outside of Sandnessjøen. Triple net bare house contract |
| Sandnessjøen | Alstahaug | 81,3 | 14139 | 3,6 | 255 | 44 | Bought to Aker Solutions. Renegotiated afterwards based on the transaction that happened afterwards and purehelp from the public accounts |
| Mongstad supply base | Mongstad | 600 | 72000 | 85,6 | 1 189 | 143 | Supply base for the energy sector and not directly comparable. Active management of assets by landlord. Not directly a shipyard as such. |
| Risavika Havn | Risavika | 110 | 12000 | 56,5 | 4 708 | 514 | Harbour more than a shipyard and not directly comparable. |
| Ulstein verf | Osnes | 185 | 20645 | 49 | 2 373 | 265 | Average income is based on a five-year average. |

**Market transaction**

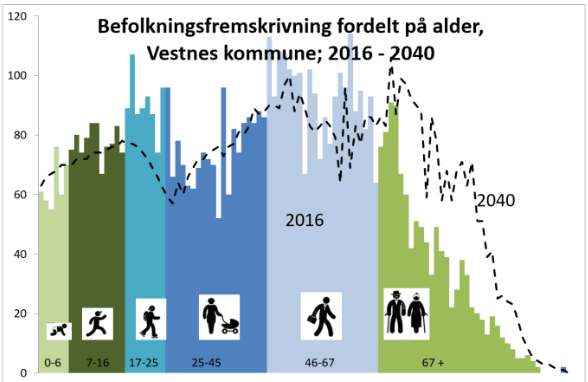
The transactions we have tracked and found are used for method C. Based on our transaction database and available public information we have found the following transactional evidence;

| Name | Date | Type of transaction | Value mNOK | NOK/m2 | NOK/plot | Comparison with subject property |
|---|---|---|---|---|---|---|
| Miljøbase Vats | 2014 | Operator buyback property | 226,3 | 33 387 | 2 316 | AFGruppen had 40% and rebought back 99.9%. Wanted more flexible structure on rent for property based on turnover |
| Vestbase | 2010 | Property transaction | 520 | 17 333 | 2 600 | Central base in Kristiansund. Pure property transaction. |
| Rosenberg | 2003 | Property | 350 | 2 021 | 806 | Kværner sold the operations to local investors in a separate transaction. The property was sold to Jacobson family as main owner. |
| Brevik | 2016 | Property, but distressed sale | 220 | 10 719 | 3 363 | Part of structured sale from Otium. Part of portfolio sale. |
| Bredalsholmen verft | 2015 | Land | 7 | | 323 | Very special property for museums ships and national competency. |
| Fosen | 2015 | Property | 5,26 | 1 513 | 72 | Bankruptcy – local group purchased |
| Kaldnes Vest | 2010 | Property | 125,7 | | 1 082 | Bought by local investor. Long term development. |
| Pusnes verft | 2016 | Property | 33,6 | 1 522 | 494 | Vacant possession – Otterland bought the assets. Located in Arendal |
| Aker Solution Egersund | 2016 | Property | 280 | 6 747 | 560 | Long contract. Clear split between operator and property. Estimated value from portfolio |
| Midsund Bruk | 2016 | Proprety | 45 | 6 923 | 581 | Long contract. Clear split between operator and property. Operations sold to NOV, property to TRG |
| Sandnessjøen | 2016 | Property | 68 | 4 809 | 836 | Long contract. Clear split between operator and property. Estimated value from portfolio |
| Sandnessjøen | 2012 | Property & operations? | 25,15 | 1 779 | 309 | From public registry. Rent was significantly lower. Uncured duration. |
| Mongstad supply base | 2015 | Property | 950 | 13 194 | 1 583 | Sold from Wimoh to EQT. Several investments made afterwards. Property is actively marketed now, but significantly large part of Mongsdad. Clear split. Statoil main tenant |
| Portfolio | 2015 | Property | 1243 | | | TRG bought portfolio from Aker Solutions |
| Risavika Havn | 2016 | Proprety | 1800 | | | Risavika IKS (public) bought out minority shareholder |
| Risavika Havn | 2016 | Property portfolio | 800 | 66 667 | 7 273 | Portfolio sold from Risavika to Asset Buyout Partners. |
| Umoe mandal | 2017 | Operator buyback property | 4 | 687 | 392 | Smaller property, no seafront, unsure whether or not internal transaction. |

### Location

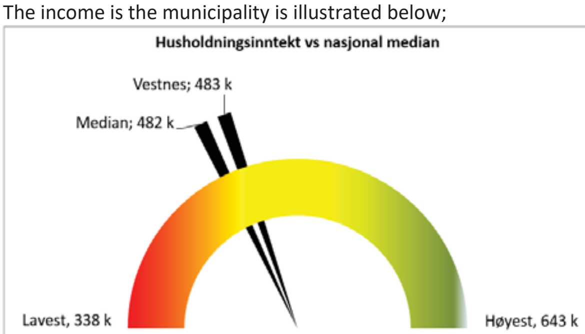
Vestnes is a municipality in Romsdal in Møre og Romsdal. It borders in the east towards Rauma, in the south towards Stordal and Ørskog, and in the west towards Skodje and Haram. North of Moldefjorden lies the municipalities of Midsund and Molde. The town of Vestnes has 2 368 inhabitants as of 1 January 2017, and the municipality has a total of 6 611 inhabitants. Vard Langsten is in Tomrefjord which is a settlement in Vestnes municipality. The settlement has 1 167 inhabitants as of 1 January 2017.

According the SSB the population in Vestnes municipality is expected to grow to 6 988 by 2040. This give a CAGR of 0.23 %, which is below the national average of 0.81%. It is expected that annually the municipality will grow with 15 people.




*Source: SSB and CWR analysis*

The income is the municipality is illustrated below;




*Source: SSB and CWR analysis*

The median income is slightly above the national average with 1 000 NOK. This indicates that residents have an income similar to the national average, which is allegedly not a negative factor.

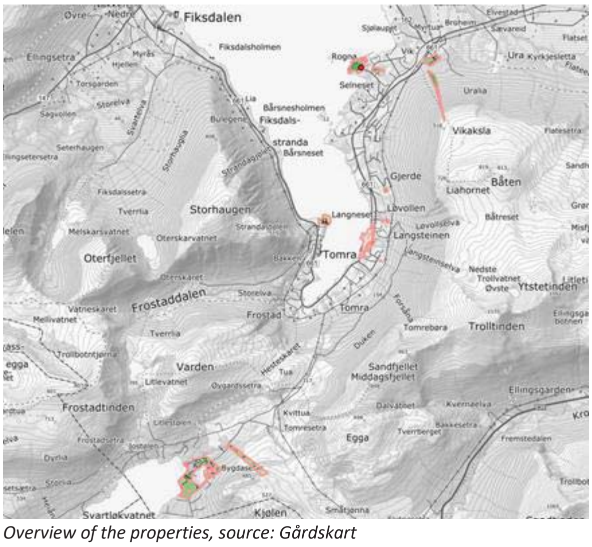
The average residential prices for detached houses and flats in Tomrefjord are 9 938 NOK/m2 p-rom. We had to use 1 year of registered sales due to few benchmark transactions. For Vestnes municipality the average residential prices for detached and flats are respectively 12 092 NOK/m2 and 24 216 NOK/m2 p-rom.

Tomrefjord is dependent on shipyard operations. Vard Langsten employs up to 800 workers in project periods, and accounts for around 1 bnNOK per year. On the other side of the fjord is Solstrand Verft, which has a turnover of between 50-70 MNOK per year, and employs around 15 workers.

### Description of property

Vard Langsten was established in 1945 in Tomrefjord, between Molde and Ålesund. During the first few years, the company managed to build a solid network of customers - not only in Norway but worldwide. Langsten has long experience and has always invested in new technology and therefore today appears as a state-of-the-art shipyard. The yard is based on ferries and passenger boats, supply boats and seismic vessels. Now there are 187 employees, but as a project based business concept there can be up to 800 workers at the site.

Vard Langsten consists of several property numbers and has a total area of 291 210 m2. Roughly 130 000 m2 is nature area (Norwegian classification LNF – very low financial value, protected, outdoor/recreational value), handed over with other relevant property purchases. Most of the rest area is regulated to industry, and consists the following; The yard itself. This property is 42 624 m2. In addition, there is also a commercial property of 26 879 m2, located on the opposite side of Tomrefjorden, on Langneset. Trohaugen industrial park is located north for the yard, along the highway 661 on the way to Vestnes city. The land area is 31 140 m2. Here is it a barrack site that is used for accommodation of workers. We have valued the land in three different brackets as according to perceive value and economic use. The yard also owns a number of housing and residential areas located east of the shipyard, in the city centre. In total, the detached houses consist of 1 869 m2 and the total land area is 34 188 m2.




*Overview of the properties, source: Gårdskart*

### State of repair

The yard has been in continuous development since 1945. The buildings are built between 1985 and 2011, evenly distributed over these years. Some of the facilities are not up to date, but it seems that it has been relatively well maintained over the years.

The yard is equipped with a relatively new dock (2012) and an indoor boat workshop from 2007. This ensures that the yard is better equipped than some other yards in the area. Vard Langsten is therefore used by other shipyards in Vard Group when there is a need for roof construction in connection with shipbuilding.

| Category | Unit | Total |
|---|---|---|
| Office/admin. | m2 | 8 025 |
| Workshop | m2 | 15 937 |
| Warehouse | m2 | 10 498 |
| Painting / Sandblasting Hall | m2 | 440 |
| Detached / apartment | m2 | 1 869 |
| Barracks | m2 | 2 728 |
| Quay/Quays | m | 110 |
| Ground area | A | 251 713 |
| Total | m2 | 39 497 |

*Vard Langsten buildings overview*

For this valuation, we have not received any technical DD or DD as such, hence, we have not factored this into the valuation. Any DD findings that may contribute to affect the valuation in a positive or negative way should be deducted from the market value we have arrived at.

There is no ongoing development on the site that we know of.

### Zoning for the area

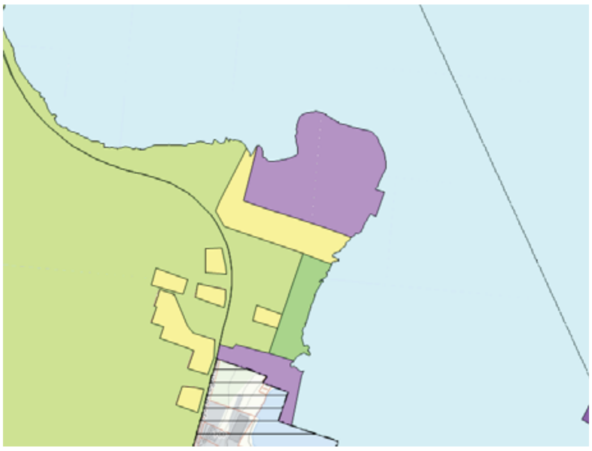
The yard area, and the area nearby the yard, is regulated for respectively industrial and residential purposes. (PlanID 0062 named Tomrefjord sentrum, was adopted 20.12.1990).


*Clipart from the zoning plan, Tomrefjord sentrum, source: Vestnes municipality.*

The area at Trohaugen is regulated for industrial purposes. (PlanID 0048e1, named Vik industriområde, was adopted 29.03.2007).


*Clipart from the zoning plan, Vik industriområde, source: Vestnes municipality.*

The area at Langneset is unregulated, but in the municipal plan is it allocated for commercial buildings purposes.



*Clipart from the municipality plan, adopted 01.10.2015. Langneset, source: Vestnes municipality.*

Approx. 130 daa of the total of 291 daa is regulated as agriculture and nature area, and cannot be developed. This impacts the control check for value NOK/m2 plot and rent NOK/m2 plot

### Accessibility

The closest city is Molde, 18 km away, but it is without a road link, so it's necessary to take a ferry. Ålesund is 76 km away, with a road link. The closest airport is Molde Airport, 18.5 km away (ferry) and Ålesund Airport, 89 km away. The property is situated in Tomrefjorden, a side fjord to Midfjord. Good access by boat.

### Dockyard capabilities

We have been provided with a technical specification for yard capabilities from Vard based on information from 2016. The asset has the following yard capacities;

| Langsten 2016 | |
|---|---|
| Number of Employees | 200 |
| Established | 1945 |
| Total Yard Area | 33 700 m2 |
| Quay/Quays | Total length south quay: 110 m<br>Total length north quay: 95 m<br>Depth north quay: 9 m<br>Depth south quay: 7 m<br>Crane capacities: 4 x 60 t /6.5 t<br>Tot. lifting capacity approx.: 100 t |
| Floating Dock | Capacity: 5 800 t<br>Breadth: 23.8 m<br>Total length vessel: 120 m<br>Keel length: 94 m<br>Crane capacity in dock: 1 x 10 t |
| Sea Hall | Length: 100 m<br>Breadth: 42 m<br>Crane capacities: 2 x 100 t / 10 t (pair lift)<br>Total lifting capacity: 190 t |
| Outfitting Hall | Capacity: 3 600 m2<br>Crane capacities: 2 x 30 / 5 t + 1 x 30 / 10 t + 1 x 5 t |
| Power | 230 V / 250 A<br>400 V / 400 A<br>690 V / 1 200 A<br>440 V / 60 Hz / 400 A |
| Piping Workshop | Capacity: 3 600 m2<br>Crane capacity: 3 x 2 t |
| Warehouse | Capacity approx.: 5 600 m2 |
| Painting / Sandblasting Hall | Capacity: 440 m2 |
| Carpentry Shop | Capacity: 720 m2 |
| Machine Shop | Capacity: 500 m2<br>Crane capacities: 1 x 8 t + 1 x 2 t<br>Equipped with lathes, cutting machine and drill press |

### Marketability
The marketability of the asset is limited. The asset is highly specialised, in a rural location, the operator and landlord is the same organisation, but currently the split between property and operations is not set. These factors all affect the marketability and the type of purchaser. For example, a financial based buyer will be sceptical to purchase an asset where the contractual obligation between the parties are not set. The shipyards are all the key private employer and cornerstone employer in their respective areas and the alternative use of land and buildings are small, if not used for the current purpose. The most likely purchaser would be another operator, local management or investors, ship owner in the area or governmental owned entity. Unless it is a distressed sale, we believe it would take 18 months to sell the asset. For a sale process, we would also recommend splitting property and operating entity.

### Environmental
We have been provided with an environmental summary based on a survey made by an authorised consultancy. They found 3 areas that required clean-up. This has been completed. In addition, Vard has posted a remaining provision of 73.4 mNOK for seabed sediment clean-up. The approach we have used for the valuation purposes is to divide the provision between the four industrial assets on an equal measure or 18.35 mNOK. Should the environmental DD indicate capital needed to clean up the assets, the gross property value must be adjusted accordingly.

We have also checked with Norwegian Environment Agency. The property is listed in their database as an industrial property and that there is exists ground pollution that can be used with restrictions.

### Property tax
Property tax is set at 567 436 NOK and the property is valued at 141.9 mNOK of external valuer by the municipality. The approach is a mix between substantial and market based. The property tax has not been questioned by the landlord.

### Costs
In assessing operation costs, we have considered the profile of tenants who pay VAT and the impact on deduction of VAT in the landlord's expenses. We have based our estimates on our best judgements but have not investigated the VAT status of each tenant. We have based our estimate of future reletting expenses on the assumption that these expenses will be VAT deductible.

## METHODS FOR THE VALUATION
The instruction entails to give a market value as the situation is now, including only the asset value, not the operation. As the operation and property value components are not in formalised structure on most of the asset we have used different approaches to derive at market value under the set assumption that you are to sell the asset and not the operation. Should this assumption change, the market value of the underlying property asset and the balance sheet of the owner will change. We have looked at the following approaches to value the asset;

**a) Book and land value approach**
**b) Reinstatement value**
**c) Comparable sales**
**d) New Vard contract day after valuation**
**e) Vacant possession value**

The order book of the operator of the shipyard is a decisive point when valuing a shipyard. Given that there is a clear separation between property asset and operator, the operator financial status and guarantees are important as well. We have seen both bankruptcies and a willingness to pay more for when the circumstances on the specific shipyard is right. We have not had access to the order book of the assets, but have assumed that market is more positive than it was in 2011, 2015 and 2016. It

means, as we perceive it, to be competitive, but it is possible to make money this year.
The most common contract between a landlord and tenant is a triple net bare-house contract due to nature of the equipment and running maintenance. We have assumed that when valuing the assets. In the vacant possession value estimation, we have assumed that the landlord will cover property tax, own administration and insurance of the building shell.

For the methods in which the value is calculated based on a lease and cash flow, it will be of a significant nature what kind of lease agreement that is agreed. Maintenance responsibility and equipment ownership plays a major role in the valuation of shipyards.

### Method a) Depreciation values

In order to arrive at market value by using this method we use the depreciated valued and an estimated land value. Combined these two make an estimated market value.

The land can be valued by several methods. One way is to calculate the project value as the difference between sales price and construction cost. This project value must then be split between land value and site value. It is common to use various methods of splitting.

One way is to split the project value at a percentage rate between land owner and developer. 50/50 is quite common in projects with relatively low completion time and risk. The more time and risk involved, the more percentage must be adjusted in favour of the developer. Another way to look at it, is that a developer will require a profit, either per m2 or a percentage of the construction cost. Also, here, the figures will normally be adjusted according to the risk involved in the project – high risk projects will be adjusted in favour of the developer.

A much-used method is to set up a cash-flow, where the profit is discounted over the period the project is estimated to take. This is the best method for projects that runs over some time, since it shows the downside of tying capital to a site purchase early in a development project.

It is also possible to consider market price for land through comparable transactions. This requires a liquid market, where sites with approximately similar qualities can be compared.

We have been given specific information on depreciation values based on the 30.9.2017. The following table consist of the situation at that time;

| Summary of depreciation tNOK at 30.9.2017 | | | |
|---|---|---|---|
| **Building & Property** | **COST** | **DEPR.** | **NET VALUE** |
| Buildings | 166 555,4 | 123 887,3 | 42 668,1 |
| Plant | 2 752,3 | 1 513,3 | 1 239,0 |
| Technical installations | 3 264,9 | 1 006,7 | 2 258,2 |
| Quays | 44 140,5 | 25 118,1 | 19 022,4 |
| Land | 7 898,2 | 1 920,7 | 5 977,5 |
| **Total** | **224 611,3** | **153 446,1** | **71 165,2** |

As you see the depreciated value is 71.2 mNOK, we have valued the land to 13.1 mNOK (see appendix for details of land value calculations) and the environmental liability at 18.4 mNOK. The combined value by this method is **65.9 mNOK.** This gives a value of 1 669 NOK/m2 building and 226 NOK/m2 land. The value seems to be under what we expect to see for this type of asset. Given that an investor would achieve a total direct return of the market value of 8% this would indicate a rent of 5.7 mNOK or 144 NOK/m2 building and 20 NOK/m2 land. Please note, that the rent simulation as a percentage of the market value will not consider void days and other uncertainty and will be definition be lower than the estimated market rent, but it is used as a benchmark for the different approaches.

### Method b) reinstatement value

The reinstatement value, excluding land, has been estimated at 157.4 mNOK at the valuation date 04.01.2018. The reinstatement has been estimated by using construction cost parameters known to CWR in the current market. We have done several investigations for benchmark figures for the building types, while the specifications of equipment are based partly on the depreciation values. The main reason is to check if method a) is very different from the reinstatement value due to general CPI might outpace the depreciation figure and investor might find it more reasonable to invest in due to the entry barrier.

The depreciation used to deduct from the new built price for a similar shipyard today is the actual depreciation percentage as we have been sent.

The cost we operate with is based on a combined actual construction and developer's cost such as project management, financing and marketing. This results in the following estimation of reinstatement costs on the valuation date:

| Component | M2 | NOK/m2 (or unit) | Cost kNOK |
|---|---|---|---|
| Office/admin. | 8 025 | 21 000 | 168 525 000 |
| Workshop | 15 937 | 8 500 | 135 464 500 |
| Warehouse | 10 498 | 6 000 | 62 988 000 |
| Painting / Sandblasting Hall | 440 | 13 500 | 5 940 000 |
| Detached / apartment | 1 869 | 20 000 | 37 386 000 |
| Barracks | 2 728 | 15 000 | 40 920 000 |
| Quay/Quays | 110 | 300 000 | 33 000 000 |
| Ground area | 251 713 | 50 | 12 585 650 |
| Total, excel depreciation | 39 497 | | 496 809 150 |
| Depreciation | | | 31,68 % |

| | | | |
|---|---|---|---|
| Reinstatement value | | | 157 407 596 |

**Units (# of parking spaces)*

We add reinstatement value 157.4 mNOK with the land value from method a) 13.1 mNOK and deducted the environmental liability 18.4 mNOK. The combined value by this method **is 152.2 mNOK**. This gives a value of 3 853 NOK/m2 building and 523 NOK/m2 land. The value seems to be over what we expect to see for this type of asset. Given that an investor would achieve a total direct return of the market value of 8% this would indicate a rent of 12.2 mNOK or 308 NOK/m2 building and 42 NOK/m2 land. Please note, that the rent simulation as a percentage of the market value will not consider void days and other uncertainty and will be definition be lower than the estimated market rent, but it is used as a benchmark for the different approaches.

### Method c) sale comparable

Based on the property location, capabilities, the previously stated assumptions, the transactions we have observed on dockyards, the percentage between m2 of buildings/land, we deem the property to have the same characteristics as Sandnessjøen bought by TRG.

When using this approach to the value we have assumed that the environmental aspects were included in the prices we have compared to. Furthermore, we have used both NOK/m2 building and NOK/m2 plot of land and used the average of the two.
The combined value by this method **153.8 mNOK**. This gives a value of 4 100 NOK/m2 building and 500 NOK/m2 land. The value seems to be around what we expect to see for this type of asset. Given that an investor would achieve a total direct return of the market value of 8% this would indicate a rent of 12.3 mNOK or 311 NOK/m2 building and 42 NOK/m2 land. Please note, that the rent simulation as a percentage of the market value will not consider void days and other uncertainty and will be definition be lower than the estimated market rent, but it is used as a benchmark for the different approaches.

### Method d) new Vard contract day after valuation

We have valued the property with the use of a discounted cash flow analysis and discounted different parts of the cash flow with different discount rates – depending on the risk associated with each segment of the cash flow. Hence, agreed rent payments from tenants have been discounted at lower rates than the residual value. The residual value has been computed by applying an Exit Yield to the estimated net market rent. If there is a clearly identified land value in addition to the existing cash flow properties this is valued separately. As the asset is fully operative today, we believe that the asset will have no void days from the valuation date and based on the previously stated assumptions about triple bare house contracts and the rental information we have found, we present our assumptions of the parameters included in the valuation of the property.

| | ASSUMPTIONS |
|---|---|
| Parameter | Valuation |
| Income let area | Annual rent is 0 NOK on valuation date, as there are no tenants besides Vard. We have assumed that the asset will yield a rent of 18.2 mNOK from the day after valuation date. We believe this will happen without tenant improvements (TI) as the asset is in active use today. Should any TIs be included the rent should be renegotiated to reflect the cost of capital.<br><br>Going forward, rental income is cpi adjusted annually based on the average of Statistics Norway, Norges Bank and DNB's estimate. From 2022, we have used Norges Bank's long-term inflation target at 2.5%. |
| Rental income, future area | When the entire asset is to be negotiated again after 5 years from the valuation date we believe a market rent of 460 NOK/m2. Due to uncertainty on the contract to be signed we have discounted the coming cash flow with 11.0%. |
| Reletting costs and vacancy | We have assumed a reletting period of 182 days for the shipyard, with relet costs of 38 NOK/m2. |
| Owner's costs | The owner is responsible for the administration of the ownership structure the property is based in, building insurance, and property tax. The rest is covered by the tenant<br><br>For administration and insurance, we have estimated 8 NOK/m2 and 8 NOK/m2. For property tax, we have utilised 14 NOK/m2. This equals 30 NOK/m2 or a total of 1 199 kNOK per year. This is 6.7 % of the gross market rent. |
| Common costs | Common costs are estimated to be NOK 325 per sqm. We have assumed that the owner will have to cover 50% of the actual costs during any void periods. |
| Residual value | The residual value has been discounted at a nominal rate of 11.00% p.a. which is based on the exit yield of 8.50% (the real-term return) plus 2.50% inflation. |
| Yield | We have considered that the exit yield for the property will be 8.50% and have applied this in our valuation. The net initial yield output is not relevant considering the assumptions we have based the valuation on. |

This method gives a market value **162.0 mNOK**. This gives a value of 4 102 NOK/m2 building and 556 NOK/m2 land. The value seems to be below what we expect to see for this type of asset. Given that an investor would achieve a total direct return of the market value of 8% this would indicate a rent of 13.0 mNOK or 328 NOK/m2 building and 45 NOK/m2 land. Please note, that the rent simulation as a percentage of the market value will not consider void days and other uncertainty and will be definition be lower than the estimated market rent, but it is used as a benchmark for the different approaches.

The cash flow details of the valuation are specified in the following appendices.

**Method e) Vacant possession value**

The shipyard has, as we perceive the local market, no other use than the current. If Vard vacate the asset on the valuation date it would impact the value significantly as the risk would increase exponentially. This illustrated with what happened with Fosen. This dockyard is situated in Rissa in Trøndelag and went bankrupt in 2015. It was sold for 5.6 mNOK to a local consortium and they also paid another 2.2 mNOK for equipment. The asset is in our list of transaction and was sold for 1 513 NOK/m2 building and 72 NOK/m2 land. We have utilised three years vacancy initially and then let for five years and then another period of vacancy. Please look in the appendices for details. The value for Langsten as vacant possession value is set to **66.6 mNOK** or 1 686 NOK/m2 building or 229 NOK/m2 land. The value compared to Fosen is just abover pr m2 building value and higher than the pr m2 land value.

## CONCLUSION

Based on the five methods and the outcomes of each method we have used, the mandate and assumptions given therein, we have estimated the market value to be **<u>120.1 mNOK</u>**. This gives a value 3 041 NOK/m2 building and 412 NOK/m2 land. There are several ways an owner operator can affect the value at the asset, but it will affect both sides of the owner operators financial statement. Please note, that the rent simulation as a percentage of the market value will not consider void days and other uncertainty and will by definition be lower than the estimated market rent. However, this is used as a benchmark for the final value.

Depending on the valuation assumptions, gives a valuation range from **66.6 mNOK to 162.0 mNOK**

**For Cushman & Wakefield Realkapital AS**

Arthur H. Lie
Head of Valuation, MRICS, REV

# APPENDICES

## Land value

## Property information - VARD Langsten 04.01.2018

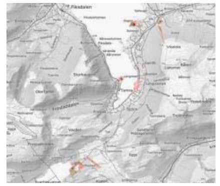
### Property facts

| | |
|---|---|
| County: | Møre og Romsdal |
| Municipality: | Vestnes |
| Property number(s): | N/A |
| Total land size m2: | 291 210 |
| Current zoning level: | Regulation plan |
| Zoning utilization: | Industry |
| Value mNOK: | **13,1** |
| Value NOK/m2 construction: | **216** |
| Value NOK/m2 gross land: | **45** |

### County and Municipality

### Location

### Sites included in valuation



### About the property

Vard Langsten was established in 1945 in Tomrefjord, between Molde and Ålesund. The yard consists of several property numbers and has a total area of 291 210 m2. Roughly 130 000 m2 is nature area, handed over with other relevant property purchases. Most of the rest area is regulated to industry.

### Current zoning plan


### Zoning information

The yard area, and the area nearby the yard, is regulated for respectively industrial and residential purposes. (PlanID 0062 named Tomrefjord sentrum, was adopted 20.12.1990). The area at Trohaugen is regulated for industrial purposes. (PlanID 0048e1, named Vik industriområde, was adopted 29.03.2007). The area at Langneset is unregulated, but in the municipal plan is it allocated for commercial buildings purposes. Approx. 130 daa of the total of 291 daa is regulated as agriculture and nature area, and cannot be developed.

### Assumptions in valuation

It is assumed that the area is undeveloped and can achieve a different utilization than today's. The plan area is estimated to be 113.8 acres for the industrial section, and 15.9 acres for the residential area. Further, a utilization rate of 50% of the industrial area and 18% of the residential area is required. The industrial area is being built with combination premises, and the residential area is built with detached houses. In total, 56 916 m2 of industrial area and 3 713 m2 of living space are calculated. A positive difference between sales price and construction cost of 410 NOK/m2 for industrial area and 1 123 NOK/m2 for living space must be achieved in order to achieve the estimated value. We have estimated the sales yield of industrial property in the area to be 8%. It is assumed that the construction period will start in 2019 and last for 4 years. The discount rate is set at 15% during the period.

