

**EXIT OFFER LETTER DATED 13 APRIL 2018**

**THIS EXIT OFFER LETTER IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.**

If you are in any doubt about the Exit Offer (as defined herein), you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

Citigroup Global Markets Singapore Pte. Ltd. is acting for and on behalf of Fincantieri Oil & Gas S.p.A. and does not purport to advise any shareholder of Vard Holdings Limited (the "Company") or any other person.

If you have sold or transferred all your issued ordinary shares in the capital of the Company ("Shares") held through The Central Depository (Pte) Limited ("CDP"), you need not forward this Exit Offer Letter and the accompanying Form of Acceptance and Authorisation for Offer Shares ("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. If you have sold or transferred all your Shares not deposited with CDP, you should immediately hand this Exit Offer Letter and the accompanying Form of Acceptance and Transfer for Offer Shares ("FAT") to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer for onward transmission to the purchaser or transferee.

The views of the directors of the Company who are considered independent for the purposes of the Exit Offer (the "Independent Directors") and those of the independent financial adviser to the Independent Directors on the Exit Offer are available in the Circular (as defined herein), which is despatched together with this Exit Offer Letter. You may wish to consider their views before taking any decision on the Exit Offer.

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

**EXIT OFFER**

by



**CITIGROUP GLOBAL MARKETS SINGAPORE PTE. LTD.**

(Incorporated in Singapore)  
(Company Registration No.: 199002673E)

for and on behalf of

**FINCANTIERI OIL & GAS S.p.A.**

(Incorporated in Italy)  
(Company Registration No.: 04795811001)

a direct wholly-owned subsidiary of

**FINCANTIERI**

**FINCANTIERI S.p.A.**

(Incorporated in Italy)  
(Company Registration No.: 00397130584)

to acquire all of the issued ordinary shares  
in the capital of

**VARD™**

a Fincantieri company

**VARD HOLDINGS LIMITED**

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

other than those already owned, controlled or agreed to be acquired by  
Fincantieri Oil & Gas S.p.A., its related corporations and their respective nominees

**ACCEPTANCES SHOULD BE RECEIVED BY 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.**

**The procedures for acceptance are set out in Appendix 1 to this Exit Offer Letter and in the accompanying FAA and/or FAT.**

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## IMPORTANT NOTICE TO OVERSEAS SHAREHOLDERS

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### Overseas Shareholders

The availability of the Exit Offer to Overseas Shareholders (as defined herein) may be affected by the laws of the relevant overseas jurisdictions. Accordingly, Overseas Shareholders should inform themselves about, and observe, any applicable legal requirements in their own jurisdictions. For the avoidance of doubt, the Exit Offer will be open to all Shareholders (as defined herein), including those to whom this Exit Offer Letter, the Circular, the Acceptance Forms (as defined herein) and/or any related documents may not be sent, provided that this Exit Offer Letter, the Circular, the Acceptance Forms, and/or any related documents do not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful, and the Exit Offer is not being made into any jurisdiction in which the making or acceptance of the Exit Offer would not be in compliance with the laws of such jurisdiction. However, the Offeror may, in its sole discretion, take such action as it may deem necessary to extend the Exit Offer to Shareholders in any such jurisdiction.

### 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 jurisdiction(s) 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. If any Shareholder is in any doubt about his position, he should consult his professional adviser in the relevant jurisdiction. Overseas Shareholders should read **Section 13 (Overseas Shareholders)** of this Exit Offer Letter.

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## DEFINITIONS

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Except where the context otherwise requires, the following definitions apply throughout this Exit Offer Letter and the Acceptance Forms:

<b>“Acceptance Forms”</b>	:	FAA and/or FAT
<b>“Accepting Shareholder”</b>	:	A Shareholder who validly tenders his Shares in acceptance of the Exit Offer
<b>“Business Day”</b>	:	A day other than Saturday, Sunday or a public holiday on which banks are open for business in Singapore
<b>“CDP”</b>	:	The Central Depository (Pte) Limited
<b>“Circular”</b>	:	The circular to Shareholders dated 13 April 2018 issued by Vard to the Shareholders in relation to the Delisting and the Exit Offer
<b>“Citigroup” or “Financial Adviser”</b>	:	Citigroup Global Markets Singapore Pte. Ltd., the financial adviser to the Offeror in connection with the Delisting and the Exit Offer
<b>“Closing Date”</b>	:	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 lodgement of acceptances of the Exit Offer
<b>“Code”</b>	:	The Singapore Code on Take-overs and Mergers, as amended from time to time
<b>“Companies Act”</b>	:	The Companies Act, Chapter 50 of Singapore
<b>“Company” or “Vard”</b>	:	Vard Holdings Limited
<b>“CPF”</b>	:	The Central Provident Fund
<b>“CPF Agent Banks”</b>	:	Agent banks included under the CPFIS
<b>“CPFIS”</b>	:	Central Provident Fund (Investment Schemes)
<b>“CPFIS Investors”</b>	:	Investors who have purchased Shares using their CPF contributions pursuant to the CPFIS
<b>“Date of Receipt”</b>	:	The date of receipt of the relevant Acceptance Form by CDP or the Receiving Agent (as the case may be) on behalf of the Offeror (provided always that the Date of Receipt falls on or before the Closing Date)
<b>“Delisting”</b>	:	The voluntary delisting of Vard from the Official List of the SGX-ST pursuant to Rule 1307 and Rule 1309 of the Listing Manual

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## DEFINITIONS

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<b>“Delisting Materials”</b>	:	This Exit Offer Letter, the Acceptance Forms and any related documents
<b>“Delisting Proposal”</b>	:	The formal proposal dated 10 November 2017 presented by the Offeror to the board of directors of Vard to seek the privatisation of Vard by way of the Delisting
<b>“Delisting Resolution”</b>	:	The resolution of Shareholders to be proposed at the EGM in respect of the Delisting
<b>“Despatch Date”</b>	:	13 April 2018, being the date of despatch of this Exit Offer Letter
<b>“Dissenting Shareholders”</b>	:	Shall have the meaning ascribed to it in <b>Section 7.3</b> of this Exit Offer Letter
<b>“Distributions”</b>	:	In respect of the Offer Shares, all dividends, rights, other distributions and return of capital
<b>“EGM”</b>	:	Shall have the meaning ascribed to it in <b>Section 1.2</b> of this Exit Offer Letter
<b>“Electronic Acceptance”</b>	:	The SGX-SSH service provided by CDP as listed in Schedule 3 of the Terms and Conditions for User Services for Depository Agents
<b>“Encumbrance”</b>	:	Any claim, charge, lien, mortgage, encumbrance, hypothecation, retention of title, power of sale, equity, option, right of pre-emption, right of first refusal or other third party right or interest of any nature whatsoever
<b>“EU-IFRS”</b>	:	The International Financial Reporting Standards, the International Accounting Standards and the interpretations of the International Financial Reporting Interpretations Committee (previously known as the Standing Interpretations Committee) which, at the date of approving the relevant consolidated financial statements, was approved for use in the European Union
<b>“Exit Offer”</b>	:	The exit offer made by Citigroup, for and on behalf of the Offeror, for all of the Offer Shares on the terms and subject to the conditions set out in this Exit Offer Letter, the FAA and the FAT, as such offer may be amended, extended and revised from time to time by or on behalf of the Offeror
<b>“Exit Offer Letter”</b>	:	This letter dated 13 April 2018, 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

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## DEFINITIONS

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“Exit Offer Price”	:	The offer price for each Offer Share validly tendered in acceptance of the Exit Offer, as more particularly described in <b>Section 2.2</b> of this Exit Offer Letter
“FAA”	:	The Form of Acceptance and Authorisation for Offer Shares in respect of the Exit Offer, which is applicable to Shareholders whose Offer Shares are deposited with CDP and which forms part of this Exit Offer Letter
“FAT”	:	The Form of Acceptance and Transfer for Offer Shares in respect of the Exit Offer, which is applicable to Shareholders whose Offer Shares are registered in their own names in the Register and are not deposited with CDP and which forms part of this Exit Offer Letter
“Fincantieri”	:	Fincantieri S.p.A., being the holding company of the Offeror
“Fincantieri Financial Statements”	:	Shall have the meaning ascribed to it in <b>Paragraph 3</b> of <b>Appendix 3</b> to this Exit Offer Letter
“Fincantieri FY2017 Unaudited Financial Statements”	:	Fincantieri’s unaudited consolidated financial statements for the year ended 31 December 2017
“Fincantieri Group”	:	Fincantieri and its subsidiaries, collectively
“Independent Directors”	:	The directors of the Company who are considered 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
“in scrip form”	:	Shall have the meaning ascribed to it in <b>Section 13.2</b> of this Exit Offer Letter
“Joint Announcement”	:	The joint announcement on the Delisting Proposal and the Exit Offer released by the Offeror and Vard on the Joint Announcement Date
“Joint Announcement Date”	:	13 November 2017, being the date of the Joint Announcement
“Last Trading Day”	:	10 November 2017, being the last full Market Day preceding the Joint Announcement Date on which the Shares were traded on the SGX-ST
“Latest Practicable Date”	:	4 April 2018, being the latest practicable date prior to the printing of this Exit Offer Letter
“Listing Manual”	:	The listing manual of the SGX-ST, as amended from time to time

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## DEFINITIONS

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<b>“Market Day”</b>	:	A day on which the SGX-ST is open for the trading of securities
<b>“NOK”</b>	:	Norwegian Krone, being the lawful currency of Norway
<b>“NTA”</b>	:	Net tangible assets
<b>“Offer Shares”</b>	:	Shall have the meaning ascribed to it in <b>Section 2.3</b> of this Exit Offer Letter
<b>“Offeror”</b>	:	Fincantieri Oil & Gas S.p.A.
<b>“Offeror Directors”</b>	:	The directors of the Offeror
<b>“Offeror Financial Statements”</b>	:	Shall have the meaning ascribed to it in <b>Paragraph 3</b> of <b>Appendix 2</b> to this Exit Offer Letter
<b>“Offeror FY2017 Unaudited Financial Statements”</b>	:	The Offeror’s unaudited financial statements for the year ended 31 December 2017
<b>“Option Scheme”</b>	:	Vard’s share option scheme for employees
<b>“Overseas Shareholders”</b>	:	Shareholders whose addresses, as shown in the Register of the Company or in the records of CDP (as the case may be), are outside Singapore
<b>“Reference Period”</b>	:	The period commencing three months prior to the Joint Announcement Date and ending on the Latest Practicable Date, being 13 August 2017 to 4 April 2018
<b>“Register”</b>	:	The register of Shareholders, as maintained by the Registrar
<b>“Registrar” or “Receiving Agent”</b>	:	RHT Corporate Advisory Pte. Ltd., the share registrar of Vard and the receiving agent of the Offeror
<b>“Relevant Directors”</b>	:	Shall have the meaning ascribed to it in <b>Section 9.1.2</b> of this Exit Offer Letter
<b>“Securities Account”</b>	:	A securities account maintained by a Depositor with CDP, but does not include a securities sub-account
<b>“SFA”</b>	:	The Securities and Futures Act, Chapter 289 of Singapore
<b>“SGXNET”</b>	:	Singapore Exchange Network, a system network used by listed companies when sending information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST



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## DEFINITIONS

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“ <b>SGX-ST</b> ”	:	Singapore Exchange Securities Trading Limited
“ <b>Shareholders</b> ”	:	Holder of the Shares as indicated on the Register and Depositors who have Shares entered against their names in the Depository Register
“ <b>Shares</b> ”	:	Issued ordinary shares in the capital of Vard
“ <b>SIC</b> ”	:	The Securities Industry Council of Singapore
“ <b>Specified Persons</b> ”	:	Shall have the meaning ascribed to it in <b>Paragraph 3.9</b> of <b>Appendix 1</b> to this Exit Offer Letter
“ <b>SRS</b> ”	:	Supplementary Retirement Scheme
“ <b>SRS Agent Banks</b> ”	:	Agent banks included under the SRS
“ <b>SRS Investors</b> ”	:	Investors who have purchased Shares pursuant to the SRS
“ <b>Vard Directors</b> ”	:	The directors of Vard
“ <b>Vard Securities</b> ”	:	Means collectively:  (i) Shares;  (ii) other securities which carry voting rights in Vard; and  (iii) convertible securities, warrants, options and derivatives in respect of the Shares or securities which carry voting rights in Vard
“ <b>Vard Group</b> ”	:	Shall have the meaning ascribed to it in <b>Section 5</b> of this Exit Offer Letter
“ <b>VWAP</b> ”	:	Volume weighted average price
“ <b>S\$</b> ”	:	Singapore dollars, being the lawful currency of Singapore
“ <b>%</b> ” or “ <b>per cent.</b> ”	:	Percentage or per centum

**Acting in Concert.** The expression “**acting in concert**” shall have the meaning ascribed to it in the Code.

**Announcement, Notice, etc.** 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.

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## DEFINITIONS

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**Depositors, etc.** The expressions “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in the SFA.

**Genders, etc.** Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations.

**Headings.** The headings in this Exit Offer Letter are inserted for convenience only and shall be ignored in construing this Exit Offer Letter.

**Issued Shares.** In this Exit Offer Letter, the total number of issued Shares as at the Latest Practicable Date is 1,180,000,000 Shares.

**Rounding.** Any discrepancies in the tables in this Exit Offer Letter between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Exit Offer Letter may not be an arithmetic aggregation of the figures that precede them.

**Shareholders.** References to “**you**”, “**your**” and “**yours**” in this Exit Offer Letter are, as the context so determines, to Shareholders.

**Statutes.** Any reference in this Exit Offer Letter to any enactment or statutory provision is a reference to that enactment or statutory provision for the time being amended, modified or re-enacted. Any word defined in the Companies Act, the Code, the Listing Manual, the SFA or any modification thereof and not otherwise defined in this Exit Offer Letter shall, where applicable, have the meaning assigned to that word under the Companies Act, the Code, the Listing Manual, the SFA or that modification, as the case may be, unless the context otherwise requires.

**Subsidiary, Related Corporation.** References to “**subsidiary**” and “**related corporation**” shall have the meanings ascribed to them respectively in the Companies Act.

**Time and Date.** Any reference to a time of day and date in this Exit Offer Letter shall be a reference to Singapore time and date, respectively, unless otherwise specified.

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## CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

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All statements other than statements of historical facts included in this Exit Offer Letter are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “aim”, “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “potential”, “strategy”, “forecast” and similar expressions or future and conditional verbs such as “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Offeror’s current expectations, beliefs, hopes, intentions or strategies 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 other investors of the Company should not place undue reliance on such forward-looking statements. Neither the Offeror nor Citigroup guarantees any future performance or event or undertakes any obligation to update publicly or revise any forward-looking statements.

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## LETTER TO SHAREHOLDERS

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**CITIGROUP GLOBAL MARKETS SINGAPORE PTE. LTD.**

(Incorporated in Singapore)  
(Company Registration No.: 199002673E)

13 April 2018

To: The Shareholders of Vard Holdings Limited

Dear Sir/Madam

### **VOLUNTARY DELISTING OF VARD HOLDINGS LIMITED – EXIT OFFER LETTER**

#### **1. INTRODUCTION**

- 1.1 Delisting Proposal.** On 13 November 2017, the Offeror and Vard jointly announced that the Offeror had presented to the board of directors of Vard the Delisting Proposal to seek the Delisting.
- 1.2 EGM.** Vard is convening an extraordinary general meeting (the “**EGM**”) scheduled to be held on 30 April 2018 to seek the approval of the Shareholders for the Delisting.
- 1.3 Exit Offer Letter and Circular.** This Exit Offer Letter contains the formal Exit Offer by Citigroup, for and on behalf of the Offeror, to acquire all the Offer Shares. This Exit Offer Letter, together with the Acceptance Forms, shall be despatched to the Shareholders on the Despatch Date.

A copy of the Circular issued by Vard to the Shareholders in relation to the Delisting is despatched together with this Exit Offer Letter and the relevant Acceptance Forms.

Electronic copies of this Exit Offer Letter and the Circular are also available on the website of the SGX-ST at [www.sgx.com](http://www.sgx.com).

- 1.4 Caution.** Please read this Exit Offer Letter carefully in its entirety, in conjunction with the Circular, which sets out the advice of (i) CIMB Bank Berhad, Singapore Branch, the independent financial adviser to the Independent Directors, and (ii) the recommendations of the Independent Directors on the Exit Offer.

#### **2. THE EXIT OFFER**

- 2.1 Exit Offer.** Subject to the terms and conditions set out in this Exit Offer Letter, for and on behalf of the Offeror, Citigroup hereby makes the Exit Offer for all the Offer Shares, in accordance with the Code.
- 2.2 Exit Offer Price.** The price for each Offer Share (the “**Exit Offer Price**”) will be as follows:

**For each Offer Share: S\$0.25 in cash.**

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## LETTER TO SHAREHOLDERS

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**2.3 Offer Shares.** The Exit Offer is extended to:

- 2.3.1** 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
- 2.3.2** 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**”).

**2.4 No Encumbrances.** The Offer Shares will be acquired:

- 2.4.1** fully paid;
- 2.4.2** free from all Encumbrances; and
- 2.4.3** 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 Vard on or after the Joint Announcement Date. **If any Distribution is announced, declared, paid or made by Vard 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.**

**2.5 Conditions to Delisting and Exit Offer.** The Delisting and the Exit Offer are conditional upon:

- 2.5.1** the SGX-ST agreeing to the application by Vard to delist from the Official List of the SGX-ST; and
- 2.5.2** 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.

On 20 February 2018, Vard submitted an application to the SGX-ST to delist Vard from the Official List of the SGX-ST. On 4 April 2018, the SGX-ST responded to Vard that it has no objection to the Delisting, subject to, *inter alia*, the approval by Vard’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.

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## LETTER TO SHAREHOLDERS

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Under Rule 1307 of the Listing Manual, all Shareholders (including the Vard Directors, the Offeror and its related corporations and their respective nominees) are entitled to vote on the Delisting Resolution.

As at the Latest Practicable Date, the aggregate number of Shares held by the Offeror and its related corporations and their respective nominees amount to 980,075,610 Shares, representing approximately 83.06 per cent. of the issued share capital of Vard. **The Offeror 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.**

- 2.6** 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.**
- 2.7 Closing Date.** The Exit Offer is open for acceptance by the 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 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.

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 announcement of the Shareholders' approval of the Delisting Resolution at the EGM.

Accordingly, if the Delisting Proposal 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.

- 2.8 No Options.** As at the Latest Practicable Date, based on the latest information available to the Offeror, there are no outstanding options exercisable in respect of the Shares under the Option Scheme.
- 2.9 No Undertakings.** As at the Latest Practicable Date, neither the Offeror nor any party acting in concert with the Offeror has received any irrevocable undertaking from any party to accept or reject the Exit Offer.
- 2.10 Warranty.** 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 Exit Offer is accepted will be (i) fully paid, (ii) free from all Encumbrances, and (iii) 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 Vard on or after the Joint Announcement Date.

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## LETTER TO SHAREHOLDERS

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### 3. PROCEDURES FOR ACCEPTANCE AND SETTLEMENT OF THE EXIT OFFER

**Appendix 1** to this Exit Offer Letter sets out the procedures for acceptance by a Shareholder and settlement of the Exit Offer.

### 4. DESCRIPTION OF THE OFFEROR AND FINCANTIERI

- 4.1 The Offeror.** 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.

**Appendix 2** to this Exit Offer Letter sets out certain additional information on the Offeror.

- 4.2 Fincantieri.** Fincantieri is incorporated in Italy and is a public limited company listed on the Italian stock market (Mercato Telematico Azionario) since 3 July 2014. The Fincantieri Group forms one of the world's largest shipbuilding groups and one of the most diversified and innovative shipbuilding groups in the industry. The Fincantieri Group is focused on high value-added segments with significant engineering content and holds a leading position in each of these segments which makes it one of the most technologically complex industrial groups globally. The Fincantieri Group is a world leader in the design and construction of cruise ships, among the world leaders in the design and construction of combat, auxiliary, special naval vessels and submarines and one of the main global players in the design and construction of high-end offshore support vessels. The Fincantieri Group has built more than 7,000 vessels in over 230 years of maritime history. With around 19,500 employees and 20 shipyards in four continents, the Fincantieri Group is today the leading Western shipbuilder. It has among its clients the major cruise operators, the Italian and the U.S. Navy, in addition to several foreign navies, and it is partner to some of the main European defense companies within supranational programmes.

**Appendix 3** to this Exit Offer Letter sets out certain additional information on Fincantieri and the Fincantieri Group.

### 5. DESCRIPTION OF VARD

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

**Appendix 4** to this Exit Offer Letter sets out certain additional information on Vard and the Vard Group.

## LETTER TO SHAREHOLDERS

### 6. RATIONALE FOR THE DELISTING PROPOSAL AND EXIT OFFER

**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\$) <sup>(1)</sup>
(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<sup>1</sup> 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 <sup>(1)</sup>	Approximate percentage of total number of free float Shares (%)	Average daily trading volume excluding Shares bought by the Offeror <sup>(1)</sup>	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.

<sup>1</sup> 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.



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## LETTER TO SHAREHOLDERS

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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.

- 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.

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## LETTER TO SHAREHOLDERS

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### 7. THE OFFEROR'S INTENTIONS IN RELATION TO VARD

- 7.1 Offeror's Intention to Vote on Delisting Resolution.** The Offeror does not intend to maintain or support any action taken or to be taken to maintain the present listing status of Vard. Accordingly, the Offeror intends to vote all of the 980,075,610 Shares, representing 83.06 per cent. 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, as stated in **Section 2.5** of this Exit Offer Letter.

**Shareholders should note that in the event the conditions set out in Sections 2.5.1 and 2.5.2 of this Exit Offer Letter are satisfied, Vard will be delisted from the Official List of the SGX-ST on or after the close of the Exit Offer, irrespective of the number of acceptances received by the Offeror in respect of the Exit Offer.**

If Vard is delisted from the Official List of the SGX-ST, Vard (as a Singapore-incorporated company) will be subject to the provisions of the Companies Act and will no longer be subject to the provisions of the Listing Manual. Shareholders at such time may wish to seek their own independent legal advice to familiarise themselves with their rights as a shareholder of a Singapore-incorporated company under the Companies Act.

- 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.

- 7.3 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, Vard will become a wholly-owned subsidiary of the Offeror pursuant to such compulsory acquisition.**

- 7.4 Dissenting Shareholders' Right.** 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.