Finally, we have looked at the turnover of plots in the area. This to match the calculated value. We have had access to 30 residential properties that were traded between 2014 and 2017. The average price of these plots is 127 NOK / m2 and the median price is 71 NOK / m2. In addition, we have seen sites sold at Trohaugen Industrial Park. Here, over the last 10 years, 6 sites have been traded with an average price of 64 NOK/m2 gross land.

### Conclusion

Based on the information described above, we have estimated the market value of the subject area to be: **13,1** mNOK

This represents a value per construkted m2 of: **216** NOK/m2

This represents a value per gross m2 land of: **45** NOK/m2

### Disclaimer

The valuation is based on information from the principal, as well as publicly available information. This review is only a desk-top exercise, and without inspection of the property. The scope of application is therefore limited. There may be more predictions for the value than described.

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## Assumptions and summary - VARD Langsten

### Assumptions

| Commercial | | Residential | | Parking | |
|---|---|---|---|---|---|
| Lease / m2 | 1 000 | Sales price | 26 000 | Sales price | - |
| CPI adjustment | 100 % | Construction cost | 22 599 | Const. Cost | 25 000 |
| Owners cost | 7,7 % | Admin.& Project cost | 2 000 | # spaces | 559 |
| Sales yield | 8,0 % | Price growth / yr | 2,5 % | | |
| Construction cost | 9 442 | Avg. Size (m2) | 180 | Total cost per m2 inc. parking | |
| Admin.& Project cost | 1 500 | Sales rate / yr | 5 | | |
| CPI | 2,5 % | Total # of units | 21 | Commercia | 11 170 |
| Total m2 | 56 916 | Total m2 | 3 713 | Residential | 24 877 |

### SENSITIVITY ANALYSIS

Commercial

| | Rent / m2 | | | | |
|---|---|---|---|---|---|
| Yield | 850 | 975 | 1 000 | 1 025 | 1 050 |
| 7,50 % | -18,9 | 26,8 | 36,0 | 45,1 | 54,3 |
| 7,75 % | -28,9 | 15,3 | 24,2 | 33,0 | 41,9 |
| 8,00 % | -38,3 | 4,5 | **13,1** | 21,7 | 30,3 |
| 8,25 % | -47,2 | -5,6 | 2,7 | 11,0 | 19,4 |
| 8,50 % | -55,5 | -15,1 | -7,1 | 1,0 | 9,1 |

Residential

| | Salgspris per m2 | | | | |
|---|---|---|---|---|---|
| Construction cost | 22 000 | 24 000 | 26 000 | 28 000 | 30 000 |
| 18 599 | 13,1 | 17,0 | 20,9 | 24,8 | 28,6 |
| 20 599 | 9,2 | 13,1 | 17,0 | 20,9 | 24,8 |
| 22 599 | 5,4 | 9,2 | **13,1** | 17,0 | 20,9 |
| 24 599 | 1,5 | 5,4 | 9,2 | 13,1 | 17,0 |
| 26 599 | -2,4 | 1,5 | 5,4 | 9,2 | 13,1 |

### VALUATION

| Method | mNOK | Weight |
|---|---|---|
| Cash flow | 13,1 | 100 % |
| Profit split | | 0 % |
| Profit / m2 | | 0 % |
| Profit margin (%) | | 0 % |
| **Total** | **13,1** | **100 %** |

| The value represent to the buyer a; | |
|---|---|
| 15,0 % | discounted return on investment |
| 47,8 % | share of profit |
| 198 | NOK return per m2 |
| 1,6 % | return on project |
| **216** | **NOK/m2 (value developed area)** |

| Distribution of value | mNOK | NOK/m2 |
|---|---|---|
| Commercial | 17,7 | 311 |
| Residential | 2,7 | 732 |
| Parking | -7,3 | -13 060 |
| **Sum** | **13,1** | **216** |

| Total exposure for buyer | |
|---|---|
| Purchase of plot | 13,1 |
| Total investment | 728,1 |
| **Total** | **741,2** |
| **Nominal profit** | **12,0** |

### Construction period / completion

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Commercial m2 (BTA) | - | - | - | 14 229 | 14 229 | 14 229 | 14 229 | - | - | - | - | - | - | - | - | - | - |
| Residential m2 (BRAs) | - | - | - | 928 | 928 | 928 | 928 | - | - | - | - | - | - | - | - | - | - |
| Parking, space | - | - | - | 140 | 140 | 140 | 140 | - | - | - | - | - | - | - | - | - | - |
| Total | - | - | - | 15 157 | 15 157 | 15 157 | 15 157 | - | - | - | - | - | - | - | - | - | - |
| Number of apartments | - | - | - | 5 | 5 | 5 | 5 | - | - | - | - | - | - | - | - | - | - |

## Cash flow value

# Vard Langsten

## Market Value mNOK 162

### Discount Rates

| | |
|---|---|
| Tenant A | 4,50 % |
| Tenant B | 5,75 % |
| Tenant C | 7,75 % |
| **Blend rate passing rent** | **N/A** |
| Future rent | 11,00 % |
| **Blend rate cash flow** | **11,00 %** |
| Residual value | 11,00 % |
| **Total blend rate (IRR)** | **11,86 %** |

### Yields

| | |
|---|---|
| Exit yield | 8,50 % |
| Initial Yield | -0,74 % |
| Yield fully let | -0,74 % |
| Yield ex build rights etc | -0,67 % |

### Costs

| | *NOK/m2* | *kNOK* |
|---|---|---|
| Maintenance | - | (0) |
| Administratic | 8 | 316 |
| Insurance | 8 | 316 |
| Land lease | - | (0) |
| Property tax | 14 | 567 |
| Other costs | - | (0) |
| **OPEX** | **30** | **1 199** |
| OPEX % of market rent | | 7 % |
| VAT recoverable | | 100,0 % |
| Common costs | | 325 |
| Non-rec @ vacancy | | 50,0 % |

### Change Analysis

| | |
|---|---|
| **Previous value** | |
| Disc.rate /yield change | |
| Change market rent | |
| Change in costs | |
| Change inflation | |
| Other changes | |
| **New value** | **162,00** |

### Sensitivity tests

| *Parameter* | *Event* | *Value* |
|---|---|---|
| Market rent | 10,0 % | 182,4 |
| Disc.rate | 0,25 % | 158,8 |
| Exit yield | 0,25 % | 160,0 |
| Inflation yr 1 | 1,0 % | 163,6 |

### Valuation

| | mNOK |
|---|---|
| NPV passing rent | - |
| NPV future rent | 135,2 |
| NPV of costs | -24,0 |
| Residual value | 69,1 |
| Building rights | - |
| Other corr. | -18,4 |
| **Total** | **162,0** |

### Key Ratios

| | |
|---|---|
| Value per m2 | 4 102 |
| Residual value per m2 | 5 176 |
| Value of vacant space | - |
| Rent potential | NA |
| Implicit value increment | 0,79 % |

### Valuation Period

| | |
|---|---|
| From: | 04.01.2018 |
| To: | 31.12.2030 |

### Comments

Deduction for environmental provision is made baded on expert consultancy report. Ground is measured by deduction footprint of building and 20 % margin of error. Totalt plot is 291.2 daa. We have assumed a bare-house contrac except landlord covers property tax, insurance and own administration. The market rent calibrated based on this assumption. Vard utilise the property today and we cannot see that Vard can move from the property on such a short notice even ift the property is without a set contract.

### Net Rent Summary

| | | Area Distribution | | | | Gross Rent - kNOK | | Rent - NOK/unit | | Costs @ first relet | | Cost @ future relets | | As-is rent | Duration | | Valuation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Category** | **Unit** | **Total** | Let | Vacant | Adj.'mt | **Passing** | **Market** | **Passing** | **Market** | **Void days** | **Cost/m2** | **Void days** | **Cost/m2** | **NOK/m2** | **Current** | **Next** | **NOK/m2** |
| Office/admin. | m2 | **8 025** | 8 025 | - | - | - | 4 013 | - | 500 | | | 183 | 250 | 500 | | 5,0 | 4 967 |
| Workshop | m2 | **15 937** | 15 937 | - | - | - | 6 375 | - | 400 | | | 183 | 250 | - | | 5,0 | 3 973 |
| Warehouse | m2 | **10 498** | 10 498 | - | - | - | 4 199 | - | 400 | | | 183 | 250 | 400 | | 5,0 | 3 973 |
| Painting / Sandblasting Hall | m2 | **440** | 440 | - | - | - | 176 | - | 400 | | | 183 | 250 | 400 | | 5,0 | 3 973 |
| Detached / apartment | m2 | **1 869** | 1 869 | - | - | - | 1 122 | - | 600 | | | 183 | 500 | 600 | | 5,0 | 5 960 |
| Barracks | m2 | **2 728** | 2 728 | - | - | - | 1 637 | - | 600 | | | 183 | 500 | 600 | | 5,0 | 5 960 |
| | m2 | **-** | - | - | - | - | - | - | | | | 183 | | - | | 5,0 | - |
| | m2 | **-** | - | - | - | - | - | - | | | | 183 | | - | | 5,0 | - |
| Quay/Quays | M | **110** | 110 | - | - | - | 28 | - | 250 | | | 183 | | 250 | | 5,0 | 2 483 |
| Ground area | A | **251 713** | 251 713 | - | - | - | 604 | - | 2 | | | 183 | | 2 | | 5,0 | 24 |
| **Total** | | **39 497** | **39 497** | **-** | **-** | **-** | **18 152** | **-** | **460** | **-** | **-** | **183** | **38** | **460** | **#DIV/0!** | **5,0** | **4 102** |

### Cash Flow - kNOK

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 362 | 365 | 366 | 365 | 365 | 365 | 366 | 365 | 365 | 365 | 366 | 365 | 365 | 365 | 366 | 365 | 365 |
| CPI | 0 % | 1,67 % | 1,63 % | 1,73 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % |
| CPI index | 100 % | 101,67 % | 103,33 % | 105,12 % | 107,75 % | 110,44 % | 113,20 % | 116,03 % | 118,93 % | 121,90 % | 124,95 % | 128,08 % | 131,28 % | 134,56 % | 137,92 % | 141,37 % | 144,91 % |
| Real market rent change | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Yield change | | | | | | | | | | | | | | | | | |
| Income from current leases | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Income from future leases | 18 102 | 18 455 | 18 756 | 19 082 | 19 559 | 10 024 | 20 549 | 21 062 | 21 589 | 22 129 | 11 434 | 23 185 | 23 830 | - | - | - | - |
| **Gross rent** | **18 102** | **18 455** | **18 756** | **19 082** | **19 559** | **10 024** | **20 549** | **21 062** | **21 589** | **22 129** | **11 434** | **23 185** | **23 830** | **-** | **-** | **-** | **-** |
| Operating costs | (1 190) | (1 219) | (1 239) | (1 261) | (1 292) | (1 325) | (1 358) | (1 392) | (1 426) | (1 462) | (1 499) | (1 536) | (1 575) | - | - | - | - |
| Reletting costs | - | - | - | - | - | (12 175) | - | - | - | - | - | (14 119) | - | - | - | - | - |
| Share of common costs | - | - | - | - | - | (3 544) | - | - | - | - | (3 977) | (23) | - | - | - | - | - |
| CAPEX | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Residual value | - | - | - | - | - | - | - | - | - | - | - | - | 268 378 | - | - | - | - |
| **Net cash flow** | **16 913** | **17 236** | **17 517** | **17 821** | **18 266** | **(7 020)** | **19 191** | **19 671** | **20 163** | **20 667** | **5 958** | **7 508** | **290 634** | **-** | **-** | **-** | **-** |

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## Vard Langsten Vacant Possession Value

## Market Value mNOK 66,6

| Discount Rates | |
|---|---|
| Tenant A | 4,50 % |
| Tenant B | 5,75 % |
| Tenant C | 7,75 % |
| **Blend rate passing rent** | **N/A** |
| Future rent | 11,00 % |
| **Blend rate cash flow** | **11,00 %** |
| Residual value | 11,00 % |
| **Total blend rate (IRR)** | **12,94 %** |

| Yields | |
|---|---|
| Exit yield | 8,50 % |
| Initial Yield | -1,80 % |
| Yield fully let | -1,80 % |
| Yield ex build rights etc | -1,41 % |

| Costs | *NOK/m2* | *kNOK* |
|---|---|---|
| Maintenance | - | (0) |
| Administratic | 8 | 316 |
| Insurance | 8 | 316 |
| Land lease | - | (0) |
| Property tax | 14 | 567 |
| Other costs | - | (0) |
| **OPEX** | **30** | **1 199** |
| OPEX % of market rent | | 7 % |
| VAT recoverable | | 100,0 % |
| Common costs | | 325 |
| Non-rec @ vacancy | | 50,0 % |

| Change Analysis | |
|---|---|
| **Previous value** | |
| Disc.rate /yield change | |
| Change market rent | |
| Change in costs | |
| Change inflation | |
| Other changes | |
| **New value** | **66,60** |

| Sensitivity tests | | |
|---|---|---|
| *Parameter* | *Event* | *Value* |
| Market rent | 10,0 % | 80,7 |
| Disc.rate | 0,25 % | 64,2 |
| Exit yield | 0,25 % | 64,6 |
| Inflation yr 1 | 1,0 % | 163,6 |

| **Valuation** | mNOK |
|---|---|
| NPV passing rent | - |
| NPV future rent | 71,4 |
| NPV of costs | -55,6 |
| Residual value | 69,1 |
| Building rights | - |
| Other corr. | -18,4 |
| **Total** | **66,6** |

| Key Ratios | |
|---|---|
| Value per m2 | 1 686 |
| Residual value per m2 | 5 176 |
| Value of vacant space | - |
| Rent potential | NA |
| Implicit value increment | 7,69 % |

| Valuation Period | |
|---|---|
| From: | 04.01.2018 |
| To: | 31.12.2030 |

Comments

Vacant possession value. The asset is empty and for sale. New owner is responsible for environmental cleanup costs of 18.4 mNOK.

### Net Rent Summary

| | | Area Distribution | | | | Gross Rent - kNOK | | Rent - NOK/unit | | Costs @ first relet | | Cost @ future relets | | As-is rent | Duration | | Valuation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Category** | **Unit** | **Total** | Let | Vacant | Adj.'mt | **Passing** | **Market** | **Passing** | **Market** | **Void days** | **Cost/m2** | **Void days** | **Cost/m2** | **NOK/m2** | **Current** | **Next** | **NOK/m2** |
| Office/admin. | m2 | **8 025** | 8 025 | - | - | - | 4 013 | - | 500 | 1 095 | 500 | 1 095 | 500 | 400 | | 5,0 | 2 340 |
| Workshop | m2 | **15 937** | 15 937 | - | - | - | 6 375 | - | 400 | 1 095 | 400 | 1 095 | 400 | - | | 5,0 | 1 872 |
| Warehouse | m2 | **10 498** | 10 498 | - | - | - | 4 199 | - | 400 | 1 095 | 400 | 1 095 | 400 | 320 | | 5,0 | 1 872 |
| Painting / Sandblasting Hall | m2 | **440** | 440 | - | - | - | 176 | - | 400 | 1 095 | 400 | 1 095 | 400 | 320 | | 5,0 | 1 872 |
| Detached / apartment | m2 | **1 869** | 1 869 | - | - | - | 1 122 | - | 600 | 1 095 | 600 | 1 095 | 600 | 480 | | 5,0 | 2 808 |
| Barracks | m2 | **2 728** | 2 728 | - | - | - | 1 637 | - | 600 | 1 095 | 600 | 1 095 | 600 | 480 | | 5,0 | 2 808 |
| | m2 | **-** | - | - | - | - | - | - | | | | 183 | - | - | | 5,0 | - |
| | m2 | **-** | - | - | - | - | - | - | | | | 183 | - | - | | 5,0 | - |
| Quay/Quays | M | **110** | 110 | - | - | - | 28 | - | 250 | 1 095 | 250 | 1 095 | 250 | 200 | | 5,0 | 1 170 |
| Ground area | A | **251 713** | 251 713 | - | - | - | 604 | - | 2 | 1 095 | 2 | 1 095 | 2 | 2 | | 5,0 | 11 |
| **Total** | | **39 497** | **39 497** | **-** | **-** | **-** | **18 152** | **-** | **460** | **1 095** | **62** | **1 095** | **62** | **447** | **#DIV/0!** | **5,0** | **1 686** |

### Cash Flow - kNOK

| Cash Flow - kNOK | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 362 | 365 | 366 | 365 | 365 | 365 | 366 | 365 | 365 | 365 | 366 | 365 | 365 | 365 | 366 | 365 | 365 |
| CPI | 0 % | 1,67 % | 1,63 % | 1,73 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % |
| CPI index | 100 % | 101,67 % | 103,33 % | 105,12 % | 107,75 % | 110,44 % | 113,20 % | 116,03 % | 118,93 % | 121,90 % | 124,95 % | 128,08 % | 131,28 % | 134,56 % | 137,92 % | 141,37 % | 144,91 % |
| Real market rent change | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Yield change | | | | | | | | | | | | | | | | | |
| Income from current leases | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Income from future leases | - | - | - | 18 925 | 19 559 | 20 048 | 20 549 | 21 062 | 118 | - | - | 23 185 | 23 830 | - | - | - | - |
| **Gross rent** | **-** | **-** | **-** | **18 925** | **19 559** | **20 048** | **20 549** | **21 062** | **118** | **-** | **-** | **23 185** | **23 830** | **-** | **-** | **-** | **-** |
| Operating costs | (1 190) | (1 219) | (1 239) | (1 261) | (1 292) | (1 325) | (1 358) | (1 392) | (1 426) | (1 462) | (1 499) | (1 536) | (1 575) | - | - | - | - |
| Reletting costs | - | - | - | (19 082) | - | - | - | - | - | - | - | (23 249) | - | - | - | - | - |
| Share of common costs | (6 348) | (6 525) | (6 632) | (55) | - | - | - | - | (7 592) | (7 824) | (8 020) | (23) | - | - | - | - | - |
| CAPEX | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Residual value | - | - | - | - | - | - | - | - | - | - | - | - | 268 378 | - | - | - | - |
| **Net cash flow** | **(7 538)** | **(7 745)** | **(7 871)** | **(1 473)** | **18 266** | **18 723** | **19 191** | **19 671** | **(8 900)** | **(9 286)** | **(9 519)** | **(1 622)** | **290 634** | **-** | **-** | **-** | **-** |

## PICTURES FROM SITE VISIT




CUSHMAN & WAKEFIELD | Realkapital

## CUSHMAN & WAKEFIELD REALKAPITAL


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To see a full list of all our publications please go to www.cushmanwakefield.com /research

## GENERAL TERMS & CONDITIONS

These General Terms & Conditions shall apply for this valuation report and the following shall apply unless otherwise stated in the valuation report:

**Scope of the valuation report**
The object of the valuation covers the real property or the equivalent stated, with appurtenant rights and obligations in the form of easements, rights of way, community association and other rights or obligations stated in extracts from the Land Register pertaining to the object of the valuation. The valuation report also covers, where applicable, fixtures and fittings of the property and fixtures and fittings of the building relating to the object of the valuation, however not industrial fixtures and fittings to an extent other than as set forth in the report. For the purpose of this valuation report, Cushman & Wakefield Realkapital has not been instructed to extract information from the Land Register, hence, we assume that registered rights in respect of the property can be verified by means of an extract from the Land Register and that the information obtained from the Land Register is accurate and complete. Furthermore, that the object of the valuation is not encumbered by any unregistered easements, right of use agreements or any other agreements which limit, in any respect, the property owner's right to use the property and that the object of the valuation is not encumbered by onerous expenses, fees or other encumbrances. It has also been assumed that the object of the valuation is, in no respect, the subject of a dispute.

**Assumptions for the valuation report**
The information included in the valuation report has been obtained from sources which are deemed to be reliable. All information obtained from the client/owner or his representative and any holders of rights of use has been assumed to be accurate. The information has only been verified through a general assessment of reasonableness. In addition, it has been assumed that no information of relevance to the valuation opinion has been omitted by the client/owner or his representative.

The land areas which form the basis of the valuation have been obtained from the client/owner or his representative. The valuer has relied on these land areas and has not measured them on site or on drawings, but the areas have been verified by means of an assessment of reasonableness. The areas have been assumed to be measured in accordance with the "Norwegian Standards" applicable from time to time. As regards tenancies and leasehold conditions relating to land or other rights of use, the valuation opinion has, where applicable, been based on applicable leases of property and leases of land, and other rights of use agreements. Copies of these, or other documents, indicating relevant terms and conditions have been obtained from the client/owner or his representative. It has been assumed that the object of the valuation complies with all requisite requirements from public authorities and terms and conditions applicable to the property, such as plans, etc., and has obtained all requisite permits from public authorities for its use in the manner stated in the report.

**Environmental matters**
The valuation opinion is conditional on land or buildings relating to the object of the valuation not being in need of an environmental clean-up and there being no form of environmental encumbrance. In light of the provisions stated above, the valuer shall not be liable for any loss incurred by the client or a third party as a consequence of the inaccuracy of the valuation opinion due to the object of the valuation being in need of an environmental clean-up or there being any form of environmental encumbrance.

**Inspection, technical condition**
The physical condition of the facilities (buildings, etc.) as described in the report is based on an overall ocular inspection. The inspection conducted has not been of such a nature as to satisfy the seller's duty of disclosure or the buyer's duty to investigate pursuant. The object of the valuation is assumed to be in a condition and to be of the standard which the ocular inspection indicated at the time of the inspection. The valuer assumes no liability whatsoever for any latent defects or circumstances which are not obvious on the property, under the ground or in the building and which might affect the value. No liability is assumed for; any matter which would require specialist expertise or special knowledge to discover or; the functionality (freedom from defects) and/or the condition of fixtures of buildings, mechanical equipment, pipes or electrical components.

**Liability**
Any claims for damages arising from proven loss arising from any error in the valuation report must be made within one year from the date of the valuation (the date on which the valuation is signed). The maximum amount of damages which may be payable for proven loss arising from an error in the valuation report is 5 times the price base amount at the date of the valuation. Any force majeure that could affect the market value after the date of the written valuations report cannot be used to hold the valuer responsible.

**Validity of the valuation report**
Depending on whether the factors influencing the market value of the object of the valuation change, the valuation opinion referred to in the report is only valid at the date of the valuation, subject to the assumptions and reservations set forth in the report. Future incoming payments and outgoing payments and growth in value as declared in the report, where applicable, have been made based on a scenario which, in the opinion of the valuer, reflects the future projections of the property market. The valuation opinion does not constitute any undertaking as regards actual future growth in cash flow and growth in value.

**Use of the valuation report**
The content of the valuation report and its appendices is the property of the client and shall be used in its entirety for the purpose set forth in the report. Where the valuation report is used for legal matters, the valuer shall only be liable for direct and indirect loss which may affect the client provided that the report is used in accordance with what is stated above. The valuer shall have no liability whatsoever for any loss incurred by any third party as a consequence of such third party having used the valuation report or information provided therein. The valuations are governed by the laws of the Kingdom of Norway. Any disputes will be settled by the court of Oslo (Oslo Tingrett). Prior to the valuation report or parts thereof being reproduced, or referred to in any other written document, the valuer must approve the content and the manner in which the report is to be referred to.

# Vard Søviknes

Valuation for VARD Group AS
4th of April 2018

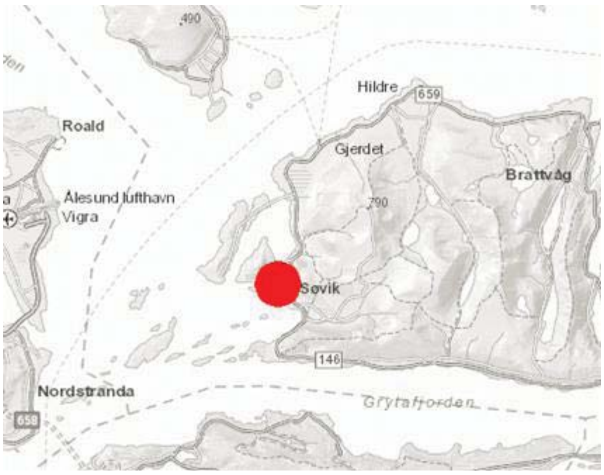
## CONTENT



## KEY FIGURES & SUMMARY

| | |
|---|---|
| Municipality: | Haram |
| Cadastral ref: | Gnr./bnr.: 175/360, 175/209, 175/38, 178/81. |
| Area: | 21 527 m2 building and 66 487 m2 of land. |
| **Value:** | **104.2 mNOK** |


*Søvikneset, 6280 Søvik*




*Location, source: Location analytics*

## INTRODUCTION

### Terms of engagement and assignment

Cushman & Wakefield Realkapital (Cushman & Wakefield) has been instructed by Vard Holdings Limited (Vard) to undertake a valuation of portfolio of six assets in Norway. Vard owns all the assets. This report is specifically about Vard Søviknes in Møre og Romsdal, Norway. The valuation is completed by an external valuer, as defined by RICS in the "Global Standards 2017". This includes incorporating the IVSC International valuation standards.

We confirm that we have no previous engagement with Vard in Norway or any conflict of interest in assessing the value of the asset.

The valuation date is set to be 4th of January 2018.

### Purpose of the valuation

The reports and/or its valuation summary for the property valuation are to be used in relation to the Delisting and the report may be a) included in the circular to the shareholders of the Company (the "Circular"), and b) disclosed to Client and its officers, employees, agents and advisors (including financial and legal advisors) and relevant regulatory bodies in Singapore (including the Singapore Exchange Securities Trading Limited and the Securities Industry Council).

### Report and valuation basis

The valuation of the properties will be prepared on the basis of Market value, defined by the International Valuation Standards (2017 edition). Market Value is set out as follows:

"The estimated amount for which an asset or liability should exchange on the valuation date, between a willing buyer and a willing seller in arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

### Inspection and valuation date

The valuation date is equal to inspection date. The asset was inspected by Jørgen Haugsvold from Cushman & Wakefield, on the 04.01.2018.

The asset has been inspected, but we have not completed a technical or environmental investigation. See general limitation and disclaimer, terms of engagement for further details.

### Valuation approach and assumptions

We have based many of our assumptions on information provided to us by Vard and have checked this information against publicly available information. Furthermore, this also includes environmental provisions on the combined assets. The valuation is based on market knowledge possessed by Cushman & Wakefield.

None of the assets have binding contract or split between property and the shipyard operation/user. The market value must been seen in conjunction with this assumption and fact. The market value must been seen in conjunction with this assumption and fact. Therefore, to calculate a market value we have utilised a cost approach, comparables transactions for similar properties and/or income approach, as deemed appropriate pr asset.

The specific assumptions to the valuation are set out in the report.

We have not taken into account any balance sheet items, tax related issues like tax loss carry-forwards, the value is a gross asset value as is common in the Norwegian real estate market.

We have also been asked to include a vacant possession value if Vard no longer utilises the asset. The value of the shipyard is nearly binary to the asset value, i.e. with no operation the value is significantly lower.

Should any of the information and assumptions on which the valuation is based, afterward is found to be incorrect, the result of valuation might be incorrect and should be reassessed.

### Capacity of valuer

The person responsible for the valuation is qualified for the purpose in accordance with the Red Book. We also confirm that we have no previous material involvement with the property or conflict of interest, as previously stated.

### Limitation

Cushman & Wakefield has valued the property from a market point of view, and taken into account the information as we perceive it. If there are environmental, technical and/or legal issues that we have not been informed about, we assume that the gross market value will be adjusted accordingly.

Cushman & Wakefield has undertaken the valuation based upon material we believe to be reliable in our possession or supplied to us. Whilst every effort has been made to ensure its accuracy and completeness, we cannot offer any warranty that factual errors may not have occurred. Cushman & Wakefield takes no responsibility for any damages or loss suffered by reason of the inaccuracy or incorrectness of our valuation.

Due to the nature of the instructions and subject to the provisions in these terms and conditions and agreement, C&W's total aggregate liability in contract, tort (including negligence or breach of statutory duty), misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the services shall be limited to an aggregate sum not exceeding the fee paid. Cushman & Wakefield's responsibility shall be limited to the Client, and any use of the product (including, without limitation, the Report and contents therein) by third parties shall be solely at the risk of the Client and any such third parties. Please read the engagement letter in the end of the report for further details and information regarding limitation and responsibilities in regards to the report and valuation work done in conjunction with this instruction.