## LETTER TO SHAREHOLDERS

### 8. COURSES OF ACTION AVAILABLE TO THE SHAREHOLDERS

The Shareholders can choose from the following two courses of action:

Action	1. Accept the Exit Offer	2. Not Accept the Exit Offer
<b>What to do</b>	<p>You should complete, sign and return the relevant Acceptance Forms which are enclosed with this Exit Offer Letter.</p> <p>Please follow the provisions and instructions stated in this Exit Offer Letter, the Circular and the relevant Acceptance Forms.</p> <p>The procedures for acceptance and settlement of the Exit Offer are set out in <b>Appendix 1</b> to this Exit Offer Letter.</p>	<p>You do not have to take any action.</p> <p>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 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 Vard has been delisted from the Official List of the SGX-ST. If you are a CPFIS Investor and/or an SRS Investor, such share certificates will be forwarded to your CPF Agent Bank and/or SRS Agent Bank (as the case may be) for their safekeeping.</p> <p>Please refer to Section 5.1 of the Letter to the Shareholders in the Circular.</p>
<b>Outcome</b>	<p>You will receive the Exit Offer Price for each Share you tender in acceptance of the Exit Offer to the Offeror without incurring brokerage or other trading costs.</p>	<p>You will remain a Shareholder.</p> <p>In the event that Vard is delisted from the Official List of the SGX-ST, you will be left holding <u>unquoted Shares</u> (with Vard becoming an <u>unlisted</u> company).</p>
<b>Duration</b>	<p>You can accept the Exit Offer during the period commencing from 13 April 2018 and ending at 5.30 p.m. (Singapore time) on the Closing Date.</p>	<p>Not relevant.</p>

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## LETTER TO SHAREHOLDERS

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### 9. RULINGS AND CONFIRMATIONS FROM THE SIC

**9.1 SIC Rulings and Confirmations.** 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:

**9.1.1** 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:

- (I) the Exit Offer remaining open for at least:
  - (a) 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
  - (b) 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
- (II) disclosure in the Circular of:
  - (a) the consolidated NTA per share of the group comprising Vard, its subsidiaries and associated companies based on the latest published accounts prior to the date of the Circular; and
  - (b) particulars of all known material changes as at the Latest Practicable Date which may affect the consolidated NTA per share referred to in **Section 9.1.1(II)(a)** above or a statement that there are no such known material changes; and

**9.1.2** the following Vard Directors, Mr. Giuseppe Coronella, Mr. Vittorio Zane and Mr. Claudio Cisilino (collectively, 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, Vard in connection with the Exit Offer.

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## LETTER TO SHAREHOLDERS

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### 10. BENCHMARKING THE EXIT OFFER PRICE

10.1 Set out below are the premiums of the Exit Offer Price over:

10.1.1 the NTA per Share as at 30 September 2017 and 31 December 2017; and

10.1.2 the benchmark prices of the Shares up to, and including the Last Trading Day.

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Description	Benchmark Price (S\$) <sup>(1)</sup>	Premium over/ (discount to) Benchmark Price (%) <sup>(2)</sup>
(a) NTA per Share as at 31 December 2017 <sup>(3)</sup>	0.23	10.6
(b) NTA per Share as at 30 September 2017 <sup>(3)</sup>	0.25	0.3
(c) Last transacted price per Share on the Last Trading Day	0.25	0.0
(d) VWAP of the Shares for the one-month period up to and including the Last Trading Day	0.25	(0.9)
(e) VWAP of the Shares for the three-month period up to and including the Last Trading Day	0.24	2.5
(f) VWAP of the Shares for the six-month period up to and including the Last Trading Day	0.24	3.6

**Notes:**

(1) Source: Bloomberg L.P., rounded to the nearest two decimal places.

(2) Rounded to the nearest one decimal place.

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

### 11. CONFIRMATION OF FINANCIAL RESOURCES

Citigroup, as financial adviser to the Offeror in connection with the Exit Offer, confirms that sufficient financial resources are available to the Offeror to satisfy in full, all acceptances in respect of the Exit Offer on the basis of the Exit Offer Price.

### 12. DISCLOSURE OF SHAREHOLDINGS, DEALINGS AND OTHER ARRANGEMENTS

12.1 **Shareholdings and Dealings in Vard Securities.** As at the Latest Practicable Date, save as set out in this Exit Offer Letter (including **Appendix 9** to this Exit Offer Letter), based on the latest information available to the Offeror, none of the Offeror, its Directors and parties acting in concert with it:

12.1.1 own, control or have agreed to acquire any Vard Securities; or

12.1.2 have dealt for value in any Vard Securities during the Reference Period.

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## LETTER TO SHAREHOLDERS

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**12.2 Other Arrangements.** As at the Latest Practicable Date, save as set out in this Exit Offer Letter (including **Appendix 9** to this Exit Offer Letter), none of the Offeror or parties acting in concert with it have:

**12.2.1** entered into any arrangement of the kind referred to in Note 7 on Rule 12 of the Code with any person, including any indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to any Vard Securities which may be an inducement to deal or refrain from dealing;

**12.2.2** received any irrevocable commitment to accept the Exit Offer in respect of any Vard Securities;

**12.2.3** granted any security interest in respect of any Vard Securities in favour of any other person, whether through a charge, pledge or otherwise;

**12.2.4** borrowed any Vard Securities from any other person (excluding borrowed Vard Securities which have been on-lent or sold); or

**12.2.5** lent any Vard securities to any other person.

### 13. OVERSEAS SHAREHOLDERS

**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.

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## LETTER TO SHAREHOLDERS

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- 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.**

### 14. GENERAL INFORMATION

- 14.1 Valid Acceptances.** The Offeror and Citigroup 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 herein or in the relevant Acceptance Forms, as the case may be, or if made otherwise than in accordance with the provisions herein and instructions printed on the relevant Acceptance Forms.
- 14.2 Information Pertaining to CPFIS Investors and SRS Investors.** CPFIS Investors and SRS Investors should receive further information on how to accept the Exit Offer from their respective CPF Agent Banks and SRS Agent Banks. CPFIS Investors and SRS Investors are advised to consult their respective CPF Agent Banks and SRS Agent Banks should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors and SRS Investors should seek independent professional advice. CPFIS Investors and SRS Investors who wish to accept the Exit Offer are to reply to their respective CPF Agent Banks and SRS Agent Banks by the deadline stated in the letter from their respective CPF Agent Banks and SRS Agent Banks, which may be earlier than the Closing Date.



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## LETTER TO SHAREHOLDERS

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CPFIS Investors and SRS Investors who validly accept the Exit Offer through appropriate intermediaries will receive the Exit Offer Price payable in respect of their Offer Shares in their respective CPF investment accounts and SRS investment accounts.

- 14.3 Governing Law and Jurisdiction.** The Exit Offer, this Exit Offer Letter, the Acceptance Forms, and any related documents, all acceptances of the Exit Offer and the exercise thereof, and all contracts made pursuant thereto and actions taken or made or deemed to be taken or made thereunder shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. Each of the Offeror and the Accepting Shareholders submits to the non-exclusive jurisdiction of the Singapore courts.
- 14.4 No Third Party Rights.** Unless expressly provided to the contrary in this Exit Offer Letter, the Acceptance Forms and/or any related documents, a person who is not a party to any contracts made pursuant to the Exit Offer, this Exit Offer Letter and the Acceptance Forms and/or any related documents has no rights under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore, to enforce any term of such contracts. Notwithstanding any term herein, the consent of any third party is not required for any subsequent agreement by the parties hereto to amend or vary (including any release or compromise of any liability) or terminate such contracts. Where third parties are conferred rights under such contracts, those rights are not assignable or transferable.
- 14.5 Accidental Omission.** Accidental omission to despatch this Exit Offer Letter, the Acceptance Forms and/or any related documents or any notice or announcement required to be given under the terms of the Exit Offer or any failure to receive the same by any person to whom the Exit Offer is made or should be made, shall not invalidate the Exit Offer in any way.
- 14.6 Independent Advice.** Citigroup is acting for and on behalf of the Offeror and does not purport to advise the Shareholders or any other person. In preparing the letter to Shareholders on behalf of the Offeror, Citigroup has not had regard to the general or specific investment objectives, tax position, risk profiles, financial situation or particular needs and constraints of any Shareholder. The views of the Independent Directors on the Exit Offer and the independent financial adviser to the Independent Directors on the Exit Offer are available in the Circular. Shareholders may wish to consider their advice before taking any action in relation to this Exit Offer.
- 14.7 General Information.** Appendix 10 to this Exit Offer Letter sets out additional general information relating to the Exit Offer.



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## LETTER TO SHAREHOLDERS

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### 15. RESPONSIBILITY STATEMENT

The Offeror Directors (including any who may have delegated detailed supervision of the preparation of this Exit Offer Letter) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Exit Offer Letter are fair and accurate and that, where appropriate, no material facts in relation thereto have been omitted from this Exit Offer Letter, and the Offeror Directors jointly and severally accept responsibility accordingly.

Where any information which has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, in relation to Vard), the sole responsibility of the Offeror Directors has been to ensure through reasonable enquiries that such information is accurately and correctly extracted from such sources or, as the case may be, reflected or reproduced in this Exit Offer Letter.

Yours faithfully,

**CITIGROUP GLOBAL MARKETS SINGAPORE PTE. LTD.**

For and on behalf of

**FINCANTIERI OIL & GAS S.p.A.**

**Any inquiries relating to this Exit Offer Letter or the Exit Offer should be directed to the following:**

**Citigroup Global Markets Singapore Pte. Ltd.  
Tel: +65 6657 1253**

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## APPENDIX 1 – PROCEDURES FOR ACCEPTANCE AND SETTLEMENT OF THE EXIT OFFER

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### 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,**

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## APPENDIX 1 – PROCEDURES FOR ACCEPTANCE AND SETTLEMENT OF THE EXIT OFFER

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**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

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## APPENDIX 1 – PROCEDURES FOR ACCEPTANCE AND SETTLEMENT OF THE EXIT OFFER

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(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.

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## APPENDIX 1 – PROCEDURES FOR ACCEPTANCE AND SETTLEMENT OF THE EXIT OFFER

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- 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.**

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## APPENDIX 1 – PROCEDURES FOR ACCEPTANCE AND SETTLEMENT OF THE EXIT OFFER

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**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),

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## APPENDIX 1 – PROCEDURES FOR ACCEPTANCE AND SETTLEMENT OF THE EXIT OFFER

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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



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## APPENDIX 1 – PROCEDURES FOR ACCEPTANCE AND SETTLEMENT OF THE EXIT OFFER

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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.



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## APPENDIX 1 – PROCEDURES FOR ACCEPTANCE AND SETTLEMENT OF THE EXIT OFFER

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- 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.

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## APPENDIX 2 – ADDITIONAL INFORMATION ON THE OFFEROR

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### 1. DIRECTORS

The names, addresses and descriptions of the directors of the Offeror as at the Latest Practicable Date are as follows:

Names	Addresses	Descriptions
Enrico Buschi	Via Genova no. 1, 34121 Trieste, Italy	Chief Executive Officer and Chairman
Giuseppe Dado	Via Genova no. 1, 34121 Trieste, Italy	Director
Vitaliano Pappaianni	Via Genova no. 1, 34121 Trieste, Italy	Director
Riccardo Bonalumi	Via Genova no. 1, 34121 Trieste, Italy	Director
Monica Polidori	Via Genova no. 1, 34121 Trieste, Italy	Director

### 2. PRINCIPAL ACTIVITIES

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.

### 3. FINANCIAL INFORMATION

Set out below is certain financial information extracted from the Offeror FY2017 Unaudited Financial Statements and the Offeror's audited financial statements for the years ended 31 December 2016 and 31 December 2015. Such financial information should be read in conjunction with the Offeror FY2017 Unaudited Financial Statements and the audited financial statements of the Offeror for the years ended 31 December 2016 and 31 December 2015 and the accompanying notes as set out therein.

## APPENDIX 2 – ADDITIONAL INFORMATION ON THE OFFEROR

<i>(Euro thousand, except where indicated)</i>	<b>Year ended 31 December 2017 (unaudited)</b>	<b>Year ended 31 December 2016 (audited)</b>	<b>Year ended 31 December 2015 (audited)</b>
Revenues	1,595	1,293	73
Non-recurring items	0	0	0
Profit/(loss) before taxes	(11,537)	(12,054)	(8,317)
Net profit/(loss)	(8,580)	(6,874)	(7,773)
Net profit/(loss) attributable to owners of the parent	n/a	n/a	n/a
Net profit/(loss) attributable to non-controlling interests	n/a	n/a	n/a
Net profit per share (in Euro)	(0.41)	(0.33)	(0.37)
Dividend per share in respect of the relevant financial period (in Euro)	0	0	0

A copy of the statement of financial position of the Offeror as at 31 December 2016, which is extracted from the audited financial statements of the Offeror for the year ended 31 December 2016 is set out in **Part 1 of Appendix 5** to this Exit Offer Letter. A copy of the statement of financial position of the Offeror as at 31 December 2017, which is extracted from the Offeror FY2017 Unaudited Financial Statements, is set out in **Part 2 of Appendix 5** to this Exit Offer Letter.

The Offeror FY2017 Unaudited Financial Statements are subject to audit and to the approval of Fincantieri, in its capacity as the sole shareholder of the Offeror.

Copies of the Offeror FY2017 Unaudited Financial Statements and the audited financial statements of the Offeror for the years ended 31 December 2016 and 31 December 2015 (the “**Offeror Financial Statements**”) are available for inspection at the offices of the Registrar at 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619.

#### 4. MATERIAL CHANGES IN FINANCIAL POSITION

As at the Latest Practicable Date, save as disclosed in the Offeror FY2017 Unaudited Financial Statements and save as a result of making and financing the Exit Offer, there have been no known material changes in the financial position of the Offeror since 31 December 2016, being the date of the last published audited accounts of the Offeror.

#### 5. SIGNIFICANT ACCOUNTING POLICIES OF THE OFFEROR

The audited financial statements of the Offeror for the year ended 31 December 2016 have been prepared in accordance with EU-IFRS.

An English language translation of the significant accounting policies of the Offeror is set out in **Appendix 6** to this Exit Offer Letter.

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## **APPENDIX 2 – ADDITIONAL INFORMATION ON THE OFFEROR**

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### **6. CHANGES IN ACCOUNTING POLICIES OF THE OFFEROR**

There has been no change in the accounting policies of the Offeror which will cause the figures set out in **Paragraph 3** of this **Appendix 2** to be not comparable to a material extent.

### **7. REGISTERED OFFICE**

The registered office of the Offeror is situated at Via Genova no. 1, 34121 Trieste, Italy.

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## APPENDIX 3 – ADDITIONAL INFORMATION ON FINCANTIERI

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### 1. DIRECTORS

The names, addresses and descriptions of the directors of Fincantieri as at the Latest Practicable Date are as follows:

<b>Names</b>	<b>Addresses</b>	<b>Descriptions</b>
Giampiero Massolo	Via Genova no. 1, 34121 Trieste, Italy	Chairman
Giuseppe Bono	Via Genova no. 1, 34121 Trieste, Italy	Chief Executive Officer
Simone Anichini	Via Genova no. 1, 34121 Trieste, Italy	Independent Director
Massimiliano Cesare	Via Genova no. 1, 34121 Trieste, Italy	Independent Director
Gianfranco Agostinetti	Via Genova no. 1, 34121 Trieste, Italy	Independent Director
Nicoletta Giadrossi	Via Genova no. 1, 34121 Trieste, Italy	Independent Director
Paola Muratorio	Via Genova no. 1, 34121 Trieste, Italy	Independent Director
Fabrizio Palermo	Via Genova no. 1, 34121 Trieste, Italy	Director
Donatella Treu	Via Genova no. 1, 34121 Trieste, Italy	Independent Director

### 2. PRINCIPAL ACTIVITIES

Fincantieri is incorporated in Italy and is a public limited company listed on the Italian stock market (Mercato Telematico Azionario) since 3 July 2014. The Fincantieri Group forms one of the world's largest shipbuilding groups and one of the most diversified and innovative shipbuilding groups in the industry. The Fincantieri Group is focused on high value-added segments with significant engineering content and holds a leading position in each of these segments which makes it one of the most technologically complex industrial groups globally. The Fincantieri Group is a world leader in the design and construction of cruise ships, among the world leaders in the design and construction of combat, auxiliary, special naval vessels and submarines and one of the main global players in the design and construction of high-end offshore support vessels. The Fincantieri Group has built more than 7,000 vessels in over 230 years of maritime history. With around 19,500 employees and 20 shipyards in four continents, the Fincantieri Group is today the leading Western shipbuilder. It has among its clients the major cruise operators, the Italian and the U.S. Navy, in addition to several foreign navies, and it is partner to some of the main European defense companies within supranational programmes.

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## APPENDIX 3 – ADDITIONAL INFORMATION ON FINCANTIERI

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### 3. FINANCIAL INFORMATION

Set out below are certain financial information extracted from the Fincantieri FY2017 Unaudited Financial Statements and the audited consolidated financial statements of Fincantieri for the years ended 31 December 2016 and 31 December 2015. Such financial information should be read in conjunction with the Fincantieri FY2017 Unaudited Financial Statements and the audited consolidated financial statements of Fincantieri for the years ended 31 December 2016 and 31 December 2015 and the accompanying notes as set out therein.

<i>(Euro million, except where indicated)</i>	<b>Year ended 31 December 2017 (unaudited)</b>	<b>Year ended 31 December 2016 (audited)</b>	<b>Year ended 31 December 2015 (audited)</b>
Revenues	5,020	4,429	4,183
Non-recurring items	(49)	(59)	(50)
Profit/(loss) before taxes	84	22	(325)
Net profit/(loss)	53	14	(289)
Net profit/(loss) attributable to owners of the parent	57	25	(175)
Net profit/(loss) attributable to non-controlling interests	(4)	(11)	(114)
Net profit per share (in Euro)	0.03	0.02	(0.10)
Dividend per share in respect of the relevant financial period (in Euro)	0.01	0	0

A copy of the consolidated statement of financial position of Fincantieri as at 31 December 2016, which is extracted from the audited consolidated financial statements of Fincantieri for the year ended 31 December 2016 is set out in **Part 1 of Appendix 7** to this Exit Offer Letter. A copy of the consolidated statement of financial position of Fincantieri as at 31 December 2017, which is extracted from the Fincantieri FY2017 Unaudited Financial Statements is set out in **Part 2 of Appendix 7** to this Exit Offer Letter.

Copies of the Fincantieri FY2017 Unaudited Financial Statements and the audited consolidated financial statements of Fincantieri for the years ended 31 December 2016 and 31 December 2015 (the “**Fincantieri Financial Statements**”) are available on the website of Fincantieri at <https://www.fincantieri.it/> and are available for inspection at the offices of the Registrar at 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619.

### 4. MATERIAL CHANGES IN FINANCIAL POSITION

As at the Latest Practicable Date, save as announced by Fincantieri in its announcements and other filings on the Italian stock market (Mercato Telematico Azionario) (including but not limited to the Fincantieri FY2017 Unaudited Financial Statements) and save for changes arising in the ordinary course of business, there have been no known material changes in the financial position of Fincantieri since 31 December 2016, being the date of the last published audited accounts of Fincantieri.

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## APPENDIX 3 – ADDITIONAL INFORMATION ON FINCANTIERI

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### 5. SIGNIFICANT ACCOUNTING POLICIES

The audited consolidated financial statements of Fincantieri for the year ended 31 December 2016 have been prepared in accordance with EU-IFRS.

The significant accounting policies of Fincantieri are set out in **Appendix 8** to this Exit Offer Letter.

### 6. CHANGES IN ACCOUNTING POLICIES

There has been no change in the accounting policies of Fincantieri which will cause the figures set out in **Paragraph 3** of this **Appendix 3** to be not comparable to a material extent.

### 7. REGISTERED OFFICE

The registered office of Fincantieri is situated at Via Genova no. 1, 34121 Trieste, Italy.

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## APPENDIX 4 – ADDITIONAL INFORMATION ON VARD

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### 1. DIRECTORS

The names, addresses and descriptions of the directors of Vard as at the Latest Practicable Date are as follows:

<b>Names</b>	<b>Addresses</b>	<b>Descriptions</b>
Giuseppe Coronella	Via Romagna 13, 34134 Trieste, Italy	Chairman and Non-Executive Director
Roy Reite	Skaathaugmarka 13 N-6010, Aalesund, Norway	Chief Executive Officer and Executive Director
Vittorio Zane	Via Del Conconello 37, 34151 Trieste, Italy	Executive Vice President and Executive Director
Claudio Cisilino	Via Del Pucino 45/2, 34151 Trieste, Italy	Non-Executive Director
Sok Sung Hyon	22 Farrer Road #05-03, Wilshire Apartment, Singapore 268828	Independent Director
Lee Keen Whye	69 Dyson Road, Singapore 309403	Lead Independent Director

### 2. SHARE CAPITAL

As at the Latest Practicable Date, Vard has an issued and paid-up share capital of S\$932,200,000 comprising 1,180,000,000 Shares.

### 3. MATERIAL CHANGES IN FINANCIAL POSITION

To the knowledge of the Offeror, as at the Latest Practicable Date, (i) save as disclosed in this Exit Offer Letter, and (ii) save for any information on Vard that is publicly available (including without limitation, the announcements released by Vard on the SGX-ST), there are no material changes in the financial position or prospects of Vard since 31 December 2016, being the date of the last balance sheet laid before Vard in general meeting.

A copy of the audited consolidated financial statements of Vard for the year ended 31 December 2016 is available on the website of the SGX-ST at [www.sgx.com](http://www.sgx.com).

### 4. REGISTERED OFFICE

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



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## APPENDIX 5 – STATEMENT OF FINANCIAL POSITION OF THE OFFEROR

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### Part 1

The statement of financial position of the Offeror as at 31 December 2016 has been extracted from the audited financial statements of the Offeror for the year ended 31 December 2016 and an English language translation is set out below.