## MACRO ECONOMIC OVERVIEW

### Inflation

The inflation prognosis is based on yearly average forecast from Bank of Norway, DNB and Statistics Norway. After 2020 we have utilised the inflationary target from Bank of Norway.

| Inflation prognosis | | | | |
|---|---|---|---|---|
| **Source** | **2017** | **2018** | **2019** | **2020** |
| DNB | 1.90% | 1.80% | 1.40% | 1.50% |
| Norges Bank | 1.90% | 1.90% | 1.80% | 2.10% |
| SSB | 1.80% | 1.90% | 2.00% | 2.00% |
| **Prognosis** | **1.87%** | **1.87%** | **1.73%** | **1.87%** |

### Interest Rates and Financing Terms

The Central Bank had rate decision on the 14th of December 2017 where they decided to keep the key policy rate unchanged at 0.50%. Since New Year, oil has been traded downwards from 57 to 45 in end of June. However, since then, the price has been steadily climbing upwards to above 60 USD/barrel.

Governor Olsen stated in the press release; "The Executive Board's current assessment of the outlook and the balance of risks suggests that the key policy rate will remain at today's level in the period ahead."

The 5 and 10 year NOK SWAP increased significantly from July 2016 throughout the year. In 2017 the trend has been relatively flat.


*Source: Nordea Markets*

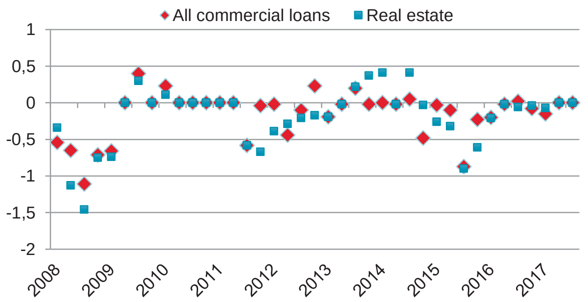
The main trends for loans to commercial real estate have increased from last period and appear to be:

- Spread of 125-175 bps for the best projects, and around 250 bps +/- 50 bps for a normal loan.
- LTV up to 70% for the best projects, but compensate the margin upwards
- Uncertainty around traditional bank loan, but new possibilities through direct financing from pension funds. Bonds financing is also active.
- Latest experience suggests there is more competition between banks.
- Banks are carefully considering counterpart risk in syndicate structures.

Norges Bank's 'Survey of Bank Lending' from October 2017 can be summarised as follows:

- Credit standards for households and for non-financial enterprises were unchanged in Q3
- Credit demand from households fell and non-financial enterprises rose slightly in Q3
- Banks do not expect any changes in credit standards, loan conditions, lending rates, margins on loans or corporate credit demand in 2017 Q4.
- Household credit demand is expected to fall further in Q4.

The survey measures the banks' attitude towards real estate lending by asking if they are in this quarter more or less strict than in the previous. Results show that banks have had a relatively unchanged attitude the last year. Survey from October 2017 the banks' attitude for the second consecutive quarters are unchanged.




The indicative trading levels for bond spreads of real estate companies in the last 3 months have increased as we can see from the table below.

| BOND SPREADS Q4 (Q3) | | | | |
|---|---|---|---|---|
| **Duration** | **3 yr.** | **5 yr.** | **7 yr.** | **10 yr** |
| Entra | 57 (50) | 74 (68) | 88 (82) | 100 (96) |
| Olav Thon 1 pr pledge | 61 (57) | 80 (75) | 90 (89) | 100 (102) |
| NPRO 1. Pri pledge | 100 (85) | 135 (110) | 160 (135) | 185 (160) |
| Steen & Strøm secured | 59 (54) | 76 (74) | 91 (N/A) | 100 (N/A) |

## Employment market

The latest Manpower Employment Outlook Survey (MEOS) from September 2017 shows nearly a steady state in employment outlook for the year and is still positive. Among the 751 companies surveyed, 11% report that they will increase the number of employees in the next quarter and 4% report that they will reduce the workforce. Furthermore, there are 84 % who are not expecting any change and 1% who do not know yet.

According to NAV's annual company survey publication 24% are going to increase, while 10% are decreasing. The publication also shows a negative development in the demand for employees from the last survey. NAV estimates that Norwegian business is lacking 33 800 persons, which is 7 300 more than the same period last year.

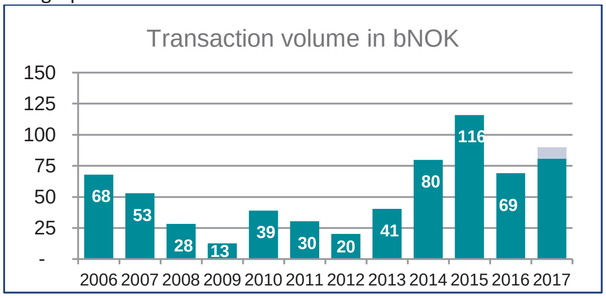
| Employment survey | | |
|---|---|---|
| **Source** | **% increase workforce** | **% decrease workforce** |
| Manpower | 7 | 4 |
| NAV | 24 | 10 |

The number of completely unemployed was according to NAV's latest "Helt Ledige" 64 216 persons in November 2017, which is a reduction of 13 941 persons compared to November 2016.

## Transaction market

In 2017, we expect a transaction volume around 90 bNOK, due to the eventful first three quarters with more than 61 bNOK in transaction volume. On average, Q4 has logged almost 30 bNOK, the last 5 years. International investors are still active in the market representing around 19% of the buy side so far. The largest transaction so far, this year is Swedish SBB's purchase of DNB's HQ at Bjørvika for 4.3 bNOK.

See graph for an overview of the transaction market since 2001:




Selected transactions 2017:

| Asset | Buyer | Seller | mNOK | Type |
|---|---|---|---|---|
| DNB Midtbygget | SSB | Arctic Securities | **4 300** | Office |
| 50% of Lørenskog Vinterpark | Canica og Baumann Invest | Selvaag Eiendom | **3 000** | Leisure |
| Storebrand HQ | Arctic Securities | Storebrand ASA | **2 200** | Office |
| Eufemia | KLP Eiendom | Oslo S Utvikling | **1 740** | Office |
| 50 % of Sundtkvartalet | Entra ASA | Skanska CD | **1 590** | Office |
| Esso portfolio | DCC Energy | ExxonMobil | **1 420** | Retail |
| Lilleakerveien 2 | Mustad Eiendom | Nordea Liv | **1 245** | Office |
| Horisont kjøpesenter | Coop Norge Eiendom | Capto Eiendom/Profier/Storm Eiendom/Harteig | **1 150** | Retail |
| Norwegian Outlet Vestby | Meyer Bergman | Norwegian Outlet Vestby | **1 100** | Retail |
| Forskningsvn 2 | Pareto | Union Real Estate Fund | **1 100** | Office |
| Other | | | **61 964** | |
| **Total** | | | **80 809** | |

*Source: Cushman & Wakefield Realkapital, research.*

Office makes out approximately 50% of all transactions followed by retail with just below 20%. Private real estate companies are most active with around 40% of the volume, while syndicate structures have been on the buy side of above 25%.

The transaction market will remain sensitive to changes in the interest rates. However, our leading macro economists suggest that we will have a low interest rate scenario the next years. New build activity is present and centrally located properties of high standard are being let. Norwegian economy is going well with expected growth in onshore GDP of 2.0 % and 2.5% in 2017 and 2018 respectively. As mentioned the oil price has increased significantly in the second half of 2017. Should this continue and the price stabilize on a higher level, the office areas exposed to oil and gas could be positively affected.

Cushwake Investor Confidence Index from September 2017 reports that 73% of all investors has an objective to be net buyers the next 6 months. Only 11% plans to reduce their stock. Above 60% of all investors expect improved office occupiers demand in the coming six months, a near doubling from the January survey. This is consistent with the results reported from both Arealstatistikk and Entra's Konsensusrapport. Possibly easing financing conditions, by signals from Norges Bank's lending survey, were confirmed by the survey where 26% (up from 10% in January) of the respondents believe in improved conditions.

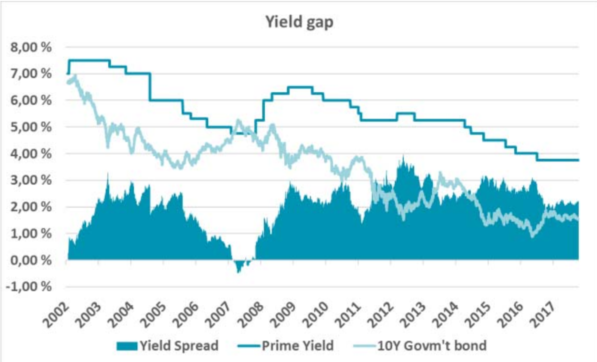
### Yield Trends

We still believe in a prime yield estimate at 3.75%. Recently we have observed transactions that might indicate that the prime yield has a downwards pressure.

- Winta Eiendom sold Cort Adelers gate 33 to Deka Investments for 73 million euros on a net initial yield of 3.70%.
- DNB's headquarters at Bjørvika (CBD 2) in Oslo was acquired by Swedish listed company SBB for 4.3 bNOK and a reported yield around 4%. Bjørvika is still not considered to be main CBD, indicating prime yield at Aker Brygge/Vika is still lower and around 3.75%.
- Eufemia, a 90% pre-let new-build project in CBD 2 was sold on a forward contract at around 3.9%.

It seems the gap between prime real estate and real estate located on the fringe of the best area is less. It could be reasoned by the limited supply of centrally located assets, but also that the comparable assets on the fringe are let on attractive lease contracts. Historically, spread between prime yield office and logistics has been higher than what is communicated today. This is due to several things; including that prime office yield is based on a mid-long contract around 5 years, while logistic assets often get transacted on double digit durations. Additionally, logistic properties often have substantial land plots with implicit value added from outdoor rent or development potential. The logistics property Bølerveien 61 with Skanska on a 12-year contract was recently transacted to around 4.85% initial yield, confirming the communicated gap between office and logistics in declining.

With a prime yield at 3.75% we get a yield gap against 10 yr gov. bond at 2.20% as of 13th December 2017.




*Source: Cushman & Wakefield Realkapital and Norges Bank*

## SHIPYARDS IN NORWAY

Norway has historically a long tradition for boat building. The long coast line and dependence on the sea has also been pivotal for the country. Up until the middle of 1970's Norway was one of the foremost ship building nations in the world. The business was dominated by large shipyards in the cities. Due to the shipping and oil crisis on the 1970's, the market for building ships changed, the cost of labour and lack of automatic solutions lead to a drastic reduction in shipyards of the more economically developed countries. More specifically in Norway many shipyards changed the operations from shipyards to offshore related production or converted to city transformational areas (like Aker Brygge or Værste). Norwegian shipyards lost the leading international position, but smaller and flexible shipyards emerged with high degree of competences and specialisation. This is seen in conjunction with the changes in the fishing fleet and the energy sector. The cluster for ship building is main focused along the coast from Rogaland to Trøndelag with the thickest density in Møre og Romsdal.

Norwegian shipyards currently have niche specialist shipyard activity towards smaller special constructions, such as offshore vessels, fishing trawls, research vessels, coastguards, coastal ferries, platform manufacturing and modules for installations on the Norwegian continental shelf.

Many of the yards makes a living from a combination of repairs, maintenance work, rebuilding and new construction. In the case of major work, many work tasks are outsourced to subcontractors, while the more advanced and technically demanding parts of the production is performed at home. Thus, the majority of value creation are retained in Norway.

### The shipyard markets

The Norwegian shipbuilding industry is fragmented as geographically and in size as in sales and earnings. The shipyards operate in a market with great national and international competition. The new Ship Scheme, which the government has entered into the state budget for 2018, is expected to have a positive effect on the order intake at Norwegian shipyards. It is

expected in the years that there will be continued growth in ferry construction, cruise and expedition ships, speedboats, fisheries (including well boats), offshore wind farms, and service and work boats for the aquaculture industry. Examples of new types of ships in notification can be support vessels for offshore mining on the seabed. A certain fleet renewal in oil offshore with newbuilding and partly upgrading of existing fleet is also expected.

The total ingoing order book of Norwegian shipyards as of 1 January 2018 consists of 83 vessels for a total value of 34 bnNOK (individual orders each exceeding 50 mNOK). The ingoing order book in 2017 was 48 ships for a total value of 15.5 bnNOK (individual orders each exceeding 50 mNOK). Corresponding ingoing order book in 2016 was 30 ships for a total value of 12.5 bnNOK. In addition, we assume that a larger number of vessels each with a value of less than 50 mNOK are ordered in 2017, we put the total value of these orders to 3 bnNOK. The corresponding amount and value of this vessel type think we will also apply for 2018. Overall, it is expected that the market place is fairly good all things considered. The sources of information on the order book is Norske Skipsverft.

The value of the ship operations, property and the counter party risk is all bound up with the activity and order book reserve. Rosenberg verft (operations) was sold from Aker Kværner in 2003 for a non- disclosed sum. In 2007 the company was sold from the local investors, that bought the company in 2003, for 700 mNOK to Bergen Group. In 2014 the company was again sold and this time WorleyParsons for 1.1 bnNOK. The property has had same majority owner since Kværner sold the property in 2003. The general activity in the energy started fallin towards the end of 2014. The sector has undergone major cost cutting and restructuring. In addition, the oil price is starting to climb and the activity looks to increase. The pelagic and automatic fisheries has has a record turnover and activity increasing order book in the shipyard sector. Ferries and especially more eco-friendly alternatives are driving investments and boosting yard activity. Maintenance is important for all types of sector. For market rent we have looked at other ship yards and industrial properties that deliver products for specialiased and international markets.

Shipyards often need extensive piece of land to operate. Both income and value can be compared by looking into these parameters and the percentage split between them. We have investigate both the rental income and transactions in regards to shipyards. It is not the most liquid market and is deemed to cyclical and more cyclical than the average/normal property market. See summaries of below;

## Market rent

The information is based on properties where there is a split between operator and owner. If the rent seems to indicate variable based income we have taken approximately a five-year average. The main sources is a mix between infoland.ambita and purehelp.no. We have looked into the percentage difference on land versus building as well income on the operations to quality check. Another important aspect on the market rent than land and building size is technical specification such as quay length and depth, weight of cranes, division of cost, upgrades, etc. The follow findings give us an expectation of the market rent either by NOK/m2 building or NOK/m2 plot;

| Name | Location | Size daa | Building m2 | Income mNOK | NOK/m2 building | NOK/m2 plot | Comments |
|---|---|---|---|---|---|---|---|
| Miljøbase Vats | Vats | 97,7 | 6778 | 24,6 | 3 629 | 252 | The rental income  also includes that to run the property, 195 daa is rented from the municipality. The buyer ran both operations and wanted control over the rent paid according to several sources. |
| Rosenberg | Stavanger | 434 | 173172 | 65 | 375 | 150 | Multiple tenants and plans to convert part of the shipyard to residential. |
| Brevik | Porsgrunn | 65,4 | 20525 | 11,8 | 575 | 180 | New contract signed for a three-year contract. Income from public sources are higher than the contract we have received |
| Fjellstrand | Kvam | 33 | | 8,0 | | 242 | One of the prior Kværner shipyards that were bought and restructured. There are many cadastral reference numbers that we have based the plot size on a web measurement |
| Fiskarstrand verft | Sula (Ålesund) | 44,2 | 3535 | 11,5 | 3 253 | 260 | Several of the buildings are without m2 in ambita, which make the parameter somewhat difficult to check. |
| Aker Solution Egersund | Egersund | 500,3 | 41500 | 18,8 | 453 | 38 | Set contract with indexation. Large plot of land, that with web survey seems to be unused or undeveloped. That indicates the rent NOK/m2 plot parameter is less important. Triple net bare house contract |
| Midsund Bruk | Midsun | 77,5 | 6500 | 3,1 | 484 | 41 | Set contract with indexation. Large plot of land, that with web survey seems to be unused or undeveloped. That indicates the rent NOK/m2 plot parameter is less important. Triple net bare house contract |
| Sandnessjøen | Alstahaug | 81,3 | 14139 | 5,1 | 360 | 63 | Set contract with indexation. Based outside of Sandnessjøen. Triple net bare house contract |
| Sandnessjøen | Alstahaug | 81,3 | 14139 | 3,6 | 255 | 44 | Bought to Aker Solutions. Renegotiated afterwards based on the transaction that happened afterwards and purehelp from the public accounts |
| Mongstad supply base | Mongstad | 600 | 72000 | 85,6 | 1 189 | 143 | Supply base for the energy sector and not directly comparable. Active management of assets by landlord. Not directly a shipyard as such. |
| Risavika Havn | Risavika | 110 | 12000 | 56,5 | 4 708 | 514 | Harbour more than a shipyard and not directly comparable. |
| Ulstein verf | Osnes | 185 | 20645 | 49 | 2 373 | 265 | Average income is based on a five-year average. |

## Market transaction

The transactions we have tracked and found are used for method C. Based on our transaction database and available public information we have found the following transactional evidence;

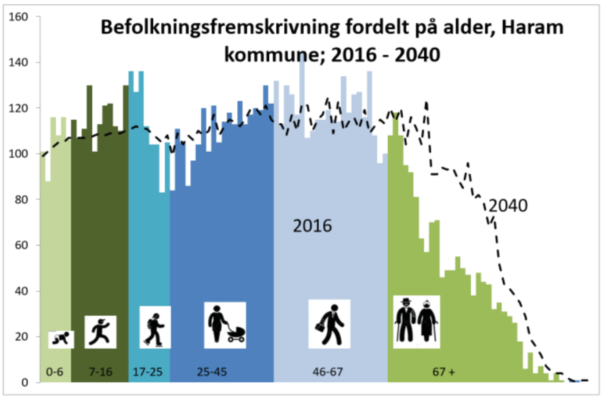
| Name | Date | Type of transaction | Value mNOK | NOK/m2 | NOK/plot | Comparison with subject property |
|---|---|---|---|---|---|---|
| Miljøbase Vats | 2014 | Operator buyback property | 226,3 | 33 387 | 2 316 | AFGruppen had 40% and rebought back 99.9%. Wanted more flexible structure on rent for property based on turnover |
| Vestbase | 2010 | Property transaction | 520 | 17 333 | 2 600 | Central base in Kristiansund. Pure property transaction. |
| Rosenberg | 2003 | Property | 350 | 2 021 | 806 | Kværner sold the operations to local investors in a separate transaction. The property was sold to Jacobson family as main owner. |
| Brevik | 2016 | Property, but distressed sale | 220 | 10 719 | 3 363 | Part of structured sale from Otium. Part of portfolio sale. |
| Bredalsholmen verft | 2015 | Land | 7 | | 323 | Very special property for museums ships and national competency. |
| Fosen | 2015 | Property | 5,26 | 1 513 | 72 | Bankruptcy – local group purchased |
| Kaldnes Vest | 2010 | Property | 125,7 | | 1 082 | Bought by local investor. Long term development. |
| Pusnes verft | 2016 | Property | 33,6 | 1 522 | 494 | Vacant possession – Otterland bought the assets. Located in Arendal |
| Aker Solution Egersund | 2016 | Property | 280 | 6 747 | 560 | Long contract. Clear split between operator and property. Estimated value from portfolio |
| Midsund Bruk | 2016 | Proprety | 45 | 6 923 | 581 | Long contract. Clear split between operator and property. Operations sold to NOV, property to TRG |
| Sandnessjøen | 2016 | Property | 68 | 4 809 | 836 | Long contract. Clear split between operator and property. Estimated value from portfolio |
| Sandnessjøen | 2012 | Property & operations? | 25,15 | 1 779 | 309 | From public registry. Rent was significantly lower. Uncured duration. |
| Mongstad supply base | 2015 | Property | 950 | 13 194 | 1 583 | Sold from Wimoh to EQT. Several investments made afterwards. Property is actively marketed now, but significantly large part of Mongsdad. Clear split. Statoil main tenant |
| Portfolio | 2015 | Property | 1243 | | | TRG bought portfolio from Aker Solutions |
| Risavika Havn | 2016 | Proprety | 1800 | | | Risavika IKS (public) bought out minority shareholder |
| Risavika Havn | 2016 | Property portfolio | 800 | 66 667 | 7 273 | Portfolio sold from Risavika to Asset Buyout Partners. |
| Umoe mandal | 2017 | Operator buyback property | 4 | 687 | 392 | Smaller property, no seafront, unsure whether or not internal transaction. |

### Location

Haram is a municipality in Sunnmøre, in Møre og Romsdal, with 9 302 inhabitants. It borders in the east towards Vestnes and in the southeast towards Skodje. Over the Grytafjord in the south lies the municipality of Ålesund, and to the west lies the island of Giske. To the north of the Harøyfjord are the municipalities of Sandøy and Midsund. The municipal center in Haram is Brattvåg, with 2 300 inhabitants. The municipality has a lot of industry, and the largest companies are VARD in Brattvåg, Søvik and Tennfjord, and Rolls-Royce in Brattvåg and Longva.

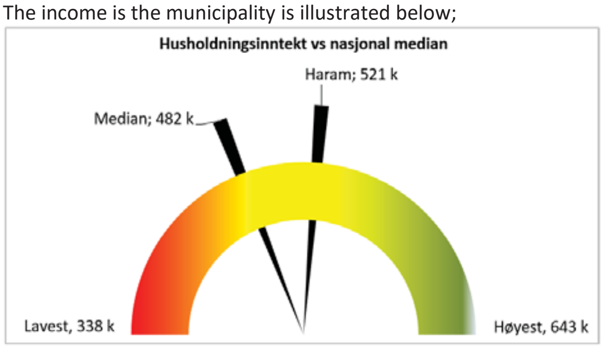
Vard Søviknes is located in Søvik, a settlement in Haram municipality. Søvik had 1 005 inhabitants as of 1 January 2017. The settlement Søvik also includes part of Gamlem. Main industry is shipbuilding and related industry.

According the SSB the population in Haram municipality is expected to grow to 9 783 by 2040. This give a CAGR of 0.26 %, which is below the national average of 0.81%. It is expected that annually the municipality will grow with 24 people.




*Source: SSB and CWR analysis*

The income is the municipality is illustrated below;




*Source: SSB and CWR analysis*

The median income is above the national average with 39 000 NOK. This indicates that the people living the municipality is earning well over the national average. This a positive aspect.

The average residential price in Søvik is 15 259 NOK/m2 p-rom. We had to use 1 year of registrated sales due to few benchmark transactions. For Haram municipality, the average residential prices for detached and flats are respectively 11 202 NOK/m2 and 25 793 NOK/m2 p-rom.

### Description of property

Søvik is dependent on shipyard operations. Vard Søviknes employs up to 700 workers in project periods, and accounts for around 1 bnNOK per year. The number of permanent employees is 196 on valuation day. Vard Søviknes was established in 1936 in Søvik. The yard has after the oil downturn in 2014 had to reschedule and adjust its business to other shipping industry than the Offshore industry.

Vard Søviknes consists of 4 property numbers and has a total area of 66 487 m2. All of this area is regulated to industry, and consists the following; The yard itself. This property is 41 189 m2 (two property numbers). In addition, there is an industrial property of 17 066 m2 located south of the yard. Here is it a barrack site that is used for accommodation of workers. At the other side of Terøysundet, Terøy island is located. Here the yard owns another commercial property of 8 232 m2. Vard Piping AS is currently renting workshop premises from Vard Søviknes at Terøy island. In addition, there is also another barrack site for the yard workers at the island.


*Overview of the properties, source: Gårdskart*

### State of repair

The yard has been in continuous development since 1936. The buildings are built between 1968 and 2011, evenly distributed over these years. In addition, there were build 5 stores in PVC in 2017. Some of the facilities are not up to date, but it seems that it has been relatively well maintained over the years.

The yard has two administration buildings on the property. These were built in 2001 and 2011, and their yard is the newest. Both appear as modern and put a newer feel on the yard. In addition, a new crane is under construction.

Unlike other Vard's shipyards in the area, Søviknes has a larger boat ramp. This goes 40 meters into the sea and has high capacity. Repairs can then be performed on the hulls.

| Category | Unit | Total |
|---|---|---|
| Office/admin. | m2 | 5 912 |
| Workshop | m2 | 9 970 |
| Warehouse | m2 | 5 645 |
| Quay/Quays | M | 300 |
| Ground area | A | 48 487 |
| Total | m2 | 21 527 |

*Vard Søviknes buildings overview*

For this valuation, we have not received any technical DD or DD as such, hence, we have not factored this into the valuation. Any DD findings that may contribute to affect the valuation in a positive or negative way should be deducted from the market value we have arrived at.

There is no ongoing development on the site that we know of. There is no lack of land and the current regulation and zoning is flexible or not.

### Zoning for the area

The yard area and the barrack area south of the yard is regulated for industrial purposes. PlanID 1534-78 named Søviknes industriområde, was adopted 28.06.1990.

The area at Terøy is regulated for industrial purposes (fishing industry). PlanID 1534-67, named Terøy byggefelt del 2, was adopted 14.8.1984.


*Clipart from the zoning plan, source: Haram municipality.*

### Accessibility

The closest city is Ålesund, 52 km away, but in arieal distance Ålesund is around 10 km away. The closest airport is Ålesund Airport, 60 km away. The property is situated in a protected bay and access by ship is deemed very good.

### Dockyard capabilities

We have been provided with a technical specifications for yard capabilities from Vard based on information from 2016. The assets has the following yard capacities;

| Søviknes 2016 | |
|---|---|
| Number of Employees | 188 |
| Established | 1936/1946 |
| Total Yard Area | 57 000 m2 |
| Quay/Quays | Total length: 300 m<br>Depth: 8 m<br>Crane capacities: 1 x 60 t + 1 x 30 t + 1 x 15 t |
| Dry Dock / Slip way | Capacity: 4 000 t<br>Breadth: 23 m<br>Total length vessel: 120 m<br>Keel length: 90 m<br>Crane capacity in dock: 1 x 30 t |
| Outfitting Hall | Capacity: 2 000 m2<br>Crane capacities: 2 x 10 t |
| Power | 400 A |
| Piping Workshop | Capacity: 2 700 m2<br>Crane capacities: 2 x 10 t |
| Warehouse | Capacity: 2 500 m2 |
| Carpentry Shop | Capacity: 700 m2 |

### Marketability

The marketability of the asset is limited. The asset is highly specialised, in a rural location, the operator and landlord is the same organisation, but currently the split between property and operations is not set. These factors all affect the marketability and the type of purchaser. For example, a financial based buyer will be sceptical to purchase an asset where the contractual obligation between the parties are not set. The shipyards are all the key private employer and cornerstone employer in their respective areas and the alternative use of land and buildings are small, if not used for the current purpose. The most likely purchaser would be another operator, local management or investors, ship owner in the area or governmental owned entity. Unless it is a distressed sale, we believe it would take 18 months to sell the asset. For a sale process, we would also recommend to split property and operating entity.

### Environmental

We have been provided with an environmental summary based on a survey made by an authorised consultancy. They found 3 areas that required clean-up. This has been completed. In addition, Vard has posted a remaining provision of 73.4 mNOK for seabed sediment clean-up. The approach we have used for the valuation purposes is to divide the provision between the four industrial assets on an equal measure or 18.35 mNOK. Should the environmental DD indicate capital needed to clean up the assets, the gross property value must be adjusted accordingly.

We have also checked with Norwegian Environment Agency. The property is listed in their database as an industrial property and that there is exists ground pollution that can be used with restrictions.

### Property tax
There is no property tax in Haram municipality.

### Costs
In assessing operation costs, we have considered the profile of tenants who pay VAT and the impact on deduction of VAT in the landlord's expenses. We have based our estimates on our best judgements but have not investigated the VAT status of each tenant. We have based our estimate of future reletting expenses on the assumption that these expenses will be VAT deductible.

## METHODS FOR THE VALUATION
The instruction entails to give a market value as the situation is now, including only the asset value, not the operation. As the operation and property value components are not in formalised structure on most of the asset we have used different approaches to derive at market value under the set assumption that you are to sell the asset and not the operation. Should this assumption change, the market value of the underlying property asset and the balance sheet of the owner will change. We have looked at the following approaches to value the asset;

**a) Book and land value approach**
**b) Reinstatement value**
**c) Comparable sales**
**d) New Vard contract day after valuation**
**e) Vacant possession value**

The order book of the operator of the shipyard is a decisive point when valuing a shipyard. Given that there is a clear separation between property asset and operator, the operator financial status and guarantees are important as well. We have seen both bankruptcies and a willingness to pay more for when the circumstances on the specific shipyard is right. We have not had access to the order book of the assets, but have assumed that market is more positive than it was in 2011, 2015 and 2016. It means, as we perceive it, to be competitive, but it is possible to make money this year.

The most common contract between a landlord and tenant is a triple net bare-house contract due to nature of the equipment and running maintenance. We have assumed that when valuing the assets. In the vacant possession value estimation, we have assumed that the landlord will cover property tax, own administration and insurance of the building shell.

For the methods in which the value is calculated based on a lease and cash flow, it will be of a significant nature what kind of lease agreement that is agreed. Maintenance responsibility and equipment ownership plays a major role in the valuation of shipyards.

### Method a) Depreciation values
In order to arrive at market value by using this method we use the depreciated valued and an estimated land value. Combined these two make an estimated market value.

The land can be valued by several methods. One way is to calculate the project value as the difference between sales price and construction cost. This project value must then be split between land value and site value. It is common to use various methods of splitting.

One way is to split the project value at a percentage rate between land owner and developer. 50/50 is quite common in projects with relatively low completion time and risk. The more time and risk involved, the more percentage must be adjusted in favour of the developer. Another way to look at it, is that a developer will require a profit, either per m2 or a percentage of the construction cost. Also here, the figures will normally be adjusted according to the risk involved in the project – high risk projects will be adjusted in favour of the developer.

A much used method is to set up a cash-flow, where the profit is discounted over the period the project is estimated to take. This is the best method for projects that runs over some time, since it shows the downside of tying capital to a site purchase early in a development project.

It is also possible to consider market price for land through comparable transactions. This requires a liquid market, where sites with approximately similar qualities can be compared.

We have been given specific information on depreciation values based on the 30.9.2017. The following table consist of the situation at that time;

| Summary of depreciation tNOK at 30.9.2017 | | | |
|---|---|---|---|
| **Building & Property** | **COST** | **DEPR.** | **NET VALUE** |
| Buildings | 119 484,0 | 80 131,6 | 39 352,4 |
| Plant | 3 624,0 | 2 164,4 | 1 459,6 |
| Technical installations | 5 195,0 | 2 251,1 | 2 943,8 |
| Quays | 81 327,3 | 23 040,7 | 58 286,6 |
| Land | 3 138,1 | - | 3 138,1 |
| **Total** | **212 768,3** | **107 587,8** | **105 180,5** |

As you see the depreciated value is 105.2 mNOK, we have valued the land to 13.1 mNOK (see appendix for details of land value calculations) and the environmental liability at 18.4 mNOK. The combined value by this method is **99.9 mNOK.** This gives a value of 4 642 NOK/m2 building and 1 503 NOK/m2 land. The value seems to be under what we expect to see for this type of asset. Given that an investor would achieve a total direct return of the market value of 8% this would indicate a rent of 8.4 mNOK or 391 NOK/m2 building and 127 NOK/m2 land. Please note, that the rent simulation as a percentage of the market value will not take into account void days and other uncertainty and will be definition be lower than the estimated market rent, but it is used as a benchmark for the different approaches.

### Method b) reinstatement value
The reinstatement value, excluding land, has been estimated at 154.5 mNOK at the valuation date 04.01.2018. The reinstatement has been estimated by using construction cost parameters known to CWR in the current market. We have done several investigations

for benchmark figures for the building types, while the specifications of equipment are based partly on the depreciation values. The main reason is to check if method a) is very different from the reinstatement value due to general CPI might outpace the depreciation figure and investor might find it more reasonable to invest in due to the entry barrier.

The depreciation used to deduct from the new built price for a similar shipyard today is the actual depreciation percentage as we have been sent.

The cost we operate with is based on a combined actual construction and developer's cost such as project management, financing and marketing. This results in the following estimation of reinstatement costs on the valuation date:

| Component | M2 | NOK/m2 (or unit) | Cost kNOK |
|---|---|---|---|
| Office/admin. | 5 912 | 21 000 | 124 152 000 |
| Workshop | 9 970 | 8 500 | 84 745 000 |
| Warehouse | 5 645 | 6 000 | 33 870 000 |
| Painting / Sandblasting Hall | | | |
| Detached / apartment | | | |
| Barracks | | | |
| Quay/Quays | 300 | 200 000 | 60 000 000 |
| Ground area | 48 487 | 200 | 9 697 400 |
| Total, excel depreciation | 21527 | | 312 464 400 |
| Depreciation | | | 49,4 % |
| Reinstatement value | | | 154 464 527 |

**Units (# of parking spaces)*

We add reinstatement value 154.5 mNOK with the land value from method a) 13.1 mNOK and deducted the environmental liability 18.4 mNOK. The combined value by this method is **149.2 mNOK**. This gives a value of 6 932 NOK/m2 building and 2 244 NOK/m2 land. The value seems to be over what we expect to see for this type of asset. Given that an investor would achieve a total direct return of the market value of 8% this would indicate a rent of 11.9 mNOK or 555 NOK/m2 building and 180 NOK/m2 land. Please note, that the rent simulation as a percentage of the market value will not consider void days and other uncertainty and will be definition be lower than the estimated market rent, but it is used as a benchmark for the different approaches.

### Method c) sale comparable

Based on the property location, capabilities, the previously stated assumptions, the transactions we have observed on dockyards, the percentage between m2 of buildings/land, we deem the property to have the same characteristics as Sandnessjøen bought by TRG.

When using this approach to the value we have assumed that the environmental aspects were included in the prices we have compared to. Furthermore, we have used both NOK/m2 building and NOK/m2 plot of land and used the average of the two.
The combined value by this method **112 mNOK**. This gives a value of 5 000 NOK/m2 building and 1 750 NOK/m2 land. The value seems to be around what we expect to see for this type of asset. Given that an investor would achieve a total direct return of the market value of 8% this would indicate a rent of 9 mNOK or 416 NOK/m2 building and 135 NOK/m2 land. Please note, that the rent simulation as a percentage of the market value will not consider void days and other uncertainty and will be definition be lower than the estimated market rent, but it is used as a benchmark for the different approaches.

### Method d) new Vard contract day after valuation

We have valued the property with the use of a discounted cash flow analysis and discounted different parts of the cash flow with different discount rates – depending on the risk associated with each segment of the cash flow. Hence, agreed rent payments from tenants have been discounted at lower rates than the residual value. The residual value has been computed by applying an Exit Yield to the estimated net market rent. If there is a clearly identified land value in addition to the existing cash flow properties this is valued separately. As the asset is fully operative today, we believe that the asset will have no void days from the valuation date and based on the previously stated assumptions about triple bare house contracts and the rental information we have found, we present our assumptions of the parameters included in the valuation of the property.

| ASSUMPTIONS | |
|---|---|
| Parameter | Valuation |
| Income let area | Annual rent is 387 kNOK on valuation date with parties and Vard. We have assumed that the asset will yield a rent of 12.5 mNOK from the day after valuation date. We believe this will happen without tenant improvements (TI) as the asset is in active use today. Should any TIs be included the rent should be renegotiated to reflect the cost of capital.<br><br>Going forward, rental income is cpi adjusted annually based on the average of Statistics Norway, Norges Bank and DNB's estimate. From 2022, we have used Norges Bank's long-term inflation target at 2.5%. |
| Rental income, future area | When the entire asset is to be negotiated again after 5 years from the valuation date we believe a market rent of 579 NOK/m2. Due to uncertainty on the contract to be signed we have discounted the coming cash flow with 11.0%. |
| Reletting costs and vacancy | We have assumed a reletting period of 183 days for the shipyard, with relet costs of 77 NOK/m2. |

| | |
|---|---|
| Owner's costs | The owner is responsible for the administration of the ownership structure the property is based in, building insurance, and property tax. The rest is covered by the tenant<br><br>For administration and insurance, we have estimated 14 NOK/m2 and 8 NOK/m2. This equals 22 NOK/m2 or a total of 474 kNOK per year. This is 3.8 % of the gross market rent. |
| Common costs | Common costs are estimated to be NOK 325 per sqm. We have assumed that the owner will have to cover 50% of the actual costs during any void periods. |
| Residual value | The residual value has been discounted at a nominal rate of 11.00% p.a. which is based on the exit yield of 8.50% (the real-term return) plus 2.50% inflation. |
| Yield | We have considered that the exit yield for the property will be 8.50% and have applied this in our valuation. The net initial yield output is not relevant considering the assumptions we have based the valuation on. |

This method gives a market value **112.0 mNOK**. This gives a value of 5 203 NOK/m2 building and 1 685 NOK/m2 land. The value seems to be below what we expect to see for this type of asset. Given that an investor would achieve a total direct return of the market value of 8% this would indicate a rent of 9 mNOK or 416 NOK/m2 building and 135 NOK/m2 land. Please note, that the rent simulation as a percentage of the market value will not take into account void days and other uncertainty and will be definition be lower than the estimated market rent, but it is used as a benchmark for the different approaches.

The cash flow details of the valuation are specified in the following appendices.

### Method e) Vacant possession value

The shipyard, has as we perceive the local market, no other use than the current. If Vard vacate the asset on the valuation date it would impact the value significantly as the risk would increase exponentially. This illustrated with what happened with Fosen. This dockyard is situated in Rissa in Trøndelag and went bankrupt in 2015. It was sold for 5.6 mNOK to a local consortium and they also paid another 2.2 mNOK for equipment. The asset is in our list of transaction and was sold for 1 513 NOK/m2 building and 72 NOK/m2 land. We have utilised three years vacancy initially and then let for five years and then another period of vacancy. Please look in the appendices for details. The value for Søviknes as vacant possession value is set to **47.7 mNOK** or 2 216 NOK/m2 building or 717 NOK/m2 land. The value compared to Fosen is higher pr m2 building value, and pr m2 land value.

## CONCLUSION

Based on the five methods and the outcomes of each method we have used, the mandate and assumptions given therein, we have estimated the market value to be **104.2 mNOK**. This gives a value 4 839 NOK/m2 building and 1 567 NOK/m2 land. There are several ways an owner operator can affect the value at the asset, but it will affect both sides of the owner operators financial statement. Please note, that the rent simulation as a percentage of the market value will not take into account void days and other uncertainty and will by definition be lower than the estimated market rent. However, this is used as a benchmark for the final value.

Depending on the valuation assumptions, gives a valuation range from **47.7 mNOK to 149.2 mNOK.**

**For Cushman & Wakefield Realkapital AS**

Arthur H. Lie
Head of Valuation, MRICS, REV

# APPENDICES

## Land value

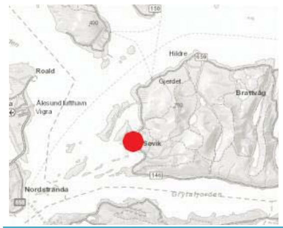
### Property information - VARD Søviknes — 04.01.2018

#### Property facts

| | |
|---|---|
| County: | Møre og Romsdal |
| Municipality: | Haram |
| Property number(s): | 175/360,175/209,175/38,178/81 |
| Total land size m2: | 66 487 |
| Current zoning level: | Regulation plan |
| Zoning utilization: | Industry |
| Value mNOK: | **13,1** |
| Value NOK/m2 construction: | **394** |
| Value NOK/m2 gross land: | **197** |

#### County and Municipality

#### Location



#### Sites included in valuation

#### About the property

Vard Søviknes is located in Søvik, a settlement in Haram municipality, in Møre og Romsdal County. Vard Søviknes consists of 4 property numbers and has a total area of 66 487 m2.

#### Current zoning plan

#### Zoning information

The yard area and the barrack area south of the yard is regulated for industrial purposes. PlanID 1534-78 named Søviknes industriområde, was adopted 28.06.1990. The area at Terøy is regulated for industrial purposes (fishing industry). PlanID 1534-67, named Terøy byggefelt del 2, was adopted 14.8.1984.

#### Assumptions in valuation

It is assumed that the area is undeveloped and can achieve a different utilization than today's. The plan area is estimated to be 66.5 acres for the industrial area. Further, a utilization rate of 50% is required. The industrial area is being built with combination premises, in total, 33 244 m2. A positive difference between sales price and construction cost of 1 035 NOK/m2 must be achieved in order to achieve the estimated value. We have estimated the sales yield of industrial property in the area to be 8%. It is assumed that the construction period will start in 2019 and last for 4 years. The discount rate is set at 15% during the period.

Finally, we have looked at the turnover of plots in the area. This to match the calculated value. We have had access to 9 residential properties that were traded between 2015 and 2017. The average price of these plots is 393 NOK / m2 and the median price is 420 NOK / m2. In addition, we have seen industrial sites sold in the area. Here, over the last 7 years, we have found 3 sites that have been traded with an average price of 249 NOK/m2 gross land.

#### Conclusion

Based on the information described above, we have estimated the market value of the subject area to be: **13,1** mNOK

This represents a value per construkted m2 of: **394** NOK/m2

This represents a value per gross m2 land of: **197** NOK/m2

#### Disclaimer

The valuation is based on information from the principal, as well as publicly available information. This review is only a desk-top exercise, and without inspection of the property. The scope of application is therefore limited. There may be more predictions for the value than described.

## Assumptions and summary - VARD Søviknes

### Assumptions

| Commercial | |
|---|---|
| Lease / m2 | 1 050 |
| CPI adjustment | 100 % |
| Owners cost | 7,3 % |
| Sales yield | 8,0 % |
| Construction cost | 9 680 |
| Admin.& Project cost | 1 500 |
| CPI | 2,5 % |
| Total m2 | 33 244 |

| Residential |
|---|

| Parking | |
|---|---|
| Sales price | - |
| Const. Cost | 25 000 |
| # spaces | 302 |

| Total cost per m2 inc. parking | |
|---|---|
| Commercia | 11 408 |

### SENSITIVITY ANALYSIS

Commercial

| | | Rent / m2 | | | | |
|---|---|---|---|---|---|---|
| Yield | | 900 | 1 025 | 1 050 | 1 075 | 1 100 |
| | 7,50 % | -5,0 | 21,8 | 27,2 | 32,6 | 37,9 |
| | 7,75 % | -11,2 | 14,7 | 19,9 | 25,1 | 30,3 |
| | 8,00 % | -17,1 | 8,1 | 13,1 | 18,1 | 23,2 |
| | 8,25 % | -22,6 | 1,8 | 6,7 | 11,6 | 16,5 |
| | 8,50 % | -27,7 | -4,1 | 0,7 | 5,4 | 10,1 |

Residential

| | Salgspris per m2 |
|---|---|
| Construction cost | |

### VALUATION

| Method | mNOK | Weight |
|---|---|---|
| Cash flow | 13,1 | 100 % |
| Profit split | | 0 % |
| Profit / m2 | | 0 % |
| Profit margin (%) | | 0 % |
| **Total** | **13,1** | **100 %** |

| The value represent to the buyer a; | |
|---|---|
| 15,0 % | discounted return on investment |
| 47,8 % | share of profit |
| 360 | NOK return per m2 |
| 3,1 % | return on project |
| **394** | **NOK/m2 (value developed area)** |

| Distribution of value | mNOK | NOK/m2 |
|---|---|---|
| Commercial | 17,1 | 513 |
| Residential | - | N/A |
| Parking | -3,9 | -13 060 |
| **Sum** | **13,1** | **394** |

| Total exposure for buyer | |
|---|---|
| Purchase of plot | 13,1 |
| Total investment | 379,2 |
| **Total** | **392,3** |
| **Nominal profit** | **12,0** |

### Construction period / completion

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Commercial m2 (BTA) | - | - | - | 8 311 | 8 311 | 8 311 | 8 311 | - | - | - | - | - | - | - | - | - | - |
| Parking, space | - | - | - | 76 | 76 | 76 | 76 | - | - | - | - | - | - | - | - | - | - |
| Total | - | - | - | 8 311 | 8 311 | 8 311 | 8 311 | - | - | - | - | - | - | - | - | - | - |

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## Cash flow value

# Vard Søviknes

**Market Value mNOK 112**

| Discount Rates | |
|---|---|
| Tenant A | 4,50 % |
| Tenant B | 5,75 % |
| Tenant C | 7,75 % |
| **Blend rate passing rent** | **5,75 %** |
| Future rent | 11,00 % |
| **Blend rate cash flow** | **11,00 %** |
| Residual value | 11,00 % |
| **Total blend rate (IRR)** | **12,47 %** |

| Yields | |
|---|---|
| Exit yield | 8,50 % |
| Initial Yield | -0,08 % |
| Yield fully let | -0,08 % |
| Yield ex build rights etc | -0,07 % |

| Costs | NOK/m2 | kNOK |
|---|---|---|
| Maintenanc | - | (0) |
| Administrati | 14 | 301 |
| Insurance | 8 | 172 |
| Land lease | - | (0) |
| Property tax | - | (0) |
| Other costs | - | (0) |
| **OPEX** | **22** | **474** |
| OPEX % of market rent | | 3,8 % |
| VAT recoverable | | 100,0 % |
| Common costs | | 325 |
| Non-rec @ vacancy | | 50,0 % |

| Change Analysis | |
|---|---|
| **Previous value** | |
| Disc.rate /yield change | |
| Change market rent | |
| Change in costs | |
| Change inflation | |
| Other changes | |
| **New value** | **112,00** |

| Sensitivity tests | | |
|---|---|---|
| *Parameter* | *Event* | *Value* |
| Market rent | 10,0 % | 126,1 |
| Disc.rate | 0,25 % | 109,7 |
| Exit yield | 0,25 % | 110,6 |
| Inflation yr 1 | 1,0 % | 113,2 |

| Valuation | mNOK |
|---|---|
| NPV passing rent | 0,2 |
| NPV future rent | 92,3 |
| NPV of costs | -11,0 |
| Residual value | 48,9 |
| Building rights | - |
| Other corr. | -18,4 |
| **Total** | **112,0** |

| Key Ratios | |
|---|---|
| Value per m2 | 5 203 |
| Residual value per m2 | 6 723 |
| Value of vacant space | - |
| Rent potential | 3120,18 % |
| Implicit value increment | 1,37 % |

| Valuation Period | |
|---|---|
| From: | 04.01.2018 |
| To: | 31.12.2030 |

**Comments**

Deduction for environmental provision is made baded on expert consultancy report. Ground is measured by deduction footprint of building and 20 % margin of error. Totalt plot is 66,5 daa. We have assumed a bare-house contrac except landlord covers property tax, insurance and own administration. The market rent calibrated based on this assumption. Vard utilise the property today and we cannot see that Vard can move from the property on such a short notice even if the property is without a set contract.

### Net Rent Summary

| | | Area Distribution | | | | Gross Rent - kNOK | | Rent - NOK/unit | | Costs @ first relet | | Cost @ future relets | | As-is rent | Duration | | Valuation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Category** | **Unit** | **Total** | Let | Vacant | Adj.'mt | **Passing** | **Market** | **Passing** | **Market** | **Void days** | **Cost/m2** | **Void days** | **Cost/m2** | **NOK/m2** | **Current** | **Next** | **NOK/m2** |
| Office/admin. | m2 | **5 912** | 5 912 | - | - | - | 3 547 | - | 600 | | | 183 | 250 | 600 | | 5,0 | 6 294 |
| Workshop | m2 | **9 970** | 9 970 | - | - | 387 | 4 985 | 39 | 500 | | | 183 | 250 | - | 0,5 | 5,0 | 5 199 |
| Warehouse | m2 | **5 645** | 5 645 | - | - | - | 2 823 | - | 500 | | | 183 | 250 | 500 | | 5,0 | 5 245 |
| Painting / Sandblasting Hall | m2 | - | - | - | - | - | - | - | - | | | 183 | 250 | - | | 5,0 | - |
| Detached / apartment | m2 | - | - | - | - | - | - | - | | | | 183 | 250 | - | | 5,0 | - |
| Barracks | m2 | - | - | - | - | - | - | - | | | | 183 | 250 | - | | 5,0 | - |
| | m2 | - | - | - | - | - | - | - | | | | 183 | | - | | 5,0 | - |
| | m2 | - | - | - | - | - | - | - | | | | 183 | | - | | 5,0 | - |
| Quay/Quays | M | **300** | 300 | - | - | - | 150 | - | 500 | | | 183 | | 500 | | 5,0 | 5 245 |
| Ground area | A | **48 487** | 48 487 | - | - | - | 970 | - | 20 | | | 183 | | 20 | | 5,0 | 210 |
| **Total** | | **21 527** | **21 527** | **-** | **-** | **387** | **12 474** | **18** | **579** | **-** | **-** | **183** | **77** | **579** | **0,5** | **5,0** | **5 203** |

### Cash Flow - kNOK

| Cash Flow - kNOK | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 362 | 365 | 366 | 365 | 365 | 365 | 366 | 365 | 365 | 365 | 366 | 365 | 365 | 365 | 366 | 365 | 365 |
| CPI | 0 % | 1,67 % | 1,63 % | 1,73 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % |
| CPI index | 100 % | 101,67 % | 103,33 % | 105,12 % | 107,75 % | 110,44 % | 113,20 % | 116,03 % | 118,93 % | 121,90 % | 124,95 % | 128,08 % | 131,28 % | 134,56 % | 137,92 % | 141,37 % | 144,91 % |
| Real market rent change | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Yield change | | | | | | | | | | | | | | | | | |
| Income from current leases | 202 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Income from future leases | 11 735 | 12 682 | 12 889 | 13 113 | 13 441 | 6 927 | 14 082 | 14 474 | 14 836 | 15 207 | 8 694 | 15 073 | 16 376 | - | - | - | - |
| **Gross rent** | **11 937** | **12 682** | **12 889** | **13 113** | **13 441** | **6 927** | **14 082** | **14 474** | **14 836** | **15 207** | **8 694** | **15 073** | **16 376** | **-** | **-** | **-** | **-** |
| Operating costs | (470) | (481) | (489) | (498) | (510) | (523) | (536) | (550) | (563) | (577) | (592) | (607) | (622) | - | - | - | - |
| Reletting costs | - | - | - | - | - | (5 198) | (764) | - | - | - | - | (6 893) | - | - | - | - | - |
| Share of common costs | - | - | - | - | - | (1 919) | (13) | - | - | - | (1 896) | (292) | - | - | - | - | - |
| CAPEX | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Residual value | - | - | - | - | - | - | - | - | - | - | - | - | 189 981 | - | - | - | - |
| **Net cash flow** | **11 467** | **12 201** | **12 400** | **12 615** | **12 930** | **(713)** | **12 768** | **13 925** | **14 273** | **14 630** | **6 206** | **7 282** | **205 735** | **-** | **-** | **-** | **-** |

## Vard Søviknes Vacant Possession Value

## Market Value mNOK 47,7

| Discount Rates | |
|---|---|
| Tenant A | 4,50 % |
| Tenant B | 5,75 % |
| Tenant C | 7,75 % |
| **Blend rate passing rent** | **5,75 %** |
| Future rent | 11,00 % |
| **Blend rate cash flow** | **11,00 %** |
| Residual value | 11,00 % |
| **Total blend rate (IRR)** | **13,80 %** |

| Yields | |
|---|---|
| Exit yield | 8,50 % |
| Initial Yield | -0,18 % |
| Yield fully let | -0,18 % |
| Yield ex build rights etc | -0,13 % |

| Costs | NOK/m2 | kNOK |
|---|---|---|
| Maintenanc | - | (0) |
| Administrati | 14 | 301 |
| Insurance | 8 | 172 |
| Land lease | - | (0) |
| Property tax | - | (0) |
| Other costs | - | (0) |
| **OPEX** | **22** | **474** |
| OPEX % of market rent | | 3,8 % |
| VAT recoverable | | 100,0 % |
| Common costs | | 325 |
| Non-rec @ vacancy | | 50,0 % |

| Change Analysis | |
|---|---|
| **Previous value** | |
| Disc.rate /yield change | |
| Change market rent | |
| Change in costs | |
| Change inflation | |
| Other changes | |
| **New value** | **47,70** |

| Sensitivity tests | | |
|---|---|---|
| *Parameter* | *Event* | *Value* |
| Market rent | 10,0 % | 57,5 |
| Disc.rate | 0,25 % | 46,0 |
| Exit yield | 0,25 % | 46,3 |
| Inflation yr 1 | 1,0 % | 113,2 |

| Valuation | mNOK |
|---|---|
| NPV passing rent | 0,2 |
| NPV future rent | 48,6 |
| NPV of costs | -31,7 |
| Residual value | 48,9 |
| Building rights | - |
| Other corr. | -18,4 |
| **Total** | **47,7** |

| Key Ratios | |
|---|---|
| Value per m2 | 2 216 |
| Residual value per m2 | 6 723 |
| Value of vacant space | - |
| Rent potential | 3120,18 % |
| Implicit value increment | 7,66 % |

| Valuation Period | |
|---|---|
| From: | 04.01.2018 |
| To: | 31.12.2030 |

Comments

Vacant possession value. The asset is empty and for sale. New owner is responsible for environmental cleanup costs of 18.4 mNOK.

### Net Rent Summary

| | | Area Distribution | | | | Gross Rent - kNOK | | Rent - NOK/unit | | Costs @ first relet | | Cost @ future relets | | As-is rent | Duration | | Valuation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Category** | **Unit** | **Total** | Let | Vacant | Adj.'mt | **Passing** | **Market** | **Passing** | **Market** | **Void days** | **Cost/m2** | **Void days** | **Cost/m2** | **NOK/m2** | **Current** | **Next** | **NOK/m2** |
| Office/admin. | m2 | **5 912** | 5 912 | - | - | - | 3 547 | - | 600 | 1 095 | 600 | 1 095 | 600 | 480 | | 5,0 | 3 189 |
| Workshop | m2 | **9 970** | 9 970 | - | - | 387 | 4 985 | 39 | 500 | 1 095 | 500 | 1 095 | 500 | - | 0,5 | 5,0 | 2 633 |
| Warehouse | m2 | **5 645** | 5 645 | - | - | - | 2 823 | - | 500 | 1 095 | 500 | 1 095 | 500 | 400 | | 5,0 | 2 657 |
| Painting / Sandblasting Hall | m2 | **-** | - | - | - | - | - | - | - | 1 095 | - | 1 095 | - | - | | 5,0 | - |
| Detached / apartment | m2 | **-** | - | - | - | - | - | - | | 1 095 | - | 1 095 | - | - | | 5,0 | - |
| Barracks | m2 | **-** | - | - | - | - | - | - | | 1 095 | - | 1 095 | - | - | | 5,0 | - |
| | m2 | **-** | - | - | - | - | - | - | | | | 183 | - | - | | 5,0 | - |
| | m2 | **-** | - | - | - | - | - | - | | | | 183 | - | - | | 5,0 | - |
| Quay/Quays | M | **300** | 300 | - | - | - | 150 | - | 500 | 1 095 | 500 | 1 095 | 500 | 400 | | 5,0 | 2 657 |
| Ground area | A | **48 487** | 48 487 | - | - | - | 970 | - | 20 | 1 095 | 20 | 1 095 | 20 | 16 | | 5,0 | 106 |
| **Total** | | **21 527** | **21 527** | **-** | **-** | **387** | **12 474** | **18** | **579** | **1 095** | **177** | **1 095** | **177** | **544** | **0,5** | **5,0** | **2 216** |

### Cash Flow - kNOK

| Cash Flow - kNOK | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 362 | 365 | 366 | 365 | 365 | 365 | 366 | 365 | 365 | 365 | 366 | 365 | 365 | 365 | 366 | 365 | 365 |
| CPI | 0 % | 1,67 % | 1,63 % | 1,73 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % |
| CPI index | 100 % | 101,67 % | 103,33 % | 105,12 % | 107,75 % | 110,44 % | 113,20 % | 116,03 % | 118,93 % | 121,90 % | 124,95 % | 128,08 % | 131,28 % | 134,56 % | 137,92 % | 141,37 % | 144,91 % |
| Real market rent change | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Yield change | | | | | | | | | | | | | | | | | |
| Income from current leases | 202 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Income from future leases | - | - | - | 12 270 | 13 441 | 13 777 | 14 121 | 14 474 | 913 | - | - | 15 038 | 16 376 | - | - | - | - |
| **Gross rent** | **202** | **-** | **-** | **12 270** | **13 441** | **13 777** | **14 121** | **14 474** | **913** | **-** | **-** | **15 038** | **16 376** | **-** | **-** | **-** | **-** |
| Operating costs | (470) | (481) | (489) | (498) | (510) | (523) | (536) | (550) | (563) | (577) | (592) | (607) | (622) | - | - | - | - |
| Reletting costs | - | - | - | (13 113) | - | - | - | - | - | - | - | (15 977) | - | - | - | - | - |
| Share of common costs | (3 233) | (3 556) | (3 615) | (269) | - | - | - | - | (3 867) | (4 264) | (4 371) | (303) | - | - | - | - | - |
| CAPEX | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Residual value | - | - | - | - | - | - | - | - | - | - | - | - | 189 981 | - | - | - | - |
| **Net cash flow** | **(3 501)** | **(4 038)** | **(4 104)** | **(1 609)** | **12 930** | **13 254** | **13 585** | **13 925** | **(3 518)** | **(4 842)** | **(4 963)** | **(1 849)** | **205 735** | **-** | **-** | **-** | **-** |

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## GENERAL TERMS & CONDITIONS

These General Terms & Conditions shall apply for this valuation report and the following shall apply unless otherwise stated in the valuation report:

**Scope of the valuation report**
The object of the valuation covers the real property or the equivalent stated, with appurtenant rights and obligations in the form of easements, rights of way, community association and other rights or obligations stated in extracts from the Land Register pertaining to the object of the valuation. The valuation report also covers, where applicable, fixtures and fittings of the property and fixtures and fittings of the building relating to the object of the valuation, however not industrial fixtures and fittings to an extent other than as set forth in the report. For the purpose of this valuation report, Cushman & Wakefield Realkapital has not been instructed to extract information from the Land Register, hence, we assume that registered rights in respect of the property can be verified by means of an extract from the Land Register and that the information obtained from the Land Register is accurate and complete. Furthermore, that the object of the valuation is not encumbered by any unregistered easements, right of use agreements or any other agreements which limit, in any respect, the property owner's right to use the property and that the object of the valuation is not encumbered by onerous expenses, fees or other encumbrances. It has also been assumed that the object of the valuation is, in no respect, the subject of a dispute.