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<b>(Euro/000)</b>	<b>31.12.2016</b>
<b>ASSETS</b>	
<b>NON-CURRENT ASSETS</b>	
Intangible assets	916
Property, Plant and Equipment	4
Other investments	497,976
Deferred tax assets	
<b>Total non-current assets</b>	<b>498,896</b>
<b>CURRENT ASSETS</b>	
Trade receivables and other current assets	6,514
Income tax assets	96
Cash and cash equivalents	99,991
<b>Total current assets</b>	<b>106,601</b>
<b>TOTAL ASSETS</b>	<b>605,497</b>
<b>EQUITY AND LIABILITIES</b>	
<b>EQUITY</b>	
Share capital	21,000
Reserves and retained earnings	(11,571)
<b>Total Equity</b>	<b>9,429</b>
<b>NON-CURRENT LIABILITIES</b>	
Provisions for risks and charges	1,121
Employee benefits	210
Financial liabilities	485,543
Deferred Tax Liabilities	2
<b>Total non-current liabilities</b>	<b>486,876</b>
<b>CURRENT LIABILITIES</b>	
Trade payables and other current liabilities	2,111
Income tax liabilities	
Financial liabilities	107,081
<b>Total current liabilities</b>	<b>109,192</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>605,497</b>

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## APPENDIX 5 – STATEMENT OF FINANCIAL POSITION OF THE OFFEROR

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### Part 2

The statement of financial position of the Offeror as at 31 December 2017 has been extracted from the Offeror FY2017 Unaudited Financial Statements and an English language translation is set out below. The Offeror FY2017 Unaudited Financial Statements are subject to audit and to the approval of Fincantieri, in its capacity as the sole shareholder of the Offeror.

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<b>(Euro/000)</b>	<b>31.12.2017</b>
<b>ASSETS</b>	
<b>NON-CURRENT ASSETS</b>	
Intangible assets	814
Property, Plant and Equipment	3
Other investments	542,883
Deferred tax assets	
<b>Total non-current assets</b>	<b>543,700</b>
<b>CURRENT ASSETS</b>	
Trade receivables and other current assets	4,821
Income tax assets	0
Cash and cash equivalents	2,879
<b>Total current assets</b>	<b>7,700</b>
<b>TOTAL ASSETS</b>	<b>551,400</b>
<b>EQUITY AND LIABILITIES</b>	
<b>EQUITY</b>	
Share capital	21,000
Reserves and retained earnings	(3,103)
<b>Total Equity</b>	<b>17,897</b>
<b>NON-CURRENT LIABILITIES</b>	
Provisions for risks and charges	1,121
Employee benefits	214
Financial liabilities	476,730
Deferred Tax Liabilities	3
<b>Total non-current liabilities</b>	<b>478,068</b>
<b>CURRENT LIABILITIES</b>	
Trade payables and other current liabilities	1000
Income tax liabilities	
Financial liabilities	54,435
<b>Total current liabilities</b>	<b>55,435</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>551,400</b>

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## APPENDIX 6 – SIGNIFICANT ACCOUNTING POLICIES OF THE OFFEROR

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An English translation of the significant accounting policies of the Offeror is set out below.

### ACCOUNTING POLICIES

#### 1 INTANGIBLE ASSETS

Intangible assets are identifiable non-monetary assets without physical substance, that are controllable and able to generate future economic benefits. Such assets are carried at purchase cost and/or internal production cost, including expenses directly attributable to preparing assets for their intended use, less accumulated amortization and any accumulated impairment losses. Any borrowing costs incurred during and for the development of an intangible asset are capitalized as part of the asset's cost. Assets qualifying as "assets acquired in a business combination" are recognized separately only if their fair value can be measured reliably. Intangible assets are amortized unless they have an indefinite useful life. Amortization commences when the asset is available for use and is allocated on a systematic basis over its useful life.

##### 1.1 Industrial patents and intellectual property rights

Amortization of industrial patents and intellectual property rights is calculated on a straight-line basis so as to allocate the cost incurred for acquiring the rights over their estimated useful life or the term of the related contracts, if shorter. Amortization begins when the acquired rights become effective.

#### 2. PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at their historical purchase or production cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to preparing the assets for their intended use, as well as any costs of dismantling and removing the assets which will be incurred as a result of contractual obligations to restore assets to their original condition. Any borrowing costs incurred during and for the development of an item of property, plant and equipment are capitalized as part of the asset's cost.

Expenditure incurred after acquiring an asset and the cost of replacing certain parts is capitalized only if such expenditure increases the asset's future economic benefits. Routine repair and maintenance costs are recognized as expenses in the period incurred. If the costs of replacing certain parts of an asset are capitalized, the residual value of the parts replaced is charged to profit or loss.

Depreciation is charged on a straight-line basis so as to depreciate assets over their useful lives. If a depreciable asset consists of separately identifiable parts, whose useful lives differ significantly from other parts of that asset, each part is depreciated separately in accordance with the component approach. The Offeror has estimated the following useful lives for its various categories of property, plant and equipment:

CATEGORIES	USEFUL LIFE (years)
Plant and machinery	7 – 25
Equipment	4
Other assets	4 – 33

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## **APPENDIX 6 – SIGNIFICANT ACCOUNTING POLICIES OF THE OFFEROR**

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The residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at least at every financial year-end.

### **3. IMPAIRMENT OF NON-FINANCIAL ASSETS**

Property, plant and equipment and intangible assets are reviewed at the end of each reporting period to identify any indication of impairment. If any such indication exists, the recoverable amount of such assets is estimated and if this is lower than the carrying amount, the difference is recognized in profit or loss as an impairment loss. Intangible assets with indefinite useful lives, such as goodwill, are not amortized but are tested annually for impairment, or more often, whenever there are signs that such assets might be impaired.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use, defined as the present value of the future cash flows expected to be derived from that asset. If an asset does not generate cash inflows that are largely independent of the cash inflows from other assets, its value in use is determined with reference to the cash-generating unit to which the asset belongs. When calculating an asset's value in use, its expected cash flows are discounted using a discount rate reflecting current market assessments of the time value of money for the period of investment and risks specific to that asset. An impairment loss is recognized in profit or loss when an asset's carrying amount is higher than its recoverable amount. If the reasons for an impairment loss cease to exist, it may be reversed in whole or in part through profit or loss, except in the case of goodwill, whose impairment can never be reversed; if an impairment loss is reversed, the asset's new carrying amount may not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in the past.

### **4. INVESTMENTS IN SUBSIDIARIES**

The investments in subsidiaries are investments in those entities in which the Company has the power to, directly or indirectly, manage the financial and operating policies in order to affect the amount of the investee's returns. The control is generally achieved when the entity controls more than half of the voting power on the General Assembly; the assessment of control should also take account of the potential voting rights that could be exercised or converted at the reporting date.

The investments in subsidiaries are accounted for at cost, whose amount could be reduced in case of impairment losses. When the impairment losses exceed the carrying amount of the investment, this is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee. If the reasons for an impairment loss cease to exist, it may be reversed to profit and loss.

### **5. FINANCIAL ASSETS AND LIABILITIES**

Non-derivative financial assets are measured at amortized cost measured using the effective interest method. If there is objective evidence of impairment, the amount of the asset is reduced to the present value of estimated future cash flows: impairment losses identified by impairment tests are recognized in profit or loss. These assets are classified as current assets, except for the portion falling due after more than 12 months, which is included in non-current assets.

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## **APPENDIX 6 – SIGNIFICANT ACCOUNTING POLICIES OF THE OFFEROR**

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The receivables includes non-derivative assets mainly relating to trade receivables, that are not quoted in an active market and for which fixed or determinable payments are expected and there is no predetermined intent of subsequent resale. These assets are classified as current assets, except for the portion falling due after more than 12 months, which is included in non-current assets. If there is objective evidence of impairment, the amount of the asset is reduced to the present value of estimated future cash flows: impairment losses identified by impairment tests are recognized in profit or loss. Previously recognized impairment losses are reversed if the circumstances leading to their original recognition no longer apply.

Financial liabilities, inclusive of loans and borrowings, trade payables, other payables and other liabilities, other than derivatives, are measured at amortized cost, less repayments of principal already made.

Payables and other liabilities are classified as current liabilities, unless the Company has a contractual right to extinguish its obligations more than twelve months from the reporting date.

### **6. CASH**

Cash includes cash on hand, current accounts and demand deposits with banks and other highly liquid short-term investments that are readily convertible into cash and which are subject to an insignificant risk of change in value.

### **7. PROVISIONS FOR RISKS AND CHARGES**

Provisions for risks and charges relate to costs and expenses of a specific nature of certain or probable existence, but whose timing or amount are uncertain as at the reporting date. Provisions are recognized when: i) a present legal or constructive obligation is likely to exist as a result of a past event; ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; iii) the amount of the obligation can be estimated reliably.

The amount recognized as a provision is the best estimate of the amount that an entity would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time; provisions for onerous contracts are recognized at the lower of the cost required to settle the obligation, net of the expected economic benefits arising from the contract, and the cost of terminating the contract.

Where the effect of the time value of money is material and the obligation settlement date can be estimated reliably, the amount of the provision is determined by discounting the expected cash outflows to present value using the average rate on company debt that takes account of the risks specific to the obligation; any increase in the amount of a provision due to the effect of the time value of money is recognized in the income statement under "Finance costs".

Contingent liabilities, meaning those relating to obligations that are only possible, are not recognized but are disclosed in the section of the notes to the financial statements reporting commitments and risks.

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## APPENDIX 6 – SIGNIFICANT ACCOUNTING POLICIES OF THE OFFEROR

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### 8. EMPLOYEE BENEFITS

Post-employment benefits are defined on the basis of formal and informal arrangements which, depending on their characteristics, are classified as “defined contribution” plans and “defined benefit” plans. In defined contribution plans, the employer’s obligation is limited to the payment of contributions to the state or to a trust or separate legal entity (fund) and is determined on the basis of the contributions due.

Liabilities for defined benefit plans, net of any plan assets, are determined using actuarial techniques and are recognized on an accrual basis over the period of employment needed to obtain the benefits. Defined benefit plans include the employee severance benefit, payable to employees of the Group’s Italian companies under article 2120 of the Italian Civil Code, that accrued before the reform of this benefit in 2007.

The amount recognized in the financial statements is calculated on an actuarial basis using the projected unit credit method; the discount rate used by this method to calculate the present value of the defined benefit obligation reflects the market yield on bonds with the same maturity as that expected for the obligation. The calculation relates to the employee severance benefit already accrued for past service and, in the case of Italian subsidiaries with less than 50 employees, incorporates assumptions concerning future salary levels. Further to the reform of employee severance benefit under Italian Law 296 dated 27 December 2006, the actuarial assumptions no longer need to consider future salary levels for Italian subsidiaries with more than 50 employees. Any actuarial gains and losses are recorded in the “Valuation reserves” forming part of equity and immediately recognized through “Other comprehensive income”.

For Italian employee severance benefits that have accrued after 1 January 2007 (which are treated like defined contribution plans), the employer’s obligation is limited to the payment of contributions to the state or to a trust or separate legal entity (fund) and is determined on the basis of the contributions due. There are no additional obligations for the Company to pay further amounts.

### 9. REVENUE

Revenue are recognized to the extent it is probable that economic benefits are realized and the related amount can be measured reliably.

### 10. INCOME TAXES

Income taxes represent the sum of current and deferred taxes.

Current income taxes are calculated on taxable profit for the year, using tax rates that apply at the end of the reporting period.

Deferred income taxes are income taxes that are expected to be paid or recovered on temporary differences between the carrying amount of assets and liabilities and their tax bases. Deferred tax liabilities are usually recognized for all taxable temporary differences, while deferred tax assets, including those for carryforward tax losses, are recognized to the extent it is probable that taxable profit will be available against which the temporary differences can be recovered.