**Assumptions for the valuation report**
The information included in the valuation report has been obtained from sources which are deemed to be reliable. All information obtained from the client/owner or his representative and any holders of rights of use has been assumed to be accurate. The information has only been verified through a general assessment of reasonableness. In addition, it has been assumed that no information of relevance to the valuation opinion has been omitted by the client/owner or his representative.

The land areas which form the basis of the valuation have been obtained from the client/owner or his representative. The valuer has relied on these land areas and has not measured them on site or on drawings, but the areas have been verified by means of an assessment of reasonableness. The areas have been assumed to be measured in accordance with the "Norwegian Standards" applicable from time to time. As regards tenancies and leasehold conditions relating to land or other rights of use, the valuation opinion has, where applicable, been based on applicable leases of property and leases of land, and other rights of use agreements. Copies of these, or other documents, indicating relevant terms and conditions have been obtained from the client/owner or his representative. It has been assumed that the object of the valuation complies with all requisite requirements from public authorities and terms and conditions applicable to the property, such as plans, etc., and has obtained all requisite permits from public authorities for its use in the manner stated in the report.

**Environmental matters**
The valuation opinion is conditional on land or buildings relating to the object of the valuation not being in need of an environmental clean-up and there being no form of environmental encumbrance. In light of the provisions stated above, the valuer shall not be liable for any loss incurred by the client or a third party as a consequence of the inaccuracy of the valuation opinion due to the object of the valuation being in need of an environmental clean-up or there being any form of environmental encumbrance.

**Inspection, technical condition**
The physical condition of the facilities (buildings, etc.) as described in the report is based on an overall ocular inspection. The inspection conducted has not been of such a nature as to satisfy the seller's duty of disclosure or the buyer's duty to investigate pursuant. The object of the valuation is assumed to be in a condition and to be of the standard which the ocular inspection indicated at the time of the inspection. The valuer assumes no liability whatsoever for any latent defects or circumstances which are not obvious on the property, under the ground or in the building and which might affect the value. No liability is assumed for; any matter which would require specialist expertise or special knowledge to discover or; the functionality (freedom from defects) and/or the condition of fixtures of buildings, mechanical equipment, pipes or electrical components.

**Liability**
Any claims for damages arising from proven loss arising from any error in the valuation report must be made within one year from the date of the valuation (the date on which the valuation is signed). The maximum amount of damages which may be payable for proven loss arising from an error in the valuation report is 5 times the price base amount at the date of the valuation. Any force majeure that could affect the market value after the date of the written valuations report cannot be used to hold the valuer responsible.

**Validity of the valuation report**
Depending on whether the factors influencing the market value of the object of the valuation change, the valuation opinion referred to in the report is only valid at the date of the valuation, subject to the assumptions and reservations set forth in the report. Future incoming payments and outgoing payments and growth in value as declared in the report, where applicable, have been made based on a scenario which, in the opinion of the valuer, reflects the future projections of the property market. The valuation opinion does not constitute any undertaking as regards actual future growth in cash flow and growth in value.

**Use of the valuation report**
The content of the valuation report and its appendices is the property of the client and shall be used in its entirety for the purpose set forth in the report. Where the valuation report is used for legal matters, the valuer shall only be liable for direct and indirect loss which may affect the client provided that the report is used in accordance with what is stated above. The valuer shall have no liability whatsoever for any loss incurred by any third party as a consequence of such third party having used the valuation report or information provided therein. The valuations are governed by the laws of the Kingdom of Norway. Any disputes will be settled by the court of Oslo (Oslo Tingrett). Prior to the valuation report or parts thereof being reproduced, or referred to in any other written document, the valuer must approve the content and the manner in which the report is to be referred to.

# Industrivegen 12, Porsgrunn

Valuation for VARD Group AS
4th of April 2018

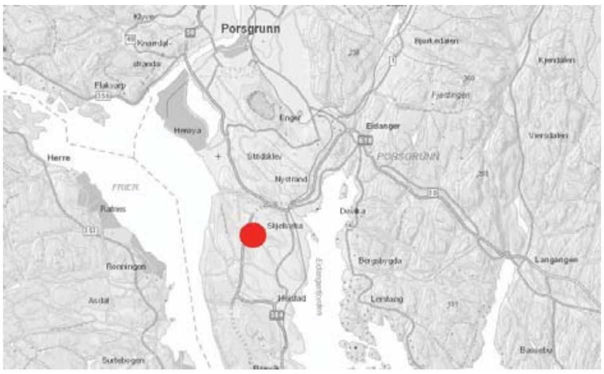
## CONTENT



## KEY FIGURES & SUMMARY

| | |
|---|---|
| Municipality: | Porsgrunn |
| Address: | Industrivegen 12, 3940 Porsgrunn |
| Cadastral ref: | Gnr./bnr.: 63/31 og 63/38 |
| Ownership: | Vard Group AS |
| Leasable Area: | 2 196 m2 |
| Plot: | 9 698 |
| Exit yield: | 8.25 % |
| NIY: | 8.84 % |
| **Value:** | **11.9 mNOK** |

*Industrivegen 12, 3940 Porsgrunn*




*Location, source: gardskart.skogoglandskap*

## INTRODUCTION

### Terms of engagement and assignment

Cushman & Wakefield Realkapital (Cushman & Wakefield) has been instructed by Vard Holdings Limited (Vard) to undertake a valuation of portfolio of six assets in Norway. Vard owns all the assets. This report is specifically about Industrivegen 12 site in Porsgrunn Telemark, Norway. The valuation is completed by an external valuer, as defined by RICS in the "Global Standards 2017". This includes incorporating the IVSC International valuation standards.

We confirm that we have no previous engagement with Vard in Norway or any conflict of interest in assessing the value of the asset.

The valuation date is set to be 8$^{th}$ of January 2018.

### Purpose of the valuation

The reports and/or its valuation summary for the property valuation are to be used in relation to the Delisting and the report may be a) included in the circular to the shareholders of the Company (the "Circular"), and b) disclosed to Client and its officers, employees, agents and advisors (including financial and legal advisors) and relevant regulatory bodies in Singapore (including the Singapore Exchange Securities Trading Limited and the Securities Industry Council).

### Report and valuation basis

The valuation of the properties will be prepared on the basis of Market value, defined by the International Valuation Standards (2017 edition). Market Value is set out as follows:

"The estimated amount for which an asset or liability should exchange on the valuation date, between a willing buyer and a willing seller in arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

### Inspection and valuation date

The valuation date is equal to inspection date. The asset was inspected by Jørgen Haugsvold from Cushman & Wakefield, on the 08.01.2018.

The asset has been inspected, but we have not completed a technical or environmental investigation. See general limitation and disclaimer, terms of engagement for further details.

### Valuation approach and assumptions

We have based many of our assumptions on information provided to us by Vard and have checked this information against publicly available information. The valuation is based on market knowledge possessed by Cushman & Wakefield.

This asset have a binding contract between property and the yard operation/end user. The asset is a standardised combination property. We have assumed a cash flow approach is the most accurate approach and we have made a risk assessment on what a potential buyer is willing to pay. If the asset was to be sold, we have assumed that the existing contract between Vard Group AS and Vard Offshore AS for the asset, still will be valid.

The specific assumptions to the valuation are set out in the report.

We have not taken into account any balance sheet items, tax related issues like tax loss carry-forwards.

Should any of the information and assumptions on which the valuation is based, afterward is found to be incorrect, the result of valuation might be incorrect and should be reassessed.

### Capacity of valuer

The person responsible for the valuation is qualified for the purpose in accordance with the Red Book. We also confirm that we have no previous material involvement with the property or conflict of interest, as previously stated.

### Limitation

Cushman & Wakefield has valued the property from a market point of view, and taken into account the information as we perceive it. If there are environmental, technical and/or legal issues that we have not been informed about, we assume that the gross market value will be adjusted accordingly.

Cushman & Wakefield has undertaken the valuation based upon material we believe to be reliable in our possession or supplied to us. Whilst every effort has been made to ensure its accuracy and completeness, we cannot offer any warranty that factual errors may not have occurred. Cushman & Wakefield takes no responsibility for any damages or loss suffered by reason of the inaccuracy or incorrectness of our valuation.

Due to the nature of the instructions and subject to the provisions in these terms and conditions and agreement, C&W's total aggregate liability in contract, tort (including negligence or breach of statutory duty), misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the services shall be limited to an aggregate sum not exceeding the fee paid. Cushman & Wakefield's responsibility shall be limited to the Client, and any use of the product (including, without limitation, the Report and contents therein) by third parties shall be solely at the risk of the Client and any such third parties. Please read the engagement letter in the end of the report for further details and information regarding limitation and responsibilities in regards to the report and valuation work done in conjunction with this instruction.

## MACRO ECONOMIC OVERVIEW

### Inflation

The inflation prognosis is based on yearly average forecast from Bank of Norway, DNB and Statistics Norway. After 2020 we have utilised the inflationary target from Bank of Norway.

| Inflation prognosis | | | | |
|---|---|---|---|---|
| **Source** | **2017** | **2018** | **2019** | **2020** |
| DNB | 1.90% | 1.80% | 1.40% | 1.50% |
| Norges Bank | 1.90% | 1.90% | 1.80% | 2.10% |
| SSB | 1.80% | 1.90% | 2.00% | 2.00% |
| **Prognosis** | **1.87%** | **1.87%** | **1.73%** | **1.87%** |

### Interest Rates and Financing Terms

The Central Bank had rate decision on the 14th of December 2017 where they decided to keep the key policy rate unchanged at 0.50%. Since New Year, oil has been traded downwards from 57 to 45 in end of June. However, since then, the price has been steadily climbing upwards to above 60 USD/barrel.

Governor Olsen stated in the press release; "The Executive Board's current assessment of the outlook and the balance of risks suggests that the key policy rate will remain at today's level in the period ahead."

The 5 and 10 year NOK SWAP increased significantly from July 2016 throughout the year. In 2017 the trend has been relatively flat.


*Source: Nordea Markets*

The main trends for loans to commercial real estate have increased from last period and appear to be:

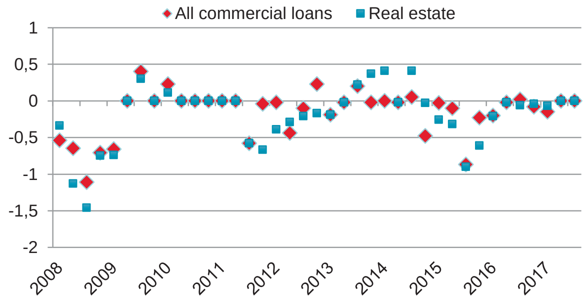
- Spread of 125-175 bps for the best projects, and around 250 bps +/- 50 bps for a normal loan.
- LTV up to 70% for the best projects, but compensate the margin upwards
- Uncertainty around traditional bank loan, but new possibilities through direct financing from pension funds. Bonds financing is also active.
- Latest experience suggests there is more competition between banks.
- Banks are carefully considering counterpart risk in syndicate structures.

Norges Bank's 'Survey of Bank Lending' from October 2017 can be summarised as follows:

- Credit standards for households and for non-financial enterprises were unchanged in Q3

- Credit demand from households fell and non-financial enterprises rose slightly in Q3
- Banks do not expect any changes in credit standards, loan conditions, lending rates, margins on loans or corporate credit demand in 2017 Q4.
- Household credit demand is expected to fall further in Q4.

The survey measures the banks' attitude towards real estate lending by asking if they are in this quarter more or less strict than in the previous. Results show that banks have had a relatively unchanged attitude the last year. Survey from October 2017 the banks' attitude for the second consecutive quarters are unchanged.




The indicative trading levels for bond spreads of real estate companies in the last 3 months have increased as we can see from the table below.

| BOND SPREADS Q4 (Q3) | | | | |
|---|---|---|---|---|
| **Duration** | **3 yr.** | **5 yr.** | **7 yr.** | **10 yr** |
| Entra | 57 (50) | 74 (68) | 88 (82) | 100 (96) |
| Olav Thon 1 pr pledge | 61 (57) | 80 (75) | 90 (89) | 100 (102) |
| NPRO 1. Pri pledge | 100 (85) | 135 (110) | 160 (135) | 185 (160) |
| Steen & Strøm secured | 59 (54) | 76 (74) | 91 (N/A) | 100 (N/A) |

### Employment market

The latest Manpower Employment Outlook Survey (MEOS) from September 2017 shows nearly a steady state in employment outlook for the year and is still positive. Among the 751 companies surveyed, 11% report that they will increase the number of employees in the next quarter and 4% report that they will reduce the workforce. Furthermore, there are 84 % who are not expecting any change and 1% who do not know yet.

According to NAV's annual company survey publication 24% are going to increase, while 10% are decreasing. The publication also shows a negative development in the demand for employees from the last survey. NAV estimates that Norwegian business is lacking 33 800 persons, which is 7 300 more than the same period last year.

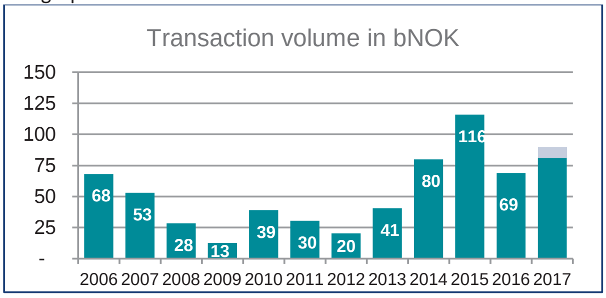
| Employment survey | | |
|---|---|---|
| **Source** | **% increase workforce** | **% decrease workforce** |
| Manpower | 7 | 4 |
| NAV | 24 | 10 |

The number of completely unemployed was according to NAV's latest "Helt Ledige" 64 216 persons in November 2017, which is a reduction of 13 941 persons compared to November 2016.

### Transaction market

In 2017, we expect a transaction volume around 90 bNOK, due to the eventful first three quarters with more than 61 bNOK in transaction volume. On average, Q4 has logged almost 30 bNOK, the last 5 years. International investors are still active in the market representing around 19% of the buy side so far. The largest transaction so far, this year is Swedish SBB's purchase of DNB's HQ at Bjørvika for 4.3 bNOK.

See graph for an overview of the transaction market since 2001:




Selected transactions 2017:

| Asset | Buyer | Seller | mNOK | Type |
|---|---|---|---|---|
| DNB Midtbygget | SSB | Arctic Securities | **4 300** | Office |
| 50% of Lørenskog Vinterpark | Canica og Baumann Invest | Selvaag Eiendom | **3 000** | Leisure |
| Storebrand HQ | Arctic Securities | Storebrand ASA | **2 200** | Office |
| Eufemia | KLP Eiendom | Oslo S Utvikling | **1 740** | Office |
| 50 % of Sundtkvartalet | Entra ASA | Skanska CD | **1 590** | Office |
| Esso portfolio | DCC Energy | ExxonMobil | **1 420** | Retail |
| Lilleakerveien 2 | Mustad Eiendom | Nordea Liv | **1 245** | Office |
| Horisont kjøpesenter | Coop Norge Eiendom | Capto Eiendom/Profier/Storm Eiendom/Harteig | **1 150** | Retail |
| Norwegian Outlet Vestby | Meyer Bergman | Norwegian Outlet Vestby | **1 100** | Retail |
| Forskningsvn 2 | Pareto | Union Real Estate Fund | **1 100** | Office |
| Other | | | **61 964** | |
| **Total** | | | **80 809** | |

*Source: Cushman & Wakefield Realkapital, research.*

Office makes out approximately 50% of all transactions followed by retail with just below 20%. Private real estate companies are most active with around 40% of the volume, while syndicate structures have been on the buy side of above 25%.

The transaction market will remain sensitive to changes in the interest rates. However, our leading macro economists suggest that we will have a low interest rate scenario the next years. New build activity is present and centrally located properties of high standard are being let. Norwegian economy is going well with expected growth in onshore GDP of 2.0 % and 2.5% in 2017 and 2018 respectively. As mentioned the oil price has increased significantly in the second half of 2017. Should this continue and the price stabilize on a higher level, the office areas exposed to oil and gas could be positively affected.

Cushwake Investor Confidence Index from September 2017 reports that 73% of all investors has an objective to be net buyers the next 6 months. Only 11% plans to reduce their stock. Above 60% of all investors expect improved office occupiers demand in the coming six months, a near doubling from the January survey. This is consistent with the results reported from both Arealstatistikk and Entra's Konsensusrapport. Possibly easing financing conditions, by signals from Norges Bank's lending survey, were confirmed by the survey where 26% (up from 10% in January) of the respondents believe in improved conditions.

There are no recent transactions in the area of Porsgrunn that we look at, but in 2011 and 2012 two combination properties were sold at 6 623 and 4 294 NOK/m2.

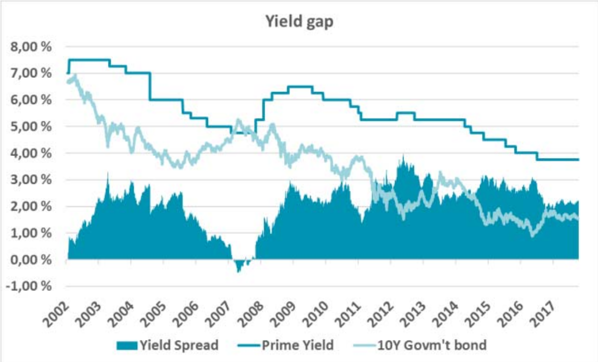
### Yield Trends

We still believe in a prime yield estimate at 3.75%. Recently we have observed transactions that might indicate that the prime yield has a downwards pressure.

- Winta Eiendom sold Cort Adelers gate 33 to Deka Investments for 73 million euros on a net initial yield of 3.70%.
- DNB's headquarters at Bjørvika (CBD 2) in Oslo was acquired by Swedish listed company SBB for 4.3 bNOK and a reported yield around 4%. Bjørvika is still not considered to be main CBD, indicating prime yield at Aker Brygge/Vika is still lower and around 3.75%.
- Eufemia, a 90% pre-let new-build project in CBD 2 was sold on a forward contract at around 3.9%.

It seems the gap between prime real estate and real estate located on the fringe of the best area is less. It could be reasoned by the limited supply of centrally located assets, but also that the comparable assets on the fringe are let on attractive lease contracts. Historically, spread between prime yield office and logistics has been higher than what is communicated today. This is due to several things; including that prime office yield is based on a mid-long contract around 5 years, while logistic assets often get transacted on double digit durations. Additionally, logistic properties often have substantial land plots with implicit value added from outdoor rent or development potential. The logistics property Bølerveien 61 with Skanska on a 12-year contract was recently transacted to around 4.85% initial yield, confirming the communicated gap between office and logistics in declining.

With a prime yield at 3.75% we get a yield gap against 10 yr gov. bond at 2.20% as of 13th December 2017.



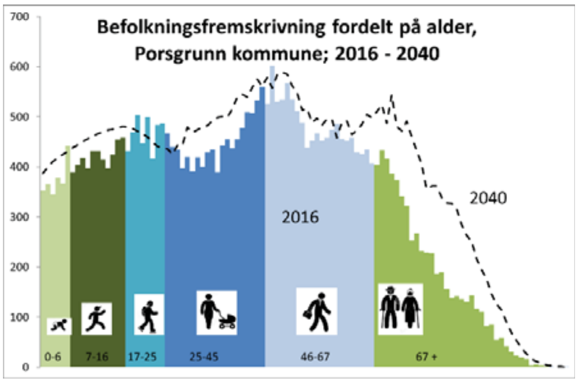

*Source: Cushman & Wakefield Realkapital and Norges Bank*

### Location

The property is situated in a small industrial park along the E18 (the main road between Oslo and Kristiansand). The exit for the property is at Skjelsvik, which is a small drive from the main road. Porsgrunn has 36 198 inhabitants.

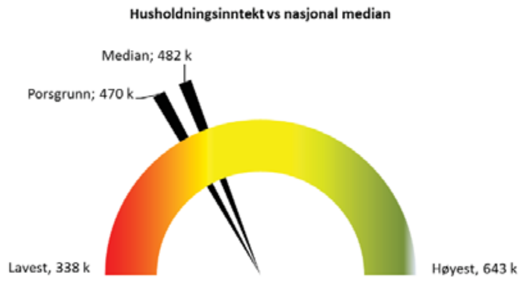
Posgrunn municipality had 35 955 inhabitants in 2016. It borders in the east towards Larvik, in the North Siljan and Skien, to the Southwest you will find Bamble. The municipality also boarder towards the sea and Skagerrak.

According the SSB the population in Porsgrunn municipality is expected to grow to 41 848 by 2040. This give a CAGR of 0.63 %, which is below the national average of 0.81%. It is expected that annually the municipality will grow with 228 people.




*Source: SSB and CWR analysis*

The income is the municipality is illustrated below;




*Source: SSB and CWR analysis*

The median income is above the national average with 12 000 NOK. This indicates that the people living the municipality is earning around the national average. This a neutral aspect.

The average price for detached houses and flats in Porsgrunn is respectively 19 927 and 26 309 NOK/m2 p-rom. We used six months of a year of registries sales.

## Description of property

The property is located in a regulated industrial area in Lundalen on Heistad, about 9 km from Porsgrunn city centre. Lundalen is developed with small and medium sized businesses of different types of industry. The property is accessed from a regulated dead-end street. We believe that the building and the area can be used for many different types of warehouse, workshop and production.

The plot is flat, worked and levelled. A larger part is paved for traffic and parking. Other areas are used for storage and have gravelled surfaces. It will be possible to expand existing building stock.

The property area consists of 2 property numbers and has a total area of 9 690 m2. All regulated to industry purposes.


*Overview of the properties, source: Gårdskart*

## State of repair

The building was constructed as a mechanical workshop in 1976, and was expanded in 1981 and 1990, respectively. On the 1st floor there are offices, with associated facilities, machine shop, workshop and workshop store. The low part of the industrial building is used as a warehouse. The building has a steel structure and is constructed with external steel plates. Both the office part and the workshop / warehouse part is insulated, but not according to today's standard. It is easily construed, and is mainly used to produce steel components. The building seemed to need some maintenance and upgrade.

| Category | Unit | Total |
|---|---|---|
| Office/admin. | m2 | 150 |
| Production | m2 | 1 836 |
| Warehouse | m2 | 210 |
| **Total** | **m2** | **2 196** |

*Vard Offshore AS' buildings overview*

For this valuation, we have not received any technical DD or DD as such, hence, we have not factored this into the valuation. Any DD findings that may contribute to affect the valuation in a positive or negative way should be deducted from the market value we have arrived at.

There is no ongoing development on the site that we know of.

## Zoning for the area

The yard area is regulated for industrial purposes. PlanID 0805-713, with name Industriareal i Lundedalen og del av samleåre Lunde – Versvik, was adopted 24.07.1970.

*Clipart from the zoning plan, source: Porsgrunn municipality*

## Accessibility

The property is situated in a small industrial park along the E18 (the main road between Oslo and Kristiansand). The exit for the property is at Skjelsvik, which is a small drive from the main road. The nearest city is Porsgrunn, whitch is located 9.2 km away.

## Marketability

The marketability of the asset is good. There are several purposes for which the building can be used, and the location in an established industrial area is positive. However, there are several available premises in the area, for both rent and for sale. Nevertheless, the current lease is valied for 8 yeras, and we think there will be good interest in the property. Estimated sales time is estimated at six months.

## Environmental

We have not been provided with an environmental report, but have checked with the Norwegian Environment Agency. There are no pollutants registered in the area.

**Property tax**

Property tax is set at 41 000 NOK and the property is valued at 5.9 mNOK of external valuer by the municipality. The approach is a mix between substantial and market based. The property tax has not been questioned by the landlord.

**Costs**

In assessing operation costs, we have taken into account the profile of tenants who pay VAT and the impact on deduction of VAT in the landlord's expenses. We have based our estimates on our best judgements but have not investigated the VAT status of each tenant. We have based our estimate of future reletting expenses on the assumption that these expenses will be VAT deductible.

## METHODS FOR THE VALUATION

We have valued the property with the use of a discounted cash flow analysis and discounted different parts of the cash flow with different discount rates – depending on the risk associated with each segment of the cash flow. Hence, agreed rent payments from tenants have been discounted at lower rates than the residual value. The residual value has been computed by applying an Exit Yield to the estimated net market rent. If there is a clearly identified land value in addition to the existing cash flow properties this is valued separately. As the asset is fully operative today, we believe that the asset will have no void days from the valuation date and based on the previously stated assumptions about triple bare house contracts and the rental information we have found, we present our assumptions of the parameters included in the valuation of the property.

| | ASSUMPTIONS |
|---|---|
| Parameter | Valuation |
| Income let area | Annual rent is 1,15 mNOK on valuation date, a bare house agreement between Vard Group AS as the owner, and Vard Offshore Brevik AS as tenant This corresponds to the rental level we believe the market is willing to pay after expiration of existing contracts.<br><br>Going forward, rental income is cpi adjusted annually based on the average of Statistics Norway, Norges Bank and DNB's estimate. From 2022, we have used Norges Bank's long-term inflation target at 2.5%. |
| Rental income, future area | When the contract expires the contract can either be negotiated with the current tenant or there is a chance that the landlord must find a new tenant. We have estimated the market rent of 524 NOK/m2. This must be seen in conjunction with the exit yield, the standard of the asset, the releting and operational cost. |
| Reletting costs and vacancy | We have assumed a reletting period of 365 days for the asset, with relet costs of 1 034 NOK/m2. This is for the first relet period. For future periods, we have used the same period of days, and a cost of 595 NOK/m2. |
| Owner's costs | For the period until 2025, a bare-house agreement has been signed, which implies that landlord shall only provide insurance for external building, own administration and property tax.<br><br>For administration, insurance and property tax we have estimated 20 NOK/m2, 8 NOK/m2 and 19 NOK/m2. This is equivalent to 8.9 % of the gross passing rent. |
| Common costs | Common costs are estimated to be NOK 325 per sqm. We have assumed that the owner will have to cover 50% of the actual costs during any void periods. |
| Residual value | The residual value has been discounted at a nominal rate of 10.75% p.a. which is based on the exit yield of 8.25% (the real-term return) plus 2.50% inflation. |
| Yield | We have considered that the exit yield for the property will be 8.25% and have applied this in our valuation. The net initial yield output is not relevant considering the assumptions we have based the valuation on. |

## CONCLUSION

The market value is estimated to be **11.9 mNOK**. This gives a value of 5 419 NOK/m2 and net initial yield of 8,84 %. The value is according to transactions we have seen in the area. The main value is the existing contract and the remainder of the value is partly the land value, chance for prolonging the contract with the option agreement. The net present value of the contract itself is around 8 mNOK, making relatively attractive. The longer the contract the higher the value and lower net initial yield.

The cash flow details of the valuation are specified in the following appendices.

**For Cushman & Wakefield Realkapital AS**

Arthur H. Lie
Head of Valuation, MRICS, REV

# APPENDICES
## Cash flow value
## Vard Offshore, Brevik
## Market Value mNOK 11,9

| Discount Rates | |
|---|---|
| Tenant A | 4,50 % |
| Tenant B | 5,75 % |
| Tenant C | 7,75 % |
| **Blend rate passing rent** | **5,75 %** |
| Future rent | 10,75 % |
| **Blend rate cash flow** | **7,89 %** |
| Residual value | 10,75 % |
| **Total blend rate (IRR)** | **9,35 %** |

| Yields | |
|---|---|
| Exit yield | 8,25 % |
| Initial Yield | 8,84 % |
| Yield fully let | 8,84 % |
| Yield ex build rights etc | 8,87 % |

| Costs | *NOK/m2* | *kNOK* |
|---|---|---|
| Maintenanc | - | (0) |
| Administrati | 20 | 44 |
| Insurance | 8 | 18 |
| Land lease | - | (0) |
| Property tax | 19 | 41 |
| Other costs | - | (0) |
| **OPEX** | **47** | **103** |
| OPEX % of market rent | | 8,9 % |
| VAT recoverable | | 100,0 % |
| Common costs | | 325 |
| Non-rec @ vacancy | | 50,0 % |

| Change Analysis | |
|---|---|
| **Previous value** | |
| Disc.rate /yield change | |
| Change market rent | |
| Change in costs | |
| Change inflation | |
| Other changes | |
| **New value** | **11,90** |

| Sensitivity tests | | |
|---|---|---|
| *Parameter* | *Event* | *Value* |
| Market rent | 10,0 % | 12,5 |
| Disc.rate | 0,25 % | 11,7 |
| Exit yield | 0,25 % | 11,8 |
| Inflation yr 1 | 1,0 % | 12,6 |

| Valuation | mNOK |
|---|---|
| NPV passing rent | 8,0 |
| NPV future rent | 1,9 |
| NPV of costs | -2,6 |
| Residual value | 4,5 |
| Building rights | - |
| Other corr. | - |
| **Total** | **11,9** |

| Key Ratios | |
|---|---|
| Value per m2 | 5 419 |
| Residual value per m2 | 5 933 |
| Value of vacant space | - |
| Rent potential | -0,30 % |
| Implicit value increment | -1,17 % |

| Valuation Period | |
|---|---|
| From: | 08.01.2018 |
| To: | 31.12.2030 |

Comments

### Net Rent Summary

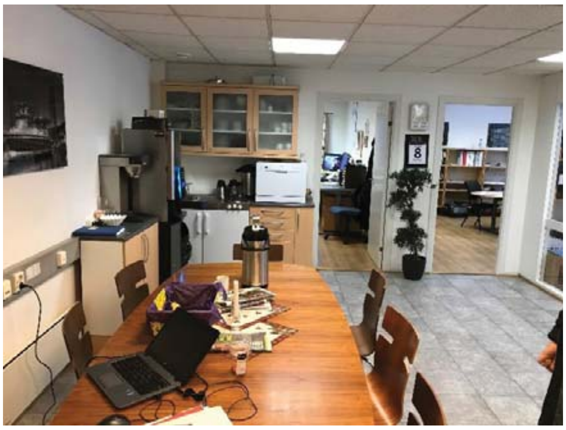
| | | Area Distribution | | | | Gross Rent - kNOK | | Rent - NOK/unit | | Costs @ first relet | | Cost @ future relets | | As-is rent | Duration | | Valuation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Category | Unit | Total | Let | Vacant | Adj.'mt | Passing | Market | Passing | Market | Void days | Cost/m2 | Void days | Cost/m2 | NOK/m2 | Current | Next | NOK/m2 |
| Office/admin. | m2 | **150** | 150 | - | - | - | 109 | - | 725 | 365 | 1 500 | 365 | 800 | 425 | | 5,0 | 2 443 |
| Production | m2 | **1 836** | 1 836 | - | - | 1 155 | 964 | 629 | 525 | 365 | 1 000 | 365 | 600 | - | 8,0 | 5,0 | 6 118 |
| Warehouse | m2 | **210** | 210 | - | - | - | 79 | - | 375 | 365 | 1 000 | 365 | 400 | 175 | | 5,0 | 1 264 |
| | m2 | - | - | - | - | - | - | - | | | | | | - | | 5,0 | - |
| | m2 | - | - | - | - | - | - | - | | | | | | - | | 5,0 | - |
| | m2 | - | - | - | - | - | - | - | | | | | | - | | 5,0 | - |
| | m2 | - | - | - | - | - | - | - | | | | | | - | | 5,0 | - |
| | m2 | - | - | - | - | - | - | - | | | | | | - | | 5,0 | - |
| | M | - | - | - | - | - | - | - | | - | | - | | - | | 5,0 | - |
| Ground area | A | - | - | - | - | - | - | - | | | | | | - | | 5,0 | - |
| **Total** | | **2 196** | **2 196** | **-** | **-** | **1 155** | **1 151** | **526** | **524** | **365** | **1 034** | **365** | **595** | **317** | **8,0** | **5,0** | **5 419** |

### Cash Flow - kNOK

| Cash Flow - kNOK | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 358 | 365 | 366 | 365 | 365 | 365 | 366 | 365 | 365 | 365 | 366 | 365 | 365 | 365 | 366 | 365 | 365 |
| CPI | 0 % | 1,67 % | 1,63 % | 1,73 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % |
| CPI index | 100 % | 101,67 % | 103,33 % | 105,12 % | 107,75 % | 110,44 % | 113,20 % | 116,03 % | 118,93 % | 121,90 % | 124,95 % | 128,08 % | 131,28 % | 134,56 % | 137,92 % | 141,37 % | 144,91 % |
| Real market rent change | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Yield change | | | | | | | | | | | | | | | | | |
| Income from current leases | 1 133 | 1 174 | 1 193 | 1 214 | 1 244 | 1 275 | 1 307 | 1 340 | - | - | - | - | - | - | - | - | - |
| Income from future leases | - | - | - | - | - | - | - | - | - | 1 404 | 1 439 | 1 475 | 1 512 | - | - | - | - |
| **Gross rent** | **1 133** | **1 174** | **1 193** | **1 214** | **1 244** | **1 275** | **1 307** | **1 340** | **-** | **1 404** | **1 439** | **1 475** | **1 512** | **-** | **-** | **-** | **-** |
| Operating costs | (101) | (104) | (106) | (108) | (111) | (113) | (116) | (119) | (122) | (125) | (128) | (131) | (135) | - | - | - | - |
| Reletting costs | - | - | - | - | - | - | - | - | (2 701) | - | - | - | - | - | - | - | - |
| Share of common costs | - | - | - | - | - | - | - | - | (424) | - | - | - | - | - | - | - | - |
| CAPEX | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Residual value | - | - | - | - | - | - | - | - | - | - | - | - | 17 105 | - | - | - | - |
| **Net cash flow** | **1 032** | **1 070** | **1 087** | **1 106** | **1 134** | **1 162** | **1 191** | **1 221** | **(3 247)** | **1 278** | **1 310** | **1 343** | **18 482** | **-** | **-** | **-** | **-** |

| Tenant name | Tenant risk | Category | Units let | Vacant | Adhjustme | Annual rent | Rent/m2 | Mkt rent, let | Mkt rent, vacar | Mkt rent adj'mt | Mkt rent, NOK/ | Rent start | Rent exp | Indexation | Duration |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | 100 | |
| Vard Offshore AS | B | 1 | 150 | | | | - | 108 750 | - | - | 725 | 01.01.2017 | 31.12.2025 | 100 % | 8,0 |
| Vard Offshore AS | B | 2 | 1 836 | | | 1 154 863 | 629 | 963 900 | - | - | 525 | 01.01.2017 | 31.12.2025 | 100 % | 8,0 |
| Vard Offshore AS | B | 3 | 210 | | | | - | 78 750 | - | - | 375 | 01.01.2017 | 31.12.2025 | 100 % | 8,0 |

## PICTURES FROM SITE VISIT

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## GENERAL TERMS & CONDITIONS

These General Terms & Conditions shall apply for this valuation report and the following shall apply unless otherwise stated in the valuation report:

**Scope of the valuation report**

The object of the valuation covers the real property or the equivalent stated, with appurtenant rights and obligations in the form of easements, rights of way, community association and other rights or obligations stated in extracts from the Land Register pertaining to the object of the valuation. The valuation report also covers, where applicable, fixtures and fittings of the property and fixtures and fittings of the building relating to the object of the valuation, however not industrial fixtures and fittings to an extent other than as set forth in the report. For the purpose of this valuation report, Cushman & Wakefield Realkapital has not been instructed to extract information from the Land Register, hence, we assume that registered rights in respect of the property can be verified by means of an extract from the Land Register and that the information obtained from the Land Register is accurate and complete. Furthermore, that the object of the valuation is not encumbered by any unregistered easements, right of use agreements or any other agreements which limit, in any respect, the property owner's right to use the property and that the object of the valuation is not encumbered by onerous expenses, fees or other encumbrances. It has also been assumed that the object of the valuation is, in no respect, the subject of a dispute.

**Assumptions for the valuation report**

The information included in the valuation report has been obtained from sources which are deemed to be reliable. All information obtained from the client/owner or his representative and any holders of rights of use has been assumed to be accurate. The information has only been verified through a general assessment of reasonableness. In addition, it has been assumed that no information of relevance to the valuation opinion has been omitted by the client/owner or his representative.

The land areas which form the basis of the valuation have been obtained from the client/owner or his representative. The valuer has relied on these land areas and has not measured them on site or on drawings, but the areas have been verified by means of an assessment of reasonableness. The areas have been assumed to be measured in accordance with the "Norwegian Standards" applicable from time to time. As regards tenancies and leasehold conditions relating to land or other rights of use, the valuation opinion has, where applicable, been based on applicable leases of property and leases of land, and other rights of use agreements. Copies of these, or other documents, indicating relevant terms and conditions have been obtained from the client/owner or his representative. It has been assumed that the object of the valuation complies with all requisite requirements from public authorities and terms and conditions applicable to the property, such as plans, etc., and has obtained all requisite permits from public authorities for its use in the manner stated in the report.

**Environmental matters**

The valuation opinion is conditional on land or buildings relating to the object of the valuation not being in need of an environmental clean-up and there being no form of environmental encumbrance. In light of the provisions stated above, the valuer shall not be liable for any loss incurred by the client or a third party as a consequence of the inaccuracy of the valuation opinion due to the object of the valuation being in need of an environmental clean-up or there being any form of environmental encumbrance.

**Inspection, technical condition**

The physical condition of the facilities (buildings, etc.) as described in the report is based on an overall ocular inspection. The inspection conducted has not been of such a nature as to satisfy the seller's duty of disclosure or the buyer's duty to investigate pursuant. The object of the valuation is assumed to be in a condition and to be of the standard which the ocular inspection indicated at the time of the inspection. The valuer assumes no liability whatsoever for any latent defects or circumstances which are not obvious on the property, under the ground or in the building and which might affect the value. No liability is assumed for; any matter which would require specialist expertise or special knowledge to discover or; the functionality (freedom from defects) and/or the condition of fixtures of buildings, mechanical equipment, pipes or electrical components.

**Liability**

Any claims for damages arising from proven loss arising from any error in the valuation report must be made within one year from the date of the valuation (the date on which the valuation is signed). The maximum amount of damages which may be payable for proven loss arising from an error in the valuation report is 5 times the price base amount at the date of the valuation. Any force majeure that could affect the market value after the date of the written valuations report cannot be used to hold the valuer responsible.

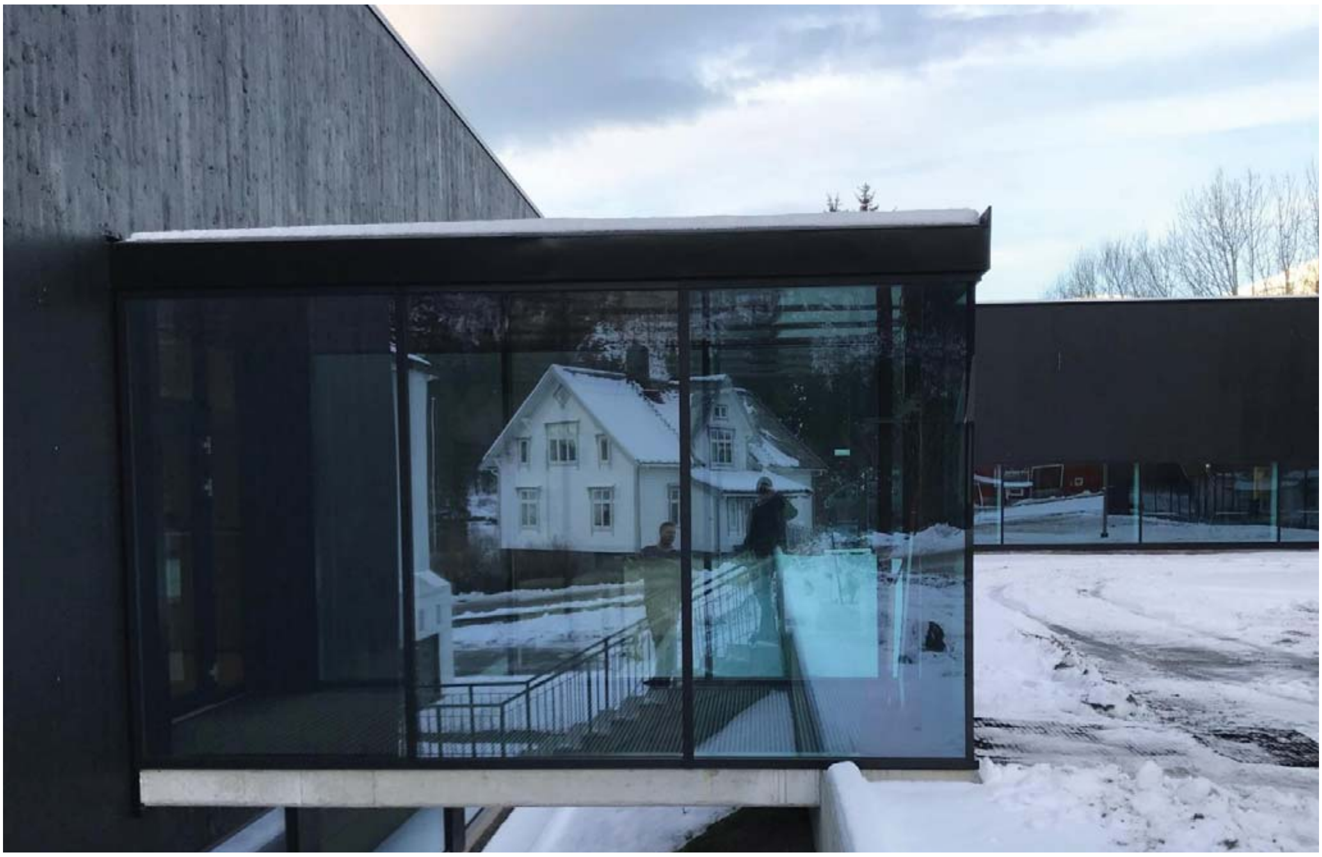
**Validity of the valuation report**

Depending on whether the factors influencing the market value of the object of the valuation change, the valuation opinion referred to in the report is only valid at the date of the valuation, subject to the assumptions and reservations set forth in the report. Future incoming payments and outgoing payments and growth in value as declared in the report, where applicable, have been made based on a scenario which, in the opinion of the valuer, reflects the future projections of the property market. The valuation opinion does not constitute any undertaking as regards actual future growth in cash flow and growth in value.

**Use of the valuation report**

The content of the valuation report and its appendices is the property of the client and shall be used in its entirety for the purpose set forth in the report. Where the valuation report is used for legal matters, the valuer shall only be liable for direct and indirect loss which may affect the client provided that the report is used in accordance with what is stated above. The valuer shall have no liability whatsoever for any loss incurred by any third party as a consequence of such third party having used the valuation report or information provided therein. The valuations are governed by the laws of the Kingdom of Norway. Any disputes will be settled by the court of Oslo (Oslo Tingrett). Prior to the valuation report or parts thereof being reproduced, or referred to in any other written document, the valuer must approve the content and the manner in which the report is to be referred to.

CUSHMAN & WAKEFIELD | Realkapital



# Vard Electro AS, Tenfjord

Valuation for VARD Group AS
4th of April 2018

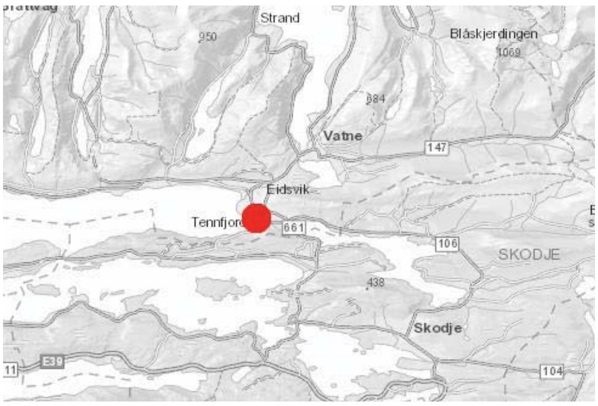
## CONTENT



## KEY FIGURES & SUMMARY

| | |
|---|---|
| Municipality: | Haram |
| Address: | Tennfjordvegen 113, 6264 Tennfjord |
| Cadastral ref: | Gnr./bnr.: 72/229, 72/152, 72/97, 72/47, 72/240, 72/50, 72/49, 72/39, 72/425, 72/356. |
| Ownership: | Vard Group AS |
| Leasable Area: | 5 590 m2 |
| Exit yield: | 7.5 % |
| **Value:** | **82.5 mNOK** |

*Tennfjordvegen 113, 6264 Tennfjord*




*Location, source: Location analytics*

## INTRODUCTION

### Terms of engagement and assignment

Cushman & Wakefield Realkapital (Cushman & Wakefield) has been instructed by Vard Holdings Limited (Vard) to undertake a valuation of portfolio of six assets in Norway. Vard owns all the assets. This report is specifically about Vard Electro AS' site in Møre og Romsdal, Norway. The valuation is completed by an external valuer, as defined by RICS in the "Global Standards 2017". This includes incorporating the IVSC International valuation standards.

We confirm that we have no previous engagement with Vard in Norway or any conflict of interest in assessing the value of the asset.

The valuation date is set to be 5th of January 2018.

### Purpose of the valuation

The reports and/or its valuation summary for the property valuation are to be used in relation to the Delisting and the report may be a) included in the circular to the shareholders of the Company (the "Circular"), and b) disclosed to Client and its officers, employees, agents and advisors (including financial and legal advisors) and relevant regulatory bodies in Singapore (including the Singapore Exchange Securities Trading Limited and the Securities Industry Council).

### Rapport and valuation basis

The valuation of the properties will be prepared on the basis of Market value, defined by the International Valuation Standards (2017 edition). Market Value is set out as follows:

"The estimated amount for which an asset or liability should exchange on the valuation date, between a willing buyer and a willing seller in arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

### Inspection and valuation date

The valuation date is equal to inspection date. The asset was inspected by Jørgen Haugsvold from Cushman & Wakefield, on the 05.01.2018.

The asset has been inspected, but we have not completed a technical or environmental investigation. See general limitation and disclaimer, terms of engagement for further details.

### Valuation approach and assumptions

We have based many of our assumptions on information provided to us by Vard and have checked this information against publicly available information. The valuation is based on market knowledge possessed by Cushman & Wakefield.

None of the assets have binding contract or split between property and the yard operation/ender user. This asset on the other hand is a standardised combination property, which is in use, but without a contract. We have assumed a cash flow approach is the most accurate approach and we have made a risk assessment on what a potential buyer is willing to pay and the chance for Vard signing a contract. It the asset was to be sold, we believe that a contract on the asset would be signed as you cannot expect to be able to use property without paying a rent. We know the construction cost, which we have looked at towards the market value we have arrived at. Until the situation and split between tenant and landlord is made there is significant uncertainty and this will impact the market value in a negative manner.

The specific assumptions to the valuation are set out in the report.

We have not taken into account any balance sheet items, tax related issues like tax loss carry-forwards.

Should any of the information and assumptions on which the valuation is based, afterward is found to be incorrect, the result of valuation might be incorrect and should be reassessed.

### Capacity of valuer

The person responsible for the valuation is qualified for the purpose in accordance with the Red Book. We also confirm that we have no previous material involvement with the property or conflict of interest, as previously stated.

### Limitation

Cushman & Wakefield has valued the property from a market point of view, and taken into account the information as we perceive it. If there are environmental, technical and/or legal issues that we have not been informed about, we assume that the gross market value will be adjusted accordingly.

Cushman & Wakefield has undertaken the valuation based upon material we believe to be reliable in our possession or supplied to us. Whilst every effort has been made to ensure its accuracy and completeness, we cannot offer any warranty that factual errors may not have occurred. Cushman & Wakefield takes no responsibility for any damages or loss suffered by reason of the inaccuracy or incorrectness of our valuation.

Due to the nature of the instructions and subject to the provisions in these terms and conditions and agreement, C&W's total aggregate liability in contract, tort (including negligence or breach of statutory duty), misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the services shall be limited to an aggregate sum not exceeding the fee paid. Cushman & Wakefield's responsibility shall be limited to the Client, and any use of the product (including, without limitation, the Report and contents therein) by third parties shall be solely at the risk of the Client and any such third parties. Please read the engagement letter in the end of the report for further details and information regarding limitation and responsibilities in regards to the report and valuation work done in conjunction with this instruction.

## MACRO ECONOMIC OVERVIEW

### Inflation

The inflation prognosis is based on yearly average forecast from Bank of Norway, DNB and Statistics Norway. After 2020 we have utilised the inflationary target from Bank of Norway.

| Inflation prognosis | | | | |
|---|---|---|---|---|
| **Source** | **2017** | **2018** | **2019** | **2020** |
| DNB | 1.90% | 1.80% | 1.40% | 1.50% |
| Norges Bank | 1.90% | 1.90% | 1.80% | 2.10% |
| SSB | 1.80% | 1.90% | 2.00% | 2.00% |
| **Prognosis** | **1.87%** | **1.87%** | **1.73%** | **1.87%** |

### Interest Rates and Financing Terms

The Central Bank had rate decision on the 14th of December 2017 where they decided to keep the key policy rate unchanged at 0.50%. Since New Year, oil has been traded downwards from 57 to 45 in end of June. However, since then, the price has been steadily climbing upwards to above 60 USD/barrel.

Governor Olsen stated in the press release; "The Executive Board's current assessment of the outlook and the balance of risks suggests that the key policy rate will remain at today's level in the period ahead."

The 5 and 10 year NOK SWAP increased significantly from July 2016 throughout the year. In 2017 the trend has been relatively flat.


*Source: Nordea Markets*

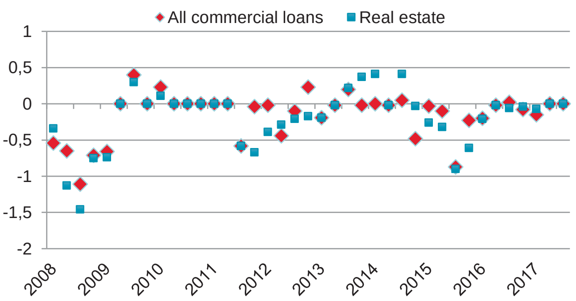
The main trends for loans to commercial real estate have increased from last period and appear to be:

- Spread of 125-175 bps for the best projects, and around 250 bps +/- 50 bps for a normal loan.
- LTV up to 70% for the best projects, but compensate the margin upwards
- Uncertainty around traditional bank loan, but new possibilities through direct financing from pension funds. Bonds financing is also active.
- Latest experience suggests there is more competition between banks.
- Banks are carefully considering counterpart risk in syndicate structures.

Norges Bank's 'Survey of Bank Lending' from October 2017 can be summarised as follows:

- Credit standards for households and for non-financial enterprises were unchanged in Q3
- Credit demand from households fell and non-financial enterprises rose slightly in Q3
- Banks do not expect any changes in credit standards, loan conditions, lending rates, margins on loans or corporate credit demand in 2017 Q4.
- Household credit demand is expected to fall further in Q4.

The survey measures the banks' attitude towards real estate lending by asking if they are in this quarter more or less strict than in the previous. Results show that banks have had a relatively unchanged attitude the last year. Survey from October 2017 the banks' attitude for the second consecutive quarters are unchanged.




The indicative trading levels for bond spreads of real estate companies in the last 3 months have increased as we can see from the table below.

| BOND SPREADS Q4 (Q3) | | | | |
|---|---|---|---|---|
| Duration | 3 yr. | 5 yr. | 7 yr. | 10 yr |
| Entra | 57 (50) | 74 (68) | 88 (82) | 100 (96) |
| Olav Thon 1 pr pledge | 61 (57) | 80 (75) | 90 (89) | 100 (102) |
| NPRO 1. Pri pledge | 100 (85) | 135 (110) | 160 (135) | 185 (160) |
| Steen & Strøm secured | 59 (54) | 76 (74) | 91 (N/A) | 100 (N/A) |

## Employment market

The latest Manpower Employment Outlook Survey (MEOS) from September 2017 shows nearly a steady state in employment outlook for the year and is still positive. Among the 751 companies surveyed, 11% report that they will increase the number of employees in the next quarter and 4% report that they will reduce the workforce. Furthermore, there are 84 % who are not expecting any change and 1% who do not know yet.

According to NAV's annual company survey publication 24% are going to increase, while 10% are decreasing. The publication also shows a negative development in the demand for employees from the last survey. NAV estimates that Norwegian business is lacking 33 800 persons, which is 7 300 more than the same period last year.

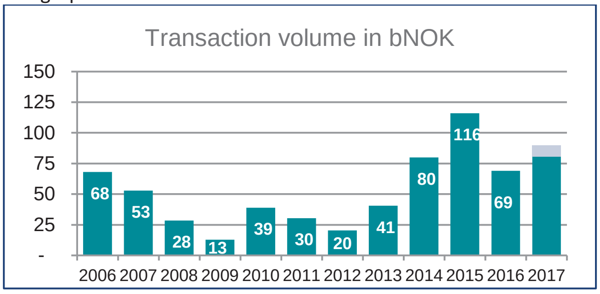
| Employment survey | | |
|---|---|---|
| Source | % increase workforce | % decrease workforce |
| Manpower | 7 | 4 |
| NAV | 24 | 10 |

The number of completely unemployed was according to NAV's latest "Helt Ledige" 64 216 persons in November 2017, which is a reduction of 13 941 persons compared to November 2016.

## Transaction market

In 2017, we expect a transaction volume around 90 bNOK, due to the eventful first three quarters with more than 61 bNOK in transaction volume. On average, Q4 has logged almost 30 bNOK, the last 5 years. International investors are still active in the market representing around 19% of the buy side so far. The largest transaction so far, this year is Swedish SBB's purchase of DNB's HQ at Bjørvika for 4.3 bNOK.

See graph for an overview of the transaction market since 2001:




Selected transactions 2017:

| Asset | Buyer | Seller | mNOK | Type |
|---|---|---|---|---|
| DNB Midtbygget | SSB | Arctic Securities | 4 300 | Office |
| 50% of Lørenskog Vinterpark | Canica og Baumann Invest | Selvaag Eiendom | 3 000 | Leisure |
| Storebrand HQ | Arctic Securities | Storebrand ASA | 2 200 | Office |
| Eufemia | KLP Eiendom | Oslo S Utvikling | 1 740 | Office |
| 50 % of Sundtkvartalet | Entra ASA | Skanska CD | 1 590 | Office |
| Esso portfolio | DCC Energy | ExxonMobil | 1 420 | Retail |
| Lilleakerveien 2 | Mustad Eiendom | Nordea Liv | 1 245 | Office |
| Horisont kjøpesenter | Coop Norge Eiendom | Capto Eiendom/Profier/Storm Eiendom/Harteig | 1 150 | Retail |
| Norwegian Outlet Vestby | Meyer Bergman | Norwegian Outlet Vestby | 1 100 | Retail |
| Forskningsvn 2 | Pareto | Union Real Estate Fund | 1 100 | Office |
| Other | | | 61 964 | |
| **Total** | | | **80 809** | |

*Source: Cushman & Wakefield Realkapital, research.*

Office makes out approximately 50% of all transactions followed by retail with just below 20%. Private real estate companies are most active with around 40% of the volume, while syndicate structures have been on the buy side of above 25%.

The transaction market will remain sensitive to changes in the interest rates. However, our leading macro economists suggest that we will have a low interest rate scenario the next years. New build activity is present and centrally located properties of high standard are being let. Norwegian economy is going well with expected growth in onshore GDP of 2.0 % and 2.5% in 2017 and 2018 respectively. As mentioned the oil price has increased significantly in the second half of 2017. Should this continue and the price stabilize on a higher level, the office areas exposed to oil and gas could be positively affected.