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## **APPENDIX 6 – SIGNIFICANT ACCOUNTING POLICIES OF THE OFFEROR**

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Deferred tax liabilities are recognized on taxable temporary differences relating to investments in subsidiaries, associates and joint ventures, except in cases when both the following conditions apply: (i) the Company is able to control the timing of the reversal of such temporary differences and (ii) the temporary differences are unlikely to reverse in the foreseeable future.

Deferred income taxes are determined using tax rates that are expected to apply to the period when the related differences are realized or settled.

Current and deferred income taxes are recognized in profit or loss with the exception of taxes relating to items which are directly debited or credited to equity, in which case the tax effect is also recognized directly in equity. Deferred tax assets and liabilities are offset if, and only if, income tax is levied by the same taxation authority, there is a legally enforceable right of offset and the outstanding net balance is expected to be settled.

Taxes not related to income (levies), such as property tax, are reported in “Other costs”.

### **11. EARNINGS PER SHARE**

#### **11.1 Basic earnings per share**

Basic earnings per share are calculated by dividing profit or loss attributable to owners of the Parent Company by the weighted average number of ordinary shares outstanding during the period.

#### **11.2 Diluted earnings per share**

Diluted earnings per share are calculated by dividing profit or loss attributable to owners of the Parent Company by the weighted average number of ordinary shares outstanding during the period. For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares is adjusted for the assumed conversion of all dilutive potential ordinary shares into ordinary shares, while profit attributable to owners of the parent is adjusted to take account of any after-tax effect of such a conversion.

### **12. SUBJECTIVE ACCOUNTING ESTIMATES AND JUDGEMENTS**

Preparation of financial statements requires management to apply accounting policies and principles that, in some circumstances, are based on difficult, subjective estimates and judgements based on past experience and other assumptions deemed to be reasonable and realistic under the related circumstances. The application of such estimates and assumptions affects the amounts reported in the financial statements, namely the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows, and in the accompanying disclosures. The ultimate amount of items derived using such estimates and assumptions could differ from that reported in the financial statements because of the inherently uncertain nature of the assumptions and conditions on which the estimates were based.

Below is a brief description of the categories, with regard to the Company’s sectors of business, most affected by the use of estimates and judgements and for which a change in the underlying assumptions could have a material impact on the consolidated financial results.

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## **APPENDIX 6 – SIGNIFICANT ACCOUNTING POLICIES OF THE OFFEROR**

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### **12.1 Provisions for risks and charges**

The Company recognizes provisions for legal and tax risks where the outcome is expected to be negative. The amount of the provisions relating to such risks represents management's best estimate at the current date. This estimate is derived by adopting assumptions that depend on factors that may change over time.

### **12.2 Deferred tax assets**

The recognition of deferred tax assets is based on expectations about the Company's future taxable profit. The assessment of future taxable profit for the purposes of recognizing deferred tax assets depends on factors that can change over time and so have a material impact on the recoverability of deferred tax assets.

### **12.3 Impairment of assets**

The tangible and intangible assets with indefinite useful lives are tested for impairment at least annually or more often in the presence of evidence indicating that the carrying amount of such assets is not recoverable.

The impairment loss is determined by comparing an asset's carrying amount with its recoverable amount, defined as the higher of the asset's fair value less costs to sell and its value in use, determined by discounting the expected future cash flows expected to be derived from the asset net of costs to sell. The expected cash flows are quantified using information available at the time of the estimate on the basis of subjective assessments of future variables (prices, costs, rates of growth in demand, production profiles) and are discounted using a rate that takes into account the risks specific to the asset concerned.



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## APPENDIX 7 – STATEMENT OF FINANCIAL POSITION OF FINCANTIERI

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### Part 1

The consolidated statement of financial position of Fincantieri as at 31 December 2016 has been extracted from the audited consolidated financial statements of Fincantieri for the year ended 31 December 2016 and is set out below.

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(Euro/000)	31.12.2016
<b>Assets</b>	
<b>Non-current Assets</b>	
Intangible Assets	594,622
Property, Plant and Equipment	1,063,946
Investments Accounted for Using the Equity Method	54,973
Other Investments	3,179
Financial Assets	138,270
Other Assets	16,155
Deferred Tax Assets	154,373
<b>Total Non-current Assets</b>	<b>2,025,518</b>
<b>Current Assets</b>	
Inventories and Advances	590,310
Construction Contracts–Assets	1,379,814
Trade Receivables and Other Current Assets	1,383,064
Income Tax Assets	23,068
Financial Assets	49,047
Cash and Cash Equivalents	219,512
<b>Total Current Assets</b>	<b>3,644,815</b>
Assets Classified as Held for Sale	6,314
<b>Total Assets</b>	<b>5,676,647</b>
<b>Equity and Liabilities</b>	
<b>Equity</b>	
Equity Attributable to Owners of the Parent	
Share Capital	862,981
Reserves and Retained Earnings	223,134
<b>Total Equity Attributable to Owners of the Parent</b>	<b>1,086,115</b>
Non-controlling Interests	155,241
<b>Total Equity</b>	<b>1,241,356</b>

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**APPENDIX 7 – STATEMENT OF FINANCIAL POSITION OF FINCANTIERI**

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<b>(Euro/000)</b>	<b>31.12.2016</b>
<b>Non-current Liabilities</b>	
Provisions for Risks and Charges	109,805
Employee Benefits	57,777
Financial Liabilities	590,604
Other Liabilities	48,233
Deferred Tax Liabilities	85,072
<b>Total Non-current Liabilities</b>	<b>891,491</b>
<b>Current Liabilities</b>	
Provisions for Risks and Charges	16,169
Construction Contracts – Liabilities	776,114
Trade Payables and Other Current Liabilities	1,496,076
Income Tax Liabilities	10,586
Financial Liabilities	1,240,044
<b>Total Current Liabilities</b>	<b>3,538,989</b>
Liabilities Directly Associated with Assets Classified as Held for Sale	4,811
<b>Total Equity and Liabilities</b>	<b>5,676,647</b>

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## APPENDIX 7 – STATEMENT OF FINANCIAL POSITION OF FINCANTIERI

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### Part 2

The consolidated statement of financial position of Fincantieri as at 31 December 2017 has been extracted from the Fincantieri FY2017 Unaudited Financial Statements and is set out below.

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(Euro/000)	31.12.2017
<b>Assets</b>	
<b>Non-current Assets</b>	
Intangible Assets	581,501
Property, Plant and Equipment	1,044,671
Investments Accounted for Using the Equity Method	50,581
Other Investments	2,348
Financial Assets	279,763
Other Assets	26,403
Deferred Tax Assets	72,104
<b>Total Non-current Assets</b>	<b>2,057,371</b>
<b>Current Assets</b>	
Inventories and Advances	835,199
Construction Contracts – Assets	1,995,342
Trade Receivables and Other Current Assets	1,156,018
Income Tax Assets	18,918
Financial Assets	57,907
Cash and Cash Equivalents	274,411
<b>Total Current Assets</b>	<b>4,337,795</b>
Assets Classified as Held for Sale	
<b>Total Assets</b>	<b>6,395,166</b>
<b>Equity and Liabilities</b>	
<b>Equity</b>	
Equity Attributable to Owners of the Parent	
Share Capital	862,981
Reserves and Retained Earnings	373,857
<b>Total Equity Attributable to Owners of the Parent</b>	<b>1,236,838</b>
Non-controlling Interests	72,322
<b>Total Equity</b>	<b>1,309,160</b>

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**APPENDIX 7 – STATEMENT OF FINANCIAL POSITION OF FINCANTIERI**

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<b>(Euro/000)</b>	<b>31.12.2017</b>
<b>Non-current Liabilities</b>	
Provisions for Risks and Charges	130,754
Employee Benefits	58,912
Financial Liabilities	293,699
Other Liabilities	30,916
Deferred Tax Liabilities	61,752
<b>Total Non-current Liabilities</b>	<b>576,033</b>
<b>Current Liabilities</b>	
Provisions for Risks and Charges	10,089
Construction Contracts – Liabilities	1,347,252
Trade Payables and Other Current Liabilities	1,973,482
Income Tax Liabilities	12,235
Financial Liabilities	1,166,915
<b>Total Current Liabilities</b>	<b>4,509,973</b>
Liabilities Directly Associated with Assets Classified as Held for Sale	
<b>Total Equity and Liabilities</b>	<b>6,395,166</b>

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## APPENDIX 8 – SIGNIFICANT ACCOUNTING POLICIES OF FINCANTIERI

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The significant accounting policies of Fincantieri are set out below.

### Note 3 - Accounting policies

#### 1. INTANGIBLE ASSETS

Intangible assets are identifiable non-monetary assets without physical substance, that are controllable and able to generate future economic benefits. Such assets are carried at purchase cost and/or internal production cost, including expenses directly attributable to preparing assets for their intended use, less accumulated amortization and any accumulated impairment losses. Any borrowing costs incurred during and for the development of an intangible asset are capitalized as part of the asset's cost. Assets qualifying as "assets acquired in a business combination" are recognized separately only if their fair value can be measured reliably. Intangible assets are amortized unless they have an indefinite useful life. Amortization commences when the asset is available for use and is allocated on a systematic basis over its useful life. The criteria used to identify and determine any impairment losses for intangible assets can be found in paragraph 3 below.

##### 1.1 Goodwill

Goodwill is not amortized but is tested annually for impairment, or whenever specific events or changed circumstances indicate that it might be impaired. It is not permitted to reverse a previously recognized impairment loss. After initial recognition, goodwill is carried at cost less any accumulated impairment losses.

On loss of control of a subsidiary, the gain or loss on disposal takes into account the residual value of previously recognized goodwill.

##### 1.2 Concessions, licenses, trademarks and similar rights

Concessions, licenses and similar rights, acquired in a business combination, are recognized at their acquisition-date fair values and systematically amortized over the shorter of their expected period of use and the length of the right's ownership.

Trademarks are considered to have an indefinite useful life and so are not amortized, but are tested annually for impairment, or whenever specific events or changed circumstances indicate that they might be impaired.

##### 1.3 Client relationships and order backlog

Client relationships and order backlog are recognized only if acquired in a business combination. Client relationships are amortized over the expected life of such relationships (10-20 years).

The order backlog represents the expected residual value of orders existing at the acquisition date. This value is amortized on a straight-line basis over expected useful life (3 years).

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## APPENDIX 8 – SIGNIFICANT ACCOUNTING POLICIES OF FINCANTIERI

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### 1.4 Research and development costs

Expenditure on research is recognized as an expense when it is incurred. Expenditure on developing new products and processes is capitalized and recognized as an intangible asset only if all the following conditions are satisfied:

- the development project is clearly identified and the related costs are identifiable and can be measured reliably;
- the technical feasibility of the project can be demonstrated;
- the intention to complete the project and sell the intangible assets generated can be demonstrated;
- a potential market exists for the intangible asset or, if it is used internally, the asset is of demonstrable utility;
- adequate technical and financial resources are available to complete the project.

Capitalized development costs are amortized over the period the expected future income from the project will arise. Useful life varies depending on the project and ranges from 5 to 10 years.

### 1.5 Industrial patents and intellectual property rights

Amortization of industrial patents and intellectual property rights is calculated on a straight-line basis so as to allocate the cost incurred for acquiring the rights over their estimated useful life or the term of the related contracts, if shorter. Amortization begins when the acquired rights become effective. The cost of software licenses is amortized on a straight-line basis over 3 years.