Cushwake Investor Confidence Index from September 2017 reports that 73% of all investors has an objective to be net buyers the next 6 months. Only 11% plans to reduce their stock. Above 60% of all investors expect improved office occupiers demand in the coming six months, a near doubling from the January survey. This is consistent with the results reported from both Arealstatistikk and Entra's Konsensusrapport. Possibly easing financing conditions, by signals from Norges Bank's lending survey, were confirmed by the survey where 26% (up from 10% in January) of the respondents believe in improved conditions.

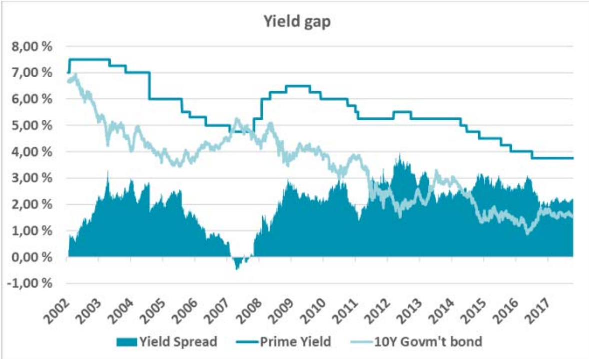
### Yield Trends

We still believe in a prime yield estimate at 3.75%. Recently we have observed transactions that might indicate that the prime yield has a downwards pressure.

- Winta Eiendom sold Cort Adelers gate 33 to Deka Investments for 73 million euros on a net initial yield of 3.70%.
- DNB's headquarters at Bjørvika (CBD 2) in Oslo was acquired by Swedish listed company SBB for 4.3 bNOK and a reported yield around 4%. Bjørvika is still not considered to be main CBD, indicating prime yield at Aker Brygge/Vika is still lower and around 3.75%.
- Eufemia, a 90% pre-let new-build project in CBD 2 was sold on a forward contract at around 3.9%.

It seems the gap between prime real estate and real estate located on the fringe of the best area is less. It could be reasoned by the limited supply of centrally located assets, but also that the comparable assets on the fringe are let on attractive lease contracts. Historically, spread between prime yield office and logistics has been higher than what is communicated today. This is due to several things; including that prime office yield is based on a mid-long contract around 5 years, while logistic assets often get transacted on double digit durations. Additionally, logistic properties often have substantial land plots with implicit value added from outdoor rent or development potential. The logistics property Bølerveien 61 with Skanska on a 12-year contract was recently transacted to around 4.85% initial yield, confirming the communicated gap between office and logistics in declining.

With a prime yield at 3.75% we get a yield gap against 10 yr gov. bond at 2.20% as of 13th December 2017.



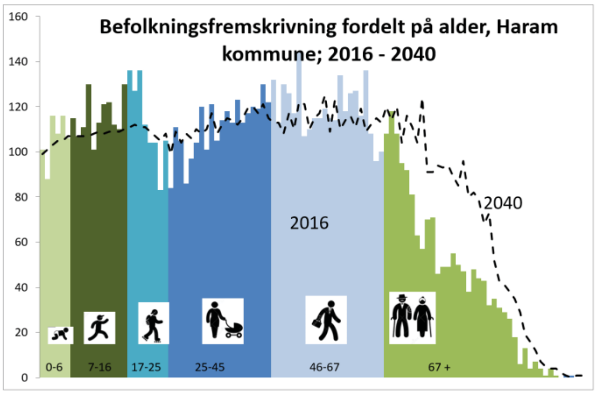

*Source: Cushman & Wakefield Realkapital and Norges Bank*

### Location

The site is in Tennfjord, which is located at the bottom of Grytafjorden in Haram municipality in Sunnmøre (Møre og Romsdal), by the bay to the south and borders in the south and east towards Skodje municipality. Tennfjord is today an attractive area for house construction. It lives in excess of 900 people in Tennfjord and the surrounding area.

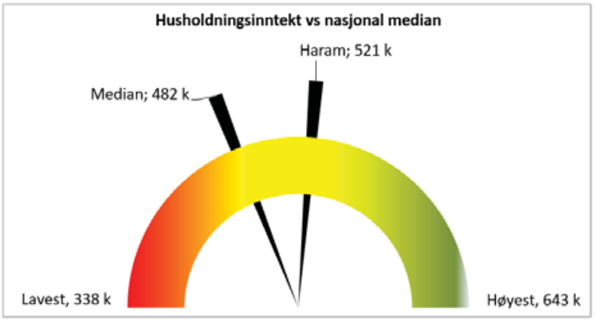
Haram municipality has 9 302 inhabitants. It borders in the east towards Vestnes and in the southeast towards Skodje. Over the Grytafjord in the south lies the municipality of Ålesund, and to the west lies the island of Giske. To the north of the Harøyfjord are the municipalities of Sandøy and Midsund.

According the SSB the population in Haram municipality is expected to grow to 9 783 by 2040. This give a CAGR of 0.26 %, which is below the national average of 0.81%. It is expected that annually the municipality will grow with 24 people.




*Source: SSB and CWR analysis*

The income is the municipality is illustrated below;




*Source: SSB and CWR analysis*

The median income is above the national average with 39 000 NOK. This indicates that the people living the municipality is earning well over the national average. This a positive aspect.

The average price for housing in Tennfjord is 25 963 NOK/m2 p-rom, but it is noted that there are several new houses in the selection that increase the average price. We have used 1 year of registered sales due to few benchmark transactions. For Haram municipality, the average residential prices for detached houses and flats are respectively 11 202 NOK/m2 and 25 793 NOK/m2 p-rom.

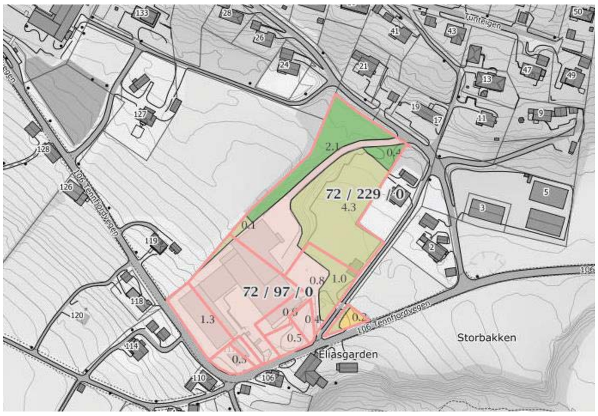
### Description of property

Vard Electro AS supplies maritime electronics services to all of Vards shipyard in Norway. The selected location was therefore not randomly chosen. Tennfjord is centralized in relation to the yards at Aukra, Langsten, Søvik and Brattvåg. In addition, Tennfjord is located between the area's largest cities, Ålesund and Molde. Vard Electro's premises were completed in 2016, and Snøhetta AS was the architect.

The building is a combination of new construction and total renovation of an existing workshop, and has a total area of 5 590 m2. The goal was to build Vard Group AS' signature building. Current general permission allows an extension of 1 000 m2. This can be built as a "plank" lying diagonally across the two end buildings to the southeast. However, the development period hit the decline in the shipbuilding industry, and this part was therefore exposed. The building is nevertheless prepared for such an extension, if it should be applicable later.

There is also another building on the property, a brick house, which serves as office space. The house was renovated in 2014. Vard Accommodation AS is the only tenant, and they rent the whole building. The brick house has offices over 3 floors, but lacks elevator, which makes it somewhat less user friendly.

Vard Electros property area consists of 10 property numbers and has a total area of 18 643 m2. All regulated to industry purposes.




*Overview of the properties, source: Gårdskart*

### State of repair

The property was built in 2016 and features state-of-the-art facilities. Bright and nice rooms. The building is designed by Snøhetta Architectural Office, and has a visible architectural statement, which is not common for combination properties.

The brick house has been upgraded inside and outside in 2014, but is characterized by an old building. As mentioned earlier, there is a lack of elevator, and it is therefore clear that it is not TEK10 standard.

| Category | Unit | Total |
|---|---|---|
| Office/admin. New building | m2 | 3 450 |
| Office/admin. Brick house | m2 | 390 |
| Warehouse / production | m2 | 1 750 |
| **Total** | **m2** | **5 590** |

*Vard Electro AS buildings overview*

For this valuation, we have not received any technical DD or DD as such, hence, we have not factored this into the valuation. Any DD findings that may contribute to affect the valuation in a positive or negative way should be deducted from the market value we have arrived at.

There is no ongoing development on the site that we know of. There is no lack of land and the current regulation and zoning is flexible or not.

### Zoning for the area

The area is regulated for industrial purposes. PlanID 1534-63, with name Tennfjord aust, was adopted 19.12.1977, with changes 22.09.2015.

*Clipart from the zoning plan, source: Haram municipality*

**Accessibility**
The closest city is Ålesund, 29 km away. The closest airport is Ålesund Airport, 35 km away. Car is the most common transport vehicle.

**Marketability**
The marketability of the asset is medium. The largest issue is the missing contract between tenant and property. The asset could have multiple uses should Vard no longer utilise the property. The design is seen a positive aspect. Given that a contract was signed, the marketability would increase.

**Environmental**
We have not been provided with an environmental report, but have checked with the Norwegian Environment Agency. There are no pollutants registered in the area.

**Property tax**
There is no property tax in Haram municipality.

**Costs**
In assessing operation costs, we have taken into account the profile of tenants who pay VAT and the impact on deduction of VAT in the landlord's expenses. We have based our estimates on our best judgements but have not investigated the VAT status of each tenant. We have based our estimate of future reletting expenses on the assumption that these expenses will be VAT deductible.

## METHODS FOR THE VALUATION

The instruction entails to give a market value as the situation is now, including only the asset value, not the operation. The only missing aspect from valuing the asset is to sign a contract and thereby creating uncertainty, have assumed what we believe an investor would be willing to bet on as to afterwards sign a contract with Vard Electro AS. We have checked this value against book value. We recommend that the property and tenant will be split and contract set between the parties regardless. Furthermore, we have looked at new buildings been sold, but deducted a part of the value due to the contractual situation.

We have valued the property with the use of a discounted cash flow analysis and discounted different parts of the cash flow with different discount rates – depending on the risk associated with each segment of the cash flow. Hence, agreed rent payments from tenants have been discounted at lower rates than the residual value. The residual value has been computed by applying an Exit Yield to the estimated net market rent. If there is a clearly identified land value in addition to the existing cash flow properties this is valued separately. As the asset is fully operative today, we believe that the asset will have no void days from the valuation date and based on the previously stated assumptions about triple bare house contracts and the rental information we have found, we present our assumptions of the parameters included in the valuation of the property.

| ASSUMPTIONS | |
|---|---|
| Parameter | Valuation |
| Income let area | Annual rent is 478 kNOK on valuation date with parties and Vard. We have assumed that the asset will yield a rent of 8 mNOK from the day after valuation date. We believe this will happen without tenant improvements (TI) as the asset is in active use today. Should any TIs be included the rent should be renegotiated to reflect the cost of capital.<br><br>Going forward, rental income is cpi adjusted annually based on the average of Statistics Norway, Norges Bank and DNB's estimate. From 2022, we have used Norges Bank's long-term inflation target at 2.5%. |
| Rental income, future area | When the entire asset is to be negotiated again after 5 years from the valuation date we believe a market rent of 1 383 NOK/m2. Due to uncertainty on the contract to be signed we have discounted the coming cash flow with 10.0%. |
| Reletting costs and vacancy | We have assumed a reletting period of 183 days for the premises, with relet costs of 765 NOK/m2 after the first five year. |
| Owner's costs | The owner is responsible for the maintenance of the property and administration of the ownership structure. In addition, the building insurance and other costs. The rest is covered by the tenant.<br><br>For administration and insurance, we have estimated 40 NOK/m2 and 8 NOK/m2. For maintenance, we have estimated 50 NOK/m2, and for other cost we have set 9 NOK/m2. This equals 107 NOK/m2 or a total of 598 kNOK per year. This is 7.5 % of the gross market rent. |
| Common costs | Common costs are estimated to be NOK 325 per sqm. We have assumed that the owner will have to cover 50% of the actual costs during any void periods. |

| | |
|---|---|
| Residual value | The residual value has been discounted at a nominal rate of 10.00% p.a. which is based on the exit yield of 7.50% (the real-term return) plus 2.50% inflation. |
| Yield | We have considered that the exit yield for the property will be 7.50% and have applied this in our valuation. The net initial yield output is not relevant considering the assumptions we have based the valuation on. |
| CAPEX | We have used input from Vard Electro AS. They plan to spend 2.42 mNOK to completion of outdoor areas, and 3 mNOK for solar cells, as an alternative source for heating, ref. TEK10 and general permission. This gives a total CAPEX for 2018 of 5.42 mNOK. |

## CONCLUSION

The market value is estimated to be **82.5 mNOK**. This gives a value of 14 758 NOK/m2 and a normalised yield on market rent of 8.6 %. The value is below the depreciation value of the asset with 18 787, but we do not think anyone would take the risk to invest in the asset as it stands now without a potential upside toward the initial investment or a signed contract.

The cash flow details of the valuation are specified in the following appendices.

**For Cushman & Wakefield Realkapital AS**

Arthur H. Lie
Head of Valuation, MRICS, REV

CUSHMAN & WAKEFIELD | Realkapital

# APPENDICES

## Cash flow value

## Vard Electro AS, Tennfjord

## Market Value mNOK 82,5

| Discount Rates | |
|---|---|
| Tenant A | 4,50 % |
| Tenant B | 5,75 % |
| Tenant C | 7,75 % |
| **Blend rate passing rent** | **5,75 %** |
| Future rent | 10,00 % |
| **Blend rate cash flow** | **9,97 %** |
| Residual value | 10,00 % |
| **Total blend rate (IRR)** | **9,59 %** |

| Yields | |
|---|---|
| Exit yield | 7,50 % |
| Initial Yield | -0,15 % |
| Yield fully let | -0,15 % |
| Yield ex build rights etc | -0,15 % |

| Costs | NOK/m2 | kNOK |
|---|---|---|
| Maintenanc | 40 | 224 |
| Administrati | 50 | 280 |
| Insurance | 8 | 45 |
| Land lease | - | (0) |
| Property tax | - | (0) |
| Other costs | 9 | 50 |
| **OPEX** | **107** | **598** |
| OPEX % of market rent | | 7,7 % |
| VAT recoverable | | 100,0 % |
| Common costs | | 325 |
| Non-rec @ vacancy | | 50,0 % |

| Change Analysis | |
|---|---|
| **Previous value** | |
| Disc.rate /yield change | |
| Change market rent | |
| Change in costs | |
| Change inflation | |
| Other changes | |
| **New value** | **82,50** |

| Sensitivity tests | | |
|---|---|---|
| *Parameter* | *Event* | *Value* |
| Market rent | 10,0 % | 92,1 |
| Disc.rate | 0,25 % | 80,9 |
| Exit yield | 0,25 % | 81,3 |
| Inflation yr 1 | 1,0 % | 82,8 |

| Valuation | mNOK |
|---|---|
| NPV passing rent | 1,3 |
| NPV future rent | 59,2 |
| NPV of costs | -15,1 |
| Residual value | 37,1 |
| Building rights | - |
| Other corr. | - |
| **Total** | **82,5** |

| Key Ratios | |
|---|---|
| Value per m2 | 14 758 |
| Residual value per m2 | 17 441 |
| Value of vacant space | - |
| Rent potential | 1516,10 % |
| Implicit value increment | -0,02 % |

| Valuation Period | |
|---|---|
| From: | 05.01.2018 |
| To: | 31.12.2030 |

Comments

### Net Rent Summary

| | | Area Distribution | | | | Gross Rent - kNOK | | Rent - NOK/unit | | Costs @ first relet | | Cost @ future relets | | As-is rent | Duration | | Valuation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Category | Unit | Total | Let | Vacant | Adj.'mt | Passing | Market | Passing | Market | Void days | Cost/m2 | Void days | Cost/m2 | NOK/m2 | Current | Next | NOK/m2 |
| Office/admin. New building | m2 | **3 450** | 3 450 | - | - | - | 5 951 | - | 1 725 | - | - | 183 | 1 000 | 1 725 | | 5,0 | 18 362 |
| Office/admin. Brick house | m2 | **390** | 390 | - | - | 478 | 468 | 1 227 | 1 200 | - | - | 183 | 1 000 | - | 3,0 | 5,0 | 13 362 |
| Warehouse / production | m2 | **1 750** | 1 750 | - | - | - | 1 313 | - | 750 | - | - | 183 | 250 | 750 | | 5,0 | 7 983 |
| | m2 | **-** | - | - | - | - | - | - | | | | | | - | | 5,0 | - |
| | m2 | **-** | - | - | - | - | - | - | | | | | | - | | 5,0 | - |
| | m2 | **-** | - | - | - | - | - | - | | | | | | - | | 5,0 | - |
| | m2 | **-** | - | - | - | - | - | - | | | | | | - | | 5,0 | - |
| | m2 | **-** | - | - | - | - | - | - | | | | | | - | | 5,0 | - |
| | M | **-** | - | - | - | - | - | - | | - | | - | | - | | 5,0 | - |
| Ground area | A | **-** | - | - | - | - | - | - | | | | | | - | | 5,0 | - |
| **Total** | | **5 590** | **5 590** | **-** | **-** | **478** | **7 732** | **86** | **1 383** | **-** | **-** | **183** | **765** | **1 383** | **3,0** | **5,0** | **14 758** |

### Cash Flow - kNOK

| Cash Flow - kNOK | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 361 | 365 | 366 | 365 | 365 | 365 | 366 | 365 | 365 | 365 | 366 | 365 | 365 | 365 | 366 | 365 | 365 |
| CPI | 0 % | 1,67 % | 1,63 % | 1,73 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % | 2,50 % |
| CPI index | 100 % | 101,67 % | 103,33 % | 105,12 % | 107,75 % | 110,44 % | 113,20 % | 116,03 % | 118,93 % | 121,90 % | 124,95 % | 128,08 % | 131,28 % | 134,56 % | 137,92 % | 141,37 % | 144,91 % |
| Real market rent change | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Yield change | | | | | | | | | | | | | | | | | |
| Income from current leases | 473 | 486 | 494 | 1 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Income from future leases | 7 244 | 7 385 | 7 505 | 8 126 | 8 331 | 4 528 | 8 752 | 8 971 | 8 917 | 9 425 | 5 185 | 9 852 | 10 150 | - | - | - | - |
| **Gross rent** | **7 717** | **7 871** | **8 000** | **8 128** | **8 331** | **4 528** | **8 752** | **8 971** | **8 917** | **9 425** | **5 185** | **9 852** | **10 150** | **-** | **-** | **-** | **-** |
| Operating costs | (592) | (608) | (618) | (629) | (644) | (661) | (677) | (694) | (711) | (729) | (747) | (766) | (785) | - | - | - | - |
| Reletting costs | - | - | - | - | - | (4 293) | - | - | (464) | - | - | (4 979) | - | - | - | - | - |
| Share of common costs | - | - | - | - | - | (467) | - | - | (38) | - | (521) | (6) | - | - | - | - | - |
| CAPEX | (5 420) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Residual value | - | - | - | - | - | - | - | - | - | - | - | - | 127 987 | - | - | - | - |
| **Net cash flow** | **1 705** | **7 263** | **7 382** | **7 499** | **7 686** | **(893)** | **8 075** | **8 277** | **7 704** | **8 696** | **3 917** | **4 101** | **137 352** | **-** | **-** | **-** | **-** |

#### PICTURES FROM SITE VISIT



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## GENERAL TERMS & CONDITIONS

These General Terms & Conditions shall apply for this valuation report and the following shall apply unless otherwise stated in the valuation report:

**Scope of the valuation report**

The object of the valuation covers the real property or the equivalent stated, with appurtenant rights and obligations in the form of easements, rights of way, community association and other rights or obligations stated in extracts from the Land Register pertaining to the object of the valuation. The valuation report also covers, where applicable, fixtures and fittings of the property and fixtures and fittings of the building relating to the object of the valuation, however not industrial fixtures and fittings to an extent other than as set forth in the report. For the purpose of this valuation report, Cushman & Wakefield Realkapital has not been instructed to extract information from the Land Register, hence, we assume that registered rights in respect of the property can be verified by means of an extract from the Land Register and that the information obtained from the Land Register is accurate and complete. Furthermore, that the object of the valuation is not encumbered by any unregistered easements, right of use agreements or any other agreements which limit, in any respect, the property owner's right to use the property and that the object of the valuation is not encumbered by onerous expenses, fees or other encumbrances. It has also been assumed that the object of the valuation is, in no respect, the subject of a dispute.

**Assumptions for the valuation report**

The information included in the valuation report has been obtained from sources which are deemed to be reliable. All information obtained from the client/owner or his representative and any holders of rights of use has been assumed to be accurate. The information has only been verified through a general assessment of reasonableness. In addition, it has been assumed that no information of relevance to the valuation opinion has been omitted by the client/owner or his representative.

The land areas which form the basis of the valuation have been obtained from the client/owner or his representative. The valuer has relied on these land areas and has not measured them on site or on drawings, but the areas have been verified by means of an assessment of reasonableness. The areas have been assumed to be measured in accordance with the "Norwegian Standards" applicable from time to time. As regards tenancies and leasehold conditions relating to land or other rights of use, the valuation opinion has, where applicable, been based on applicable leases of property and leases of land, and other rights of use agreements. Copies of these, or other documents, indicating relevant terms and conditions have been obtained from the client/owner or his representative. It has been assumed that the object of the valuation complies with all requisite requirements from public authorities and terms and conditions applicable to the property, such as plans, etc., and has obtained all requisite permits from public authorities for its use in the manner stated in the report.

**Environmental matters**

The valuation opinion is conditional on land or buildings relating to the object of the valuation not being in need of an environmental clean-up and there being no form of environmental encumbrance. In light of the provisions stated above, the valuer shall not be liable for any loss incurred by the client or a third party as a consequence of the inaccuracy of the valuation opinion due to the object of the valuation being in need of an environmental clean-up or there being any form of environmental encumbrance.

**Inspection, technical condition**

The physical condition of the facilities (buildings, etc.) as described in the report is based on an overall ocular inspection. The inspection conducted has not been of such a nature as to satisfy the seller's duty of disclosure or the buyer's duty to investigate pursuant. The object of the valuation is assumed to be in a condition and to be of the standard which the ocular inspection indicated at the time of the inspection. The valuer assumes no liability whatsoever for any latent defects or circumstances which are not obvious on the property, under the ground or in the building and which might affect the value. No liability is assumed for; any matter which would require specialist expertise or special knowledge to discover or; the functionality (freedom from defects) and/or the condition of fixtures of buildings, mechanical equipment, pipes or electrical components.

**Liability**

Any claims for damages arising from proven loss arising from any error in the valuation report must be made within one year from the date of the valuation (the date on which the valuation is signed). The maximum amount of damages which may be payable for proven loss arising from an error in the valuation report is 5 times the price base amount at the date of the valuation. Any force majeure that could affect the market value after the date of the written valuations report cannot be used to hold the valuer responsible.

**Validity of the valuation report**

Depending on whether the factors influencing the market value of the object of the valuation change, the valuation opinion referred to in the report is only valid at the date of the valuation, subject to the assumptions and reservations set forth in the report. Future incoming payments and outgoing payments and growth in value as declared in the report, where applicable, have been made based on a scenario which, in the opinion of the valuer, reflects the future projections of the property market. The valuation opinion does not constitute any undertaking as regards actual future growth in cash flow and growth in value.

**Use of the valuation report**

The content of the valuation report and its appendices is the property of the client and shall be used in its entirety for the purpose set forth in the report. Where the valuation report is used for legal matters, the valuer shall only be liable for direct and indirect loss which may affect the client provided that the report is used in accordance with what is stated above. The valuer shall have no liability whatsoever for any loss incurred by any third party as a consequence of such third party having used the valuation report or information provided therein. The valuations are governed by the laws of the Kingdom of Norway. Any disputes will be settled by the court of Oslo (Oslo Tingrett). Prior to the valuation report or parts thereof being reproduced, or referred to in any other written document, the valuer must approve the content and the manner in which the report is to be referred to.

# PROVISIONS IN THE CONSTITUTION RELATING TO THE RIGHTS OF SHAREHOLDERS IN RESPECT OF CAPITAL, DIVIDENDS AND VOTING

The rights of Shareholders in respect of capital, dividends and voting are contained in the Constitution, which is available for inspection at the registered office of the Company's share registrar, RHT Corporate Advisory Pte. Ltd., at 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619. The relevant provisions have been extracted from the Constitution and reproduced below. Capitalised terms and expressions not defined below have the meanings ascribed to them in the Constitution.