## 2. PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at their historical purchase or production cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to preparing the assets for their intended use, as well as any costs of dismantling and removing the assets which will be incurred as a result of contractual obligations to restore assets to their original condition. Any borrowing costs incurred during and for the development of an item of property, plant and equipment are capitalized as part of the asset's cost.

Assets under concession are stated at cost, including estimated dismantling and removal costs, arising as a consequence of contractual obligations to restore an asset to its original condition, less accumulated depreciation calculated over the shorter of the asset's estimated useful life and the term of the individual concessions.

Expenditure incurred after acquiring an asset and the cost of replacing certain parts is capitalized only if such expenditure increases the asset's future economic benefits. Routine repair and maintenance costs are recognized as expenses in the period incurred. If the costs of replacing certain parts of an asset are capitalized, the residual value of the parts replaced is charged to profit or loss.

Property, plant and equipment acquired under finance lease, where the risks and rewards incidental to ownership of an asset are substantially transferred to the Group, are recognized as assets at the lower of their fair value or the present value of the minimum lease payments, including any purchase option cost. The corresponding lease liability is reported in financial liabilities. Leased assets are depreciated using the same criteria and useful lives as indicated below for owned assets.

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## APPENDIX 8 – SIGNIFICANT ACCOUNTING POLICIES OF FINCANTIERI

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Leases where the lessor substantially retains all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized as expenses on a straight-line basis over the lease term.

Depreciation is charged on a straight-line basis so as to depreciate assets over their useful lives. If a depreciable asset consists of separately identifiable parts, whose useful lives differ significantly from other parts of that asset, each part is depreciated separately in accordance with the component approach. The Group has estimated the following useful lives for its various categories of property, plant and equipment:

CATEGORIES	USEFUL LIFE <i>(years)</i>
Industrial buildings and dry docks	33 - 47
Plant and machinery	7 - 25
Equipment	4 - 12
Assets under concession	Useful life or term of concession, if shorter
Leasehold improvements	Useful life or term of lease, if shorter
Other assets	4 - 33

Land is not depreciated. The residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at least at every financial year-end.

Property, plant and equipment leased out by the Fincantieri Group under finance lease agreements (or under a contract treated the same as a finance lease), where all the risks and rewards of ownership are substantially transferred to the lessee, are recognized as financial receivables in the statement of financial position. Income from the sale of a leased asset is recognized when the asset is transferred to the lessee. Such income is determined as the difference between: i) the fair value of the asset at the commencement of the lease term, or, if lower, the present value of the minimum lease payments accruing to the Group, computed at a market rate of interest; and ii) the leased asset's production costs plus any legal costs and internal costs directly attributable to negotiating and arranging the lease. After recognizing the financial receivable, finance income is recognized by applying a constant periodic rate of return to the outstanding receivable so that it is spread over the lease term on a systematic and rational basis.

The criteria used to identify and determine any impairment losses for property, plant and equipment can be found in paragraph 3 below.

### 3. IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, plant and equipment and intangible assets are reviewed at the end of each reporting period to identify any indication of impairment. If any such indication exists, the recoverable amount of such assets is estimated and if this is lower than the carrying amount, the difference is recognized in profit or loss as an impairment loss. Intangible assets with indefinite useful lives, such as goodwill, are not amortized but are tested annually for impairment, or more often, whenever there are signs that such assets might be impaired.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use, defined as the present value of the future cash flows expected to be derived from that asset.

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## APPENDIX 8 – SIGNIFICANT ACCOUNTING POLICIES OF FINCANTIERI

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If an asset does not generate cash inflows that are largely independent of the cash inflows from other assets, its value in use is determined with reference to the cash-generating unit to which the asset belongs. When calculating an asset's value in use, its expected cash flows are discounted using a discount rate reflecting current market assessments of the time value of money for the period of investment and risks specific to that asset. Value in use is determined, net of tax, using a post-tax discount rate, since this method produces broadly similar values to those obtained by discounting pre-tax cash flows at a pre-tax discount rate. An impairment loss is recognized in profit or loss when an asset's carrying amount is higher than its recoverable amount. If the reasons for an impairment loss cease to exist, it may be reversed in whole or in part through profit or loss, except in the case of goodwill, whose impairment can never be reversed; if an impairment loss is reversed, the asset's new carrying amount may not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in the past.

### 4. OTHER INVESTMENTS

Investments in companies other than subsidiaries, associates and joint ventures (generally where the Group's interest is less than 20%) are classified as non-current financial assets and represent available-for-sale financial assets that are carried at fair value, if determinable, changes in which are recognized among the components of other comprehensive income until these assets are sold or suffer an impairment loss; at such time, the effects previously recognized among the components of other comprehensive income are reclassified to profit or loss for the period. Investments in other smaller companies, whose fair value cannot be determined, are stated at cost less any impairment losses.

### 5. INVENTORIES AND ADVANCES

Inventories are recorded at the lower of purchase or production cost and net realizable value, defined as the estimated selling price in the ordinary course of business less selling costs. The cost of inventories of raw, ancillary and consumable materials and finished products and goods is determined using the weighted average cost method.

The cost of production includes raw materials, direct labor costs and other costs of production (allocated on the basis of normal operating capacity). Borrowing costs are not included in the value of inventories.

Slow-moving and obsolete inventories are suitably written down to align their value with the net realizable amount.

### 6. CONSTRUCTION CONTRACTS

Construction contracts are recognized in accordance with the percentage of completion method with reference to the value of the agreed contractual consideration plus any grants available under specific laws which have reasonably accrued at the period-end reporting date, taking into account the stage of completion of the contract and any expected risks.



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## APPENDIX 8 – SIGNIFICANT ACCOUNTING POLICIES OF FINCANTIERI

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A group of contracts, whether with a single or several clients, is treated as a single construction contract when:

- i) the group of contracts is negotiated as a single package;
- ii) the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin; and
- iii) the contracts are performed concurrently or in a continuous sequence.

Furthermore, if the original contract i) provides for the construction of an additional asset at the option of the client or ii) may be amended to include the construction of an additional asset, whose price is closely interrelated to the original contract, the construction of the additional asset is treated as a combined part of the original contract.

The stage of completion is measured by calculating the proportion that contract costs incurred for work performed to the reporting date bear to the estimated total costs for each contract.

If it is expected that the completion of a contract may give rise to a loss at the gross margin level, this is recognized in full in the period in which it becomes reasonably foreseeable.

Construction contracts are reported as the costs incurred plus profit recognized to date, less provision for any estimated future losses and less progress billings issued. The calculation is performed on a contract-by-contract basis. If the difference arising under this calculation is positive, it is classified as an asset under “Construction contracts – assets” and if it is negative, the difference is classified as a liability under “Construction contracts – liabilities”.

Any borrowing costs incurred for specific loans during and for the development of construction contracts are treated as expenses of the specific job.

Shipbuilding contracts are closed for accounting purposes three months after a vessel's delivery; in the case of vessels for government defense forces (naval vessels), the delivery date is the issue date of the acceptance report.

### 7. FINANCIAL LIABILITIES

Financial liabilities, inclusive of loans and borrowings, trade payables, other payables and other liabilities, other than derivatives, are measured at amortized cost, less repayments of principal already made.

Payables and other liabilities are classified as current liabilities, unless the Group has a contractual right to extinguish its obligations more than twelve months from the reporting date. Financial liabilities are derecognized when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

For derivative liabilities, please refer to paragraph 8.5.

#### 7.1 Reverse factoring

In order to ensure easier access to credit for its suppliers and given the importance of the supply chain to the shipbuilding industry, the Parent Company has entered into factoring agreements, typically in the technical form of reverse factoring. Under these arrangements, the supplier has the discretionary option to sell receivables due from the Parent Company to a finance company and receive the amount owed before the due date; in addition, the supplier also has the option to agree with the Parent Company to extend the due date beyond that shown in the invoice. Such extensions can be either interest-bearing or non-interest bearing. Since the primary obligation is still to the supplier, the related liability retains its nature and so continues to be classified in trade payables.

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## APPENDIX 8 – SIGNIFICANT ACCOUNTING POLICIES OF FINCANTIERI

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### 8. FINANCIAL ASSETS

The Group classifies financial assets in the following categories:

- assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity financial assets;
- available-for-sale financial assets.

#### 8.1 Financial assets at fair value through profit or loss

This category includes financial assets acquired for trading in the near term, as well as derivative instruments, for which reference should be made to paragraph 8.5. The fair value of these instruments is determined with reference to the market value at the period-end reporting date: in the case of unlisted instruments, fair value is determined using commonly used valuation techniques. Changes in the fair value of instruments classified in this category are recognized immediately in profit or loss.

Classification as current or non-current reflects management's expectations regarding their trading: assets expected to be realized within 12 months or designated as held for trading purposes are classified as current assets.

#### 8.2 Loans and receivables

This category includes non-derivative (trade and financial) receivables, including debt instruments, that are not quoted in an active market and for which fixed or determinable payments are expected and there is no predetermined intent of subsequent resale. These assets are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. Trade receivables, with normal commercial terms of payment, are not discounted. If there is objective evidence of impairment, the amount of the asset is reduced to the present value of estimated future cash flows: impairment losses identified by impairment tests are recognized in profit or loss.

If, in subsequent periods, the reasons for the impairment loss cease to apply, the amount of the asset is reinstated, but to no more than the amortized cost it would have had if no impairment had been previously recognized. These assets are classified as current assets, except for the portion falling due after more than 12 months, which is included in non-current assets.

#### 8.3 Held-to-maturity financial assets

This category includes non-derivative financial assets, not representing equity investments, that have fixed or determinable payments and fixed maturities and for which the Group has the positive intention and ability to hold to maturity. These financial assets are recognized on the basis of the settlement date and, at the time of initial recognition, they are measured at purchase cost, including any directly attributable transaction costs. They are subsequently measured at amortized cost using the effective interest method, less any impairment losses.

They are classified as current assets if their contractual maturity is expected within the next 12 months. If there is objective evidence of impairment, the amount of the asset is reduced to the present value of estimated future cash flows: impairment losses identified by impairment tests are recognized in profit or loss. If, in subsequent periods, the reasons for the impairment loss cease to apply, the amount of the asset is reinstated, but to no more than the amortized cost it would have had if no impairment had been previously recognized.

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## APPENDIX 8 – SIGNIFICANT ACCOUNTING POLICIES OF FINCANTIERI

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### 8.4 Available-for-sale financial assets

This category includes non-derivative financial assets, specifically designated as available for sale or not classified in any of the previous categories. These assets are measured at fair value, which is determined with reference to market prices at the year-end or interim reporting date or using financial valuation techniques and models, with changes in value recognized in a specific equity reserve (“Available-for-sale fair value reserve”). This reserve is reversed to profit or loss only when the financial asset is sold, or when there is evidence that a decline in the fair value already recognized in equity will not be recovered. The classification as current or non-current assets depends on the intentions of management and the financial asset’s effective marketability: they are classified as current assets if expected to be realized within the next 12 months.

If there is objective evidence of impairment, the amount of the asset is reduced to the present value of estimated future cash flows: negative fair value changes previously recognized in equity are transferred to profit or loss. Previously recognized impairment losses are reversed if the circumstances leading to their original recognition no longer apply; reversals relating to financial instruments that are equity instruments are not recognized through consolidated profit or loss.