**(a) <u>Rights in respect of Capital</u>**

"***ISSUE OF SHARES***

*3. Subject to the Statutes and the provisions of this Constitution, no shares may be issued by the Directors without the prior approval of the Company by Ordinary Resolution but subject thereto and to Regulation 7, and to any special rights attached to any shares for the time being issued, the Directors may allot and issue shares or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration (if any) and at such time and subject or not to the payment of any part of the amount (if any) thereof in cash as the Directors may think fit, and any shares may be issued with such preferential, deferred, qualified or special rights, privileges, conditions, or restrictions whether as regards dividend, return of capital, participation in surplus assets and profits, conversion or otherwise, as the Directors may think fit. Preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors, PROVIDED THAT:*

*(a) (subject to any direction to the contrary that may be given by the Company in a General Meeting) any issue of shares for cash to Members holding shares of any class shall be offered to such Members in proportion as nearly as may be to the number of shares of such class then held by them and the provisions of the second sentence of Regulation 7(A) with such adaptations as are necessary shall apply; and*

*(b) the rights attaching to shares of a class other than ordinary shares shall be expressed in the resolution creating the same and in the provisions of this Constitution.*

*4. (A) Preference shares may be issued subject to such limitation thereof as may be prescribed by any securities exchange upon which shares in the Company are listed, provided that the total number of issued preference shares shall not exceed the total number of issued ordinary shares issued at any time. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance sheets and attending General Meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding-up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six Months in arrears.*

*(B) The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.*

*(C) The Company has power to issue different classes of shares.*

*(D) The Company may issue shares for which no consideration is payable to the Company.*

## *VARIATION OF RIGHTS*

*5. (A) Whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class may, subject to the Statutes, be varied or abrogated either with the consent in writing of holders who represent at least three-quarters of the total voting rights of all the shares of that class or by a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up.*

*To every such separate General Meeting, all the provisions of this Constitution relating to General Meetings of the Company and to the proceedings thereat shall mutatis mutandis apply, except that the necessary quorum shall be two persons at least holding or representing by proxy at least one-third of the total voting rights of all the shares of that class and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him, PROVIDED THAT where the necessary majority for such a Special Resolution is not obtained at such General Meeting, consent in writing if obtained from holders who represent at least three-quarters of the total voting rights of all the shares of that class concerned within two Months of such General Meeting shall be as valid and effectual as a Special Resolution passed at such General Meeting. The foregoing provisions of this Regulation shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.*

*(B) The repayment of preference capital other than redeemable preference capital, or any alteration of preference shareholders' rights, may only be made pursuant to a Special Resolution of the preference shareholders concerned PROVIDED THAT where the necessary majority for such a Special Resolution is not obtained at the General Meeting, consent in writing if obtained from holders who represent at least three-quarters of the total voting rights of all the preference shares concerned within two Months of the General Meeting, shall be as valid and effectual as a Special Resolution carried at the General Meeting.*

*(C) The special rights attached to any class of shares having preferential rights shall not, unless otherwise expressly provided by the terms of issue thereof, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects pari passu therewith but in no respect in priority thereto.*

## *ALTERATION OF SHARE CAPITAL*

*6. The Company in General Meeting may from time to time by Ordinary Resolution increase its capital by the allotment and issue of new shares.*

*7. (A) Subject to the bye-laws or listing rules of the securities exchange upon which shares in the Company are listed or to any direction to the contrary that may be given by the Company in a General Meeting, all new shares shall, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of General Meetings in proportion, as far as the circumstances admit, to the number of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Regulation 7(A).*

*(B) Notwithstanding Regulation 7(A), the Company may by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to:*

*(a) (i) issue shares whether by way of rights, bonus or otherwise; and/or*

*(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and*

*(b) (notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the Ordinary Resolution was in force,*

*provided that:-*

*(1) the aggregate number of shares or other instruments convertible into shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) shall be subject to such limits and manner of calculation as may be prescribed by the securities exchange upon which shares in the Company are listed;*

*(2) in exercising the authority conferred by the Ordinary Resolution, the Company shall comply with the provisions of the listing rules of the securities exchange upon which shares in the Company are listed, the time being in force (unless such compliance is waived by the securities exchange upon which shares in the Company are listed) and this Constitution; and*

*(3) (unless revoked or varied by the Company in General Meeting) the authority conferred by the Ordinary Resolution shall not continue in force beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution, or the date by which such Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Statutes (whichever is the earliest).*

*(C) Except so far as otherwise provided by the conditions of issue or by the provisions of this Constitution, all new shares shall be subject to the Statutes and the provisions of this Constitution with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture and otherwise.*

*8. The Company may by Ordinary Resolution:*

*(a) consolidate and divide all or any of its shares;*

*(b) cancel any shares which, at the date of the passing of the resolution, have been forfeited and diminish the amount of its capital by the number of shares so cancelled;*

*(c) sub-divide its shares, or any of them in accordance with the Statutes and the bye-laws or listing rules of the securities exchange upon which shares in the Company are listed, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights, or be subject to any such restrictions, as the Company has power to attach to unissued or new shares; and*

*(d) subject to the Statutes and this Constitution, convert its share capital or any class of shares from one currency to another currency.*

*8A. The Company may, subject to the Statutes and this Constitution, convert any class of shares into any other class of shares by Special Resolution.*

*9. (A) The Company may reduce its share capital or any reserve in any manner and with and subject to any incident authorised and consent required by law.*

*(B) Subject to the Statutes, the Company may purchase or otherwise acquire any of its issued shares on such terms and in such manner as the Company may from time to time think fit and in the manner prescribed by the Statutes. If required by the Statutes, any share which is so purchased or acquired by the Company, unless held as treasury shares in accordance with the Statutes, shall be deemed to be cancelled immediately on purchase or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share (including treasury shares) which is so purchased or acquired by it in accordance with the Statutes.*

*10. Shares that the Company purchases or otherwise acquires may be held as treasury shares in accordance with the provisions of this Constitution and the Act.*

*11. Where the shares purchased or otherwise acquired are held as treasury shares by the Company, the Company shall be entered in the Register of Members as the Member holding the treasury shares.*

*12. The Company shall not exercise any right in respect of the treasury shares other than as provided by the Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act.*

***SHARES***

*13. Except as required by law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way (except by the Statutes or the provisions of this Constitution) to recognise any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or any other right in respect of any share, except an absolute right to the entirety thereof in the person (other than the Depository or its nominee, as the case may be) entered in the Register of Members as the registered holder thereof or (as the case may be) a person whose name is entered in the Depository Register in respect of that share.*

*14. Without prejudice to any special rights previously conferred on the holders of any shares or class of shares for the time being issued, any share in the Company may be issued with such preferred, deferred or other special rights, or subject to such restrictions (as regards dividend, return of capital, voting or otherwise) as the Company may from time to time by Ordinary Resolution or, if required by the Act, by Special Resolution determine (or, in the absence of any such determination, but subject to the Act, as the Directors may determine) and subject to the Statutes, the Company may issue preference shares which are, or at the option of the Company, are liable to be redeemed.*

*15. Subject to the Statutes and the provisions of this Constitution relating to authority, pre-emption rights and otherwise and of any resolution of the Company in a General Meeting passed pursuant thereto, all unissued shares shall be at the disposal of the Directors and they may allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times and on such terms as they think proper.*

*16. The Company may exercise the powers of paying commissions or brokerage on any issue of shares at such rate or amount and in such manner as the Directors may deem fit. Such commissions or brokerage may be satisfied by the payment of cash or the allotment of fully or partly shares or partly in one way and partly in the other.*

*17.* *Subject to the terms and conditions of any application for shares, the Directors shall allot shares applied for within ten Market Days of the closing date (or such other period as may be approved by the securities exchange upon which shares in the Company are listed) of any such application. The Directors may, at any time after the allotment of any share but before any person has been entered in the Register of Members as the holder or (as the case may be) before that share is entered against the name of a depositor in the Depository Register, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose.*

## *STOCK*

*48.* *The Company may from time to time by Ordinary Resolution convert any paid-up shares into stock and may from time to time by like resolution reconvert any stock into paid-up shares.*

*49.* *The holders of stock may transfer the same or any part thereof in the same manner and subject to the same Regulations and subject to which the shares from which the stock arose might previously to conversion have been transferred (or as near thereto as circumstances admit) but no stock shall be transferable except in such units as the Directors may from time to time determine.*

*50.* *The holders of stock shall, according to the number of stock units held by them, have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters, as if they held the shares from which the stock arose, but no such privilege or advantage (except as regards participation in the profits or assets of the Company) shall be conferred by any number of stock units which would not, if existing in shares, have conferred such privilege or advantage; and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted.*

## *CAPITALISATION OF PROFITS AND RESERVES*

*135A.* *The Directors may, with the sanction of an Ordinary Resolution of the Company, including any Ordinary Resolution passed pursuant to Regulation 7(B) issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register of Members or (as the case may be) the Depository Register at the close of business on:*

*(a)* *the date of the Ordinary Resolution (or such other dates as may be specified therein or determined as therein provided); or*

*(b)* *(in the case of an Ordinary Resolution passed pursuant to Regulation 7(B)), such other date as may be determined by the Directors,*

*in proportion to their then holdings of shares.*

*136.* *Subject to Regulations 3, 4 and 7, the Directors may capitalise any sum standing to the credit of any of the Company's reserve accounts (including any undistributable reserve) or any sum standing to the credit of profit and loss account by appropriating such sum to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on:*

*(a)* *the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or*

*(b)* *(in the case of an Ordinary Resolution passed pursuant to regulation 7(B)) such other dates as may be determined by the Directors,*

*in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full unissued shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, unissued shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid. The Directors may do all acts and things considered necessary or expedient to give effect to any such bonus issue or capitalisation under Regulations 135A and 136, with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the Members concerned). The Directors may authorise any person to enter into an agreement with the Company on behalf of all the Members interested, providing for any such bonus issue or capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.*

*136A. In addition and without prejudice to the powers provided for by Regulations 135A and 136, the Directors shall have power to issue shares for which no consideration is payable and/or capitalise any undivided profits or other moneys of the Company not required for the payment or provision of any dividend on any shares entitled to cumulative or non-cumulative preferential dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up in full unissued shares on terms that such shares shall, upon issue:*

*(a) be held by or for the benefit of participants of any share incentive or option scheme or plan implemented by the Company and approved by shareholders in General Meeting in such manner and on such terms as the Directors shall think fit; or*

*(b) be held by or for the benefit of non-executive Directors as part of their remuneration under Regulations 81 and/or 82A approved by Members in General Meeting in such manner and on such terms as the Directors shall think fit.*

*The Directors may do all such acts and things considered necessary or expedient to give effect to any of the foregoing.*"

**(b) Rights in respect of Dividends**

"***RESERVES***

*123. The Directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Directors, shall be applicable for any purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Directors may divide the reserve into such special funds as they think fit and may consolidate into one fund any special funds or any part of any special funds into which the reserve may have been divided. The Directors may also, without placing the same to reserve, carry forward any profits. In carrying sums to reserve and in applying the same, the Directors shall comply with the Statutes.*

***DIVIDENDS***

*124. The Company may by Ordinary Resolution declare dividends but no such dividends shall exceed the amount recommended by the Directors. No dividends may be paid, unless otherwise provided in the Statutes, to the Company in respect of treasury shares.*

*125. If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may declare and pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time declare and pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.*

126. *Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide and except as otherwise permitted under the Statutes:*

(a) *all dividends in respect of shares must be paid in proportion to the number of shares held by a Member but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and*

(b) *all dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which dividend is paid.*

*For the purposes of this Regulation, no amount paid on a share in advance of calls shall be treated as paid on the share.*

127. *No dividend shall be paid otherwise than out of profits available for distribution under the Statutes.*

128. *No dividend or other moneys payable on or in respect of a share shall bear interest as against the Company.*

129. (A) *The Directors may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.*

(B) *The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a Member, or which any person is under those provisions entitled to transfer, until such person shall become a Member in respect of such shares or shall transfer the same.*

(C) *The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends and other moneys payable on or in respect of a share that are unclaimed after first becoming payable may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend or moneys unclaimed after a period of six Years from the date they are first payable may be forfeited and if so shall revert to the Company but the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the moneys so forfeited to the person entitled thereto prior to the forfeiture.*

(D) *A payment by the Company to the Depository of any dividend or other moneys payable to a depositor shall, to the extent of the payment made, discharge the Company from any liability in respect of that payment. If the Depository returns any such dividend or moneys to the Company, the relevant depositor shall not have any right or claim in respect of such dividend or moneys against the Company if a period of six Years has elapsed from the date on which such other moneys are first payable.*

130. *The waiver in whole or in part of any dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the shareholder (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.*

131. *The Company may upon the recommendation of the Directors by Ordinary Resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company) and the Directors shall give effect to such resolution. Where any difficulty arises with regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue*

*fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.*

*132. (A) Whenever the Directors or the Company in General Meeting have resolved or proposed that a dividend (including an interim, final, special or other dividend) be paid or declared on the ordinary share capital of the Company, the Directors may further resolve that Members entitled to such dividend be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of the dividend as the Directors may think fit. In such case, the following provisions shall apply:*

*(a) the basis of any such allotment shall be determined by the Directors;*

*(b) the Directors shall determine the manner in which Members shall be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of which the Directors shall have passed such a resolution as aforesaid, and the Directors may make such arrangements as to the giving of notice to Members, providing for forms of election for completion by Members (whether in respect of a particular dividend or dividends or generally), determining the procedure for making such elections or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this Regulation;*

*(c) the right of election may be exercised in respect of the whole of that portion of the dividend in respect of which the right of election has been accorded PROVIDED THAT the Directors may determine, either generally or in any specific case, that such right shall be exercisable in respect of the whole or any part of that portion; and*

*(d) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on ordinary shares in respect whereof the share election has been duly exercised (the "elected ordinary shares") and in lieu and in satisfaction thereof ordinary shares shall be allotted and credited as fully paid to the holders of the elected ordinary shares on the basis of allotment determined as aforesaid and for such purpose and notwithstanding the provisions of Regulation 136, the Directors shall (i) capitalise and apply the amount standing to the credit of any of the Company's reserve accounts or any sum standing to the credit of the profit and loss account or otherwise available for distribution as the Directors may determine, such sum as may be required to pay up in full the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis, or (ii) apply the sum which would otherwise have been payable in cash to the holders of the elected ordinary shares towards payment of the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis.*

*(B) (a) The ordinary shares allotted pursuant to the provisions of paragraph (A) of this Regulation shall rank pari passu in all respects with the ordinary shares then in issue save only as regards participation in the dividend which is the subject of the election referred to above (including the right to make the election referred to above) or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the dividend which is the subject of the election referred to above, unless the Directors shall otherwise specify.*

*(b) The Directors may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of paragraph (A) of this Regulation, with full power to make such provisions as they think fit in the case of shares becoming distributable in fractions (including, notwithstanding any provision to the contrary in this Constitution, provisions whereby, in whole or in part, fractional entitlements are disregarded or rounded up or down or whereby the benefit of the fractional entitlements accrues to the Company rather than the Members).*

*(C) The Directors may, on any occasion when they resolve as provided in paragraph (A) of this Regulation, determine that rights of election under that paragraph shall not be made available to the persons who are registered as holders of ordinary shares in the Register of Members or (as the case may be) in the Depository Register, or in respect of ordinary shares the transfer of which is registered, after such date as the Directors may fix subject to such exceptions as the Directors may think fit, and in such event the provisions of this Regulation shall be read and construed subject to such determination.*

*(D) The Directors may, on any occasion when they resolve as provided in paragraph (A) of this Regulation, further determine that no allotment of shares or rights of election for shares under that paragraph shall be made available or made to Members whose registered addresses entered in the Register or (as the case may be) the Depository Register is outside Singapore or to such other Members or class of Members as the Directors may in their sole discretion decide and in such event the only entitlement of the Members aforesaid shall be to receive in cash the relevant dividend resolved or proposed to be paid or declared.*

*(E) Notwithstanding the foregoing provisions of this Regulation, if at any time after the Directors' resolution to apply the provisions of paragraph (A) of this Regulation in relation to any dividend but prior to the allotment of ordinary shares pursuant thereto, the Directors shall consider that by reason of any event or circumstance (whether arising before or after such resolution) or by reason of any matter whatsoever it is no longer expedient or appropriate to implement that proposal, the Directors may at their absolute discretion and without assigning any reason therefor, cancel the proposed application of paragraph (A) of this Regulation.*

*133. Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members or (as the case may be) the Depository Register of a Member or person entitled thereto (or, if two or more persons are registered in the Register of Members or (as the case may be) entered in the Depository Register as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person at such address as such Member or person or persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby. Notwithstanding the foregoing provisions of this Regulation and the provisions of Regulation 135, the payment by the Company to the Depository of any dividend payable to a depositor shall, to the extent of the payment made to the Depository, discharge the Company from any liability to the depositor in respect of that payment.*

*134. If two or more persons are registered in the Register of Members or (as the case may be) the Depository Register as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any one of them may give effectual receipts for any dividend or other moneys payable or property distributable on or in respect of the share.*

*135. Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in a General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares in the Register of Members or (as the case may be) the Depository Register at the close of business on a particular date and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares.*"

**(c) <u>Rights in respect of Voting</u>**

"***GENERAL MEETINGS***

*51. Subject to the Statutes, an Annual General Meeting shall be held once in every Year and not more than fifteen Months after the holding of the last preceding Annual General Meeting, at such time and place as may be determined by the Directors. All other General Meetings shall be Extraordinary General Meetings.*

*52. The Directors may whenever they think fit, and shall on requisition in accordance with the Statutes, proceed with proper expedition to convene an Extraordinary General Meeting.*

***NOTICE OF GENERAL MEETINGS***

*53. (A) Subject to the Statutes, any General Meeting at which it is proposed to pass a Special Resolution shall be called by twenty-one days' notice in writing at the least. An Annual General Meeting and any other Extraordinary General Meeting shall be called by fourteen days' notice in writing at the least. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the meeting is to be held and shall be given in the manner hereafter mentioned to all Members other than those who are not under the provisions of this Constitution entitled to receive such notices from the Company, PROVIDED THAT a General Meeting which has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:*

*(a) in the case of an Annual General Meeting, by all the Members entitled to attend and vote thereat; and*

*(b) in the case of an Extraordinary General Meeting, by a majority in number of the Members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent. of the total voting rights of all the Members having a right to vote at that meeting,*

*except that the accidental omission to give notice to or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings at any General Meeting.*

*(B) Where special notice is required of a resolution pursuant to the Statutes, notice of the intention to move the resolution shall be given to the Company and notice of any General Meeting shall be called in accordance with the Statutes and in particular, Section 185 of the Act.*

*(C) Subject to the Statutes or the bye-laws or listing rules of the securities exchange on which shares in the Company are listed, for so long as the shares in the Company are listed on the SGX-ST, notices convening any General Meeting at which it is proposed to pass a Special Resolution shall be sent to Members entitled to attend and vote at the meeting at least twenty-one calendar days before the meeting (excluding the date of notice and the date of meeting). Notices convening any other General Meeting must be sent to Members entitled to attend and vote at the meeting at least fourteen calendar days before the meeting (excluding the date of notice and the date of meeting). At least fourteen days' notice of any General Meeting shall be given by advertisement in the daily press and in writing to any securities exchange on which shares in the Company are listed.*

*54. (A) Every notice calling a General Meeting shall specify the place and the day and hour of the meeting, and there shall appear with reasonable prominence in every such notice a statement that a Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him and that a proxy need not be a Member of the Company.*

*(B) In the case of an Annual General Meeting, the notice shall also specify the meeting as such.*

*(C) In the case of any General Meeting at which business other than routine business is to be transacted, the notice shall specify the general nature of such business; and if any resolution is to be proposed as a Special Resolution, the notice shall contain a statement to that effect.*

*55. Routine business shall mean and include only business transacted at an Annual General Meeting of the following classes, that is to say:*

*(a) declaring dividends;*

*(b) receiving and adopting the financial statements, the Directors' statement, Auditor's report and other documents required to be attached or annexed to the financial statements;*

*(c) appointing or re-appointing Directors to fill vacancies arising at the meeting on retirement whether by rotation or otherwise;*

*(d) appointing new Auditors, or re-appointing the retiring Auditors (unless they were last appointed otherwise than by the Company in General Meeting);*

*(e) fixing the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed; and*

*(f) fixing the fees of the Directors proposed to be passed under Regulation 81 and/or Regulation 82(A).*

*56. Any notice of a General Meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on the Company in respect of such special business.*

## *PROCEEDINGS AT GENERAL MEETINGS*

*57. The Chairman of the Board, failing whom the Deputy Chairman of the Board, shall preside as chairman at a General Meeting. If there be no such Chairman or Deputy Chairman, or if at any meeting neither be present and willing to act within five minutes after the time appointed for holding the meeting, the Directors present shall choose one of their number (or, if no Director be present or if all the Directors present decline to take the chair, the Members present shall choose one of their number) to be chairman of the meeting.*

*58. No business other than the appointment of a chairman shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Save as herein otherwise provided, the quorum at any General Meeting shall be two or more Members present in person or by proxy, PROVIDED THAT where a Member is represented by more than one proxy such proxies shall count as only one Member for the purpose of determining the quorum.*

*59. If within thirty minutes from the time appointed for a General Meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened on the requisition of Members, shall be dissolved. In any other case, it shall stand adjourned to the same day in the next week (or if that day is a public holiday,* *then to the next business day following that public holiday) at the same time and place or such other day, time or place as the Directors may by not less than ten days' notice appoint. At the adjourned meeting, any one or more Members present in person or by proxy shall be a quorum.*

*60.* *The chairman of any General Meeting at which a quorum is present may with the consent of the meeting (and shall if so directed by the meeting) adjourn the meeting from time to time (or sine die) and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. Where a meeting is adjourned sine die, the time and place for the adjourned meeting shall be fixed by the Directors. When a meeting is adjourned for thirty days or more or sine die, not less than seven days' notice of the adjourned meeting shall be given in like manner as in the case of the original meeting.*

*61.* *Save as hereinbefore expressly provided, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.*

*62.* *If an amendment shall be proposed to any resolution under consideration but shall in good faith be ruled out of order by the chairman of the meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a Special Resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.*

*63.* *Subject to Regulation 63A, at any General Meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:*

*(a)* *the chairman of the meeting;*

*(b)* *not less than five Members having the right to vote at the meeting;*

*(c)* *a Member or Members having the right to vote at the meeting representing not less than five per cent. of the total voting rights of all the Members having the right to vote at the meeting; or*

*(d)* *a Member or Members having the right to vote at the meeting and holding shares on which an aggregate sum has been paid up equal to not less than five per cent. of the total sum paid-up on all shares of the Company conferring that right (excluding treasury shares),*

*PROVIDED THAT no poll shall be demanded on the choice of a chairman or on a question of adjournment.*

*63A.* *If required by the listing rules of any stock exchange upon which the shares of the Company may be listed, all resolutions at General Meetings shall be voted by poll (unless such requirement is waived by such stock exchange).*

*64.* *A demand for a poll may be withdrawn only with the approval of the meeting. Unless a poll is required, a declaration by the chairman of the meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded for or against such resolution. If a poll is required, it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the chairman of the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The chairman of the meeting may (and if required by the listing rules of any stock exchange upon which the shares of the Company may be listed or if so directed by the meeting shall) appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.*

*65. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote.*

*66. A poll on the election of a chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the meeting) and place as the chairman may direct. No notice need be given of a poll not taken immediately. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the question on which the poll has been demanded.*

### ***VOTES OF MEMBERS***

*67. Each Member who is a holder of ordinary shares in the capital of the Company shall be entitled to be present at any General Meeting. Subject and without prejudice to Regulation 12, each Member entitled to vote may vote in person or by proxy.*

*(a) On a show of hands, every Member who is present in person or by proxy shall have one vote PROVIDED THAT (i) in the case of a Member who is not a relevant intermediary and who is represented by two proxies, only one of the two proxies as determined by that Member or, failing such determination, by the chairman of the meeting (or by a person authorised by him) in his sole discretion, shall be entitled to vote; and (ii) in the case of a Member who is a relevant intermediary and who is represented by two (2) or more proxies, each proxy shall be entitled to vote on a show of hands.*

*(b) On a poll, every Member who is present in person or by proxy shall have one vote for every share which he holds or represents.*

*For the purpose of determining the number of votes which a Member, being a depositor, or his proxy may cast at any General Meeting on a poll, the reference to shares held or represented shall, in relation to shares of that depositor, be the number of shares entered against his name in the Depository Register as at 72 hours before the time of the relevant General Meeting as certified by the Depository to the Company.*

*68. In the case of joint holders of a share, any one of such person may vote, and be reckoned in quorum at any General Meeting, either personally or by proxy or by attorney or in the case of a corporation by a representative as if he were solely entitled thereto, but if more than one of such joint holders is so present at any meeting, then the person present whose name stands first in the Register of Members or (as the case may be) the Depository Register in respect of the share shall alone be entitled to vote in respect thereof.*

*69. Where in Singapore or elsewhere, a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any Member on the ground (however formulated) of mental disorder, the Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as the Directors may require, permit such receiver or other person on behalf of such Member to vote in person or by proxy at any General Meeting or to exercise any other right conferred by membership in relation to meetings of the Company.*

*70. Any Member shall be entitled to be present and to vote either personally or by proxy, at any General Meeting of the Company, in respect of any share or shares upon which all calls due to the Company have been paid.*

*71. No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the meeting whose decision shall be final and conclusive.*

72. *On a poll, votes may be given personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.*

73. (A) *Save as otherwise provided in the Act:*

(a) *a Member who is not a relevant intermediary may appoint not more than two (2) proxies to attend and vote at the same General Meeting. Where such Member's form of proxy appoints more than one (1) proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy; and*

(b) *a Member who is a relevant intermediary may appoint more than two (2) proxies to attend, speak and vote at the same General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member. Where such Member's form of proxy appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.*

(B) *If the Member is a depositor, the Company shall be entitled and bound:*

(a) *to reject any instrument of proxy lodged if the depositor is not shown to have any shares entered against his name in the Depository Register as at 72 hours before the time of the relevant General Meeting as certified by the Depository to the Company; and*

(b) *to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the depositor is or are able to cast on a poll a number which is the number of shares entered against the name of that depositor in the Depository Register as at 72 hours before the time of the relevant General Meeting as certified by the Depository to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that depositor.*

(C) *The Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.*

(D) *In any case where a form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.*

(E) *A proxy need not be a Member of the Company.*

74. (A) *An instrument appointing a proxy shall be in writing in any usual or common form or in any other form which the Directors may approve and:*

(a) *in the case of an individual shall be:*

(i) *signed by the appointor or his attorney; or*

(ii) *authorised by that individual through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication; and*

(b) *in the case of a corporation shall be:*

(i) *either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation; or* *(ii) authorised by that corporation through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication.*

*(B) The signature on, or authorisation of, such instrument need not be witnessed. Where an instrument appointing a proxy is signed on behalf of the appointor (which shall, for the purposes of this paragraph include a depositor) by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to Regulation 75, failing which the instrument may be treated as invalid.*

*(C) The Directors may, for the purposes of Regulations 74(A)(a)(ii) and 74(A)(b)(ii), designate procedures for authenticating any such instrument, and any such instrument not so authenticated by use of such procedures shall be deemed not to have been received by the Company.*

*(D) The Directors may, in their absolute discretion:*

*(a) approve the method and manner for an instrument appointing a proxy to be authorised; and*

*(b) designate the procedure for authenticating an instrument appointing a proxy,*

*as contemplated in Regulations 74(A)(a)(ii) and 74(A)(b)(ii) for application to such Members or class of Members as they may determine. Where the Directors do not so approve and designate in relation to a Member (whether of a class or otherwise), Regulation 74(A)(a)(i) and/or (as the case may be) Regulation 74(A)(b)(i) shall apply.*

*75. An instrument appointing a proxy:*

*(A) if sent personally or by post, must be left at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified, at the registered office of the Company); or*

*(B) if submitted by electronic communication, must be received through such means as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting,*

*and in either case not less than 72 hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, and in default shall not be treated as valid. The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates, PROVIDED THAT an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not be required again to be delivered for the purposes of any subsequent meeting to which it relates.*

*75A. The Directors may, in their absolute discretion, and in relation to such Members or class of Members as they may determine, specify the means through which instruments appointing a proxy may be submitted by electronic communications, as contemplated in Regulation 75(B). Where the Directors do not so specify in relation to a Member (whether of a class or otherwise), Regulation 75(A) shall apply.*

*76. An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll, to move any resolution or amendment thereto and to speak at the meeting.*

77. *A vote cast by proxy shall not be invalidated by the previous death or mental disorder of the principal or by the revocation of the appointment of the proxy or of the authority under which the appointment was made PROVIDED THAT no intimation in writing of such death, mental disorder or revocation shall have been received by the Company at the registered office of the Company at least one hour before the commencement of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.*

77A. *Subject to this Constitution and the Statutes, the Board may, at its sole discretion, approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow Members who are unable to vote in person at any General Meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile.*

***CORPORATIONS ACTING BY REPRESENTATIVES***

78. *Any corporation which is a Member of the Company may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members of the Company. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual Member of the Company and such corporation shall for the purposes of the provisions of this Constitution, be deemed to be present in person at any such meeting if a person so authorised is present thereat.*"

# VARD HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.: 201012504K)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Vard Holdings Limited (the "**Company**") will be held at the Mochtar Riady Auditorium, Singapore Management University Administration Building, Level 5, 81 Victoria Street, Singapore 188065 on 30 April 2018 at 1.00 p.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution (on a poll to be taken) in accordance with the requirements of the listing manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Delisting Resolution**"):

**DELISTING RESOLUTION**

**Approval for the Voluntary Delisting of the Company**

That:

(a) the voluntary delisting of the Company from the Official List of the SGX-ST under Rules 1307 and 1309 of the Listing Manual (the "**Delisting Proposal**"), pursuant to which the Exit Offer (as defined in the circular to shareholders dated 13 April 2018 (the "**Circular**")) would be made to the shareholders of the Company on the terms and conditions described in the Circular, be and is hereby approved; and

(b) the directors of the Company and each of them be and is hereby authorised and empowered to complete and to do all such acts and things as they may consider necessary or expedient to give effect to the Delisting Proposal and/or this Delisting Resolution, with such modification thereto (if any) as they or he shall think fit in the interests of the Company.

By Order of the Board

Ms. Elizabeth Krishnan
Company Secretary
13 April 2018

**Notes:**

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the above meeting ("Meeting") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

3. The instrument appointing a proxy must be deposited at c/o RHT Corporate Advisory Pte. Ltd., 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619 not less than 72 hours before the time appointed for holding the Meeting.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Chapter 19 of Singapore) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289 of Singapore) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36 of Singapore), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

**Personal data privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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

**IMPORTANT:**

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF Investors and SRS Investors who are unable to attend the Meeting but would like to vote may inform their CPF and/ or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF Investors and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF Investors and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

## PROXY FORM

*(Please see notes overleaf before completing this Form)*

I/We, ______________________ (Name) ______________ (NRIC/Passport No.)

of ______________________________________________

being a member/members of Vard Holdings Limited (the "Company"), hereby appoint:

| Name | NRIC / Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | No. of Shares | % |
| Address | | | |

and/or (delete as appropriate)

| Name | NRIC / Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | No. of Shares | % |
| Address | | | |

as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Extraordinary General Meeting (the "Meeting") of the Company to be held on 30 April 2018 at 1.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolution proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/ her discretion.

| Delisting Resolution | No. of votes 'For' * | No. of votes 'Against' * |
|---|---|---|
| Approval for the voluntary delisting of the Company pursuant to Rules 1307 and 1309 of the Listing Manual | | |

* *If you wish to exercise all your votes 'For' or 'Against', please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this ________ day of ______________ 2018

| Total number of Shares in: | No. of Shares |
|---|---|
| (a) CDP Register | |
| (b) Register of Members | |

_______________________________

*Signature of Shareholder(s)*
*or Common Seal of Corporate Shareholder*
**Delete where inapplicable*

**Notes:**

1. Please insert the total number of shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares registered in your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

3. Where a member (other than a Relevant Intermediary*) appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).

5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Extraordinary General Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at c/o RHT Corporate Advisory Pte. Ltd., 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619 not less than 72 hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF Investors and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF Investors and SRS Investors shall be precluded from attending the Meeting.

**Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 13 April 2018.

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Chapter 19 of Singapore) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289 of Singapore) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36 of Singapore), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.