### 8.5 Derivatives

The derivatives used by the Fincantieri Group are intended to hedge its exposure to currency risk primarily on sale contracts and, to a lesser extent, on procurement contracts denominated in currencies other than the functional currencies, and its exposure to interest rate risk on loans and to price risk relating to certain commodities.

Derivative instruments are initially recognized at fair value on the derivative contract’s inception date. Following initial recognition, changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognized as an operating or financial component of the income statement according to the nature of the instrument. If derivative instruments do qualify for hedge accounting, any subsequent changes in their fair value are treated in accordance with the specific rules set out below. For each derivative financial instrument designated as a hedging instrument, the Group must formally document the relationship between hedging instruments and hedged items, as well as its risk management objectives, hedging strategy and methods for verifying hedge effectiveness. The effectiveness of each hedge must be assessed, both at hedge inception and on an ongoing basis. A hedging transaction is usually regarded as highly “effective” if, at inception and during its life, the change in the hedged item’s fair value, in the case of fair value hedges, and in the expected future cash flows, in the case of cash flow hedges, substantially offsets the change in fair value of the hedging instrument.

Changes in the fair value of derivative assets or liabilities that qualify as fair value hedges are recognized in profit or loss, along with any changes in the fair value of the hedged item.

In the case of cash flow hedges intended to offset the cash flow risks relating to a highly probable forecast transaction, fair value changes after initial recognition in the effective portion of the derivative hedging instrument are recognized in “Other comprehensive income” and included in a separate equity reserve. Amounts recognized through other comprehensive income are reclassified from equity to profit or loss, among the operating items, in the same period that the hedged forecast cash flows affect profit or loss. If the hedge is not perfectly effective, the fair value change in the ineffective portion of the hedging instrument is immediately recognized in profit or loss. If, during the life of a derivative hedging instrument, a highly probable forecast transaction is no longer expected to occur, the portion of the “reserves” relating to this instrument is immediately reclassified to profit or loss for the period. Conversely, if the derivative instrument

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## APPENDIX 8 – SIGNIFICANT ACCOUNTING POLICIES OF FINCANTIERI

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is sold or no longer qualifies as an effective hedge, the portion of the “reserves” representing changes in the instrument’s fair value recognized up until then through other comprehensive income remains separately in equity until the hedged forecast transaction occurs, at which point it is reclassified to profit or loss. If a hedged transaction is no longer regarded as probable, the unrealized gains or losses recognized in other comprehensive income are immediately reclassified to profit or loss.

The fair value of financial instruments quoted on public markets is determined with reference to quoted prices at the end of the period. The fair value of unquoted instruments is measured with reference to financial valuation techniques: in particular, the fair value of interest rate swaps is measured by discounting the expected future cash flows, while the fair value of foreign currency forwards is determined on the basis of market exchange rates at the reporting date and the rate differentials expected between the currencies concerned.

Financial assets and liabilities measured at fair value are classified in the three hierarchical levels described below, in order of the priority attributed to the inputs used to determine fair value. In particular:

- Level 1: financial assets and financial liabilities whose fair value is determined using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: financial assets and financial liabilities whose fair value is determined using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (primarily: market exchange rates at the reporting date, expected rate differentials between the currencies concerned and volatility of the relevant markets, interest rates and commodity prices);
- Level 3: financial assets and financial liabilities whose fair value is determined using inputs not based on observable market data.

Financial assets are derecognized when the rights to receive cash flows from the financial asset expire and the company has transferred substantially all the risks and rewards of ownership and the related control of the financial asset.

### 9. GRANTS FROM GOVERNMENT AND OTHER PUBLIC ENTITIES

Government grants are recognized in the financial statements when there is reasonable assurance that the recipient will comply with the conditions attaching to them and that the grants will be received.

#### 9.1 Grants related to assets

Government grants related to property, plant and equipment are classified as deferred income under non-current “Other liabilities”. This deferred income is then recognized as income in profit or loss on a straight-line basis over the useful life of the asset for which the grant was received.

#### 9.2 Grants related to income

Grants other than those related to assets are credited to profit or loss as “Other revenue and income”.

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### 10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, current accounts and demand deposits with banks and other highly liquid short-term investments that are readily convertible into cash and which are subject to an insignificant risk of change in value.

### 11. EMPLOYEE BENEFITS

Post-employment benefits are defined on the basis of formal and informal arrangements which, depending on their characteristics, are classified as “defined contribution” plans and “defined benefit” plans. In defined contribution plans, the employer’s obligation is limited to the payment of contributions to the state or to a trust or separate legal entity (fund) and is determined on the basis of the contributions due.

Liabilities for defined benefit plans, net of any plan assets, are determined using actuarial techniques and are recognized on an accrual basis over the period of employment needed to obtain the benefits.

Defined benefit plans include the employee severance benefit, payable to employees of the Group’s Italian companies under article 2120 of the Italian Civil Code, that accrued before the reform of this benefit in 2007.

The amount recognized in the financial statements is calculated on an actuarial basis using the projected unit credit method; the discount rate used by this method to calculate the present value of the defined benefit obligation reflects the market yield on bonds with the same maturity as that expected for the obligation. The calculation relates to the employee severance benefit already accrued for past service and, in the case of Italian subsidiaries with less than 50 employees, incorporates assumptions concerning future salary levels. Further to the reform of employee severance benefit under Italian Law 296 dated 27 December 2006, the actuarial assumptions no longer need to consider future salary levels for Italian subsidiaries with more than 50 employees. Any actuarial gains and losses are recorded in the “Valuation reserves” forming part of equity and immediately recognized through “Other comprehensive income”.

For Italian employee severance benefits that have accrued after 1 January 2007 (which are treated like defined contribution plans), the employer’s obligation is limited to the payment of contributions to the state or to a trust or separate legal entity (fund) and is determined on the basis of the contributions due. There are no additional obligations for the Company to pay further amounts.

### 12. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges relate to costs and expenses of a specific nature of certain or probable existence, but whose timing or amount are uncertain as at the reporting date. Provisions are recognized when: i) a present legal or constructive obligation is likely to exist as a result of a past event; ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; iii) the amount of the obligation can be estimated reliably.

The amount recognized as a provision is the best estimate of the amount that an entity would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a

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## APPENDIX 8 – SIGNIFICANT ACCOUNTING POLICIES OF FINCANTIERI

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third party at that time; provisions for onerous contracts are recognized at the lower of the cost required to settle the obligation, net of the expected economic benefits arising from the contract, and the cost of terminating the contract.

Where the effect of the time value of money is material and the obligation settlement date can be estimated reliably, the amount of the provision is determined by discounting the expected cash outflows to present value using the average rate on company debt that takes account of the risks specific to the obligation; any increase in the amount of a provision due to the effect of the time value of money is recognized in the income statement under “Finance costs”.

Contingent liabilities, meaning those relating to obligations that are only possible, are not recognized but are disclosed in the section of the notes to the financial statements reporting commitments and risks.

### 13. REVENUE, DIVIDENDS, FINANCE INCOME AND COSTS

Revenue from construction contracts is recognized using the percentage of completion method. When it is probable that total contract costs will exceed total contract revenue, the expected loss is immediately recognized as an expense in the income statement.

Revenue earned up to the reporting date from contracts denominated in a currency other than the functional currency is translated into the functional currency using: i) the hedged exchange rate (if currency risk has been hedged - see paragraph 8.5 above) or ii) in the absence of hedging transactions, the actual exchange rate used for the part of the contract already billed and the period-end rate for the part still to be billed.

Retentions or other amounts which can be contractually reclaimed by customers are not recognized until any post-delivery obligations have been fully satisfied.

Revenue from the sale of goods is recognized when the risks and rewards of ownership of the goods are transferred to the buyer, and when the amount of revenue can be measured reliably and is expected to be received.

Dividends received from investee companies not consolidated on a line-by-line basis are recognized in profit or loss when the shareholder’s right to receive payment is established.

Finance income and costs are recognized in profit or loss in the period in which they accrue.

### 14. INCOME TAXES

Income taxes represent the sum of current and deferred taxes.

Current income taxes are calculated on taxable profit for the year, using tax rates that apply at the end of the reporting period.

Deferred income taxes are income taxes that are expected to be paid or recovered on temporary differences between the carrying amount of assets and liabilities and their tax bases. Deferred tax liabilities are usually recognized for all taxable temporary differences, while deferred tax assets, including those for carryforward tax losses, are recognized to the extent it is probable that taxable profit will be available against which the temporary differences can be recovered. No deferred tax liabilities are recognized for temporary differences relating to goodwill.

Deferred tax liabilities are recognized on taxable temporary differences relating to investments in subsidiaries, associates and joint ventures, except in cases when both the following conditions

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## APPENDIX 8 – SIGNIFICANT ACCOUNTING POLICIES OF FINCANTIERI

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apply: (i) the Group is able to control the timing of the reversal of such temporary differences and (ii) the temporary differences are unlikely to reverse in the foreseeable future.

Deferred income taxes are determined using tax rates that are expected to apply to the period when the related differences are realized or settled.

Current and deferred income taxes are recognized in profit or loss with the exception of taxes relating to items which are directly debited or credited to equity, in which case the tax effect is also recognized directly in equity. Deferred tax assets and liabilities are offset if, and only if, income tax is levied by the same taxation authority, there is a legally enforceable right of offset and the outstanding net balance is expected to be settled.

Taxes not related to income (levies), such as property tax, are reported in “Other costs”.

### 15. EARNINGS PER SHARE

#### 15.1 Basic earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to owners of the Parent Company by the weighted average number of ordinary shares outstanding during the period.

#### 15.2 Diluted earnings per share

Diluted earnings per share are calculated by dividing profit or loss attributable to owners of the Parent Company by the weighted average number of ordinary shares outstanding during the period. For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares is adjusted for the assumed conversion of all dilutive potential ordinary shares into ordinary shares, while profit attributable to owners of the parent is adjusted to take account of any after-tax effect of such a conversion.

### 16. SUBJECTIVE ACCOUNTING ESTIMATES AND JUDGEMENTS

Preparation of financial statements requires management to apply accounting policies and principles that, in some circumstances, are based on difficult, subjective estimates and judgements based on past experience and other assumptions deemed to be reasonable and realistic under the related circumstances. The application of such estimates and assumptions affects the amounts reported in the financial statements, namely the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows, and in the accompanying disclosures. The ultimate amount of items derived using such estimates and assumptions could differ from that reported in the financial statements because of the inherently uncertain nature of the assumptions and conditions on which the estimates were based.

Below is a brief description of the categories, with regard to the Fincantieri Group’s sectors of business, most affected by the use of estimates and judgements and for which a change in the underlying assumptions could have a material impact on the consolidated financial results.

#### 16.1 Revenue recognition for construction contracts

Like with other large, long-term contracts, shipbuilding contracts are dated well before product completion, sometimes even a long time before. Contracts now seldom include price adjustment

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## APPENDIX 8 – SIGNIFICANT ACCOUNTING POLICIES OF FINCANTIERI

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formulae, while clauses providing for the possibility of additional consideration for additions or variations apply only to significant modifications in the scope of work.

The margins expected to be achieved upon the entire project's completion are recognized in profit or loss according to the stage of contract completion. Accordingly, correct recognition of construction contracts and margins relating to work in progress requires management to estimate correctly the costs of completion, any incremental costs, as well as delays, additional costs and penalties that could reduce the expected margin. In support of such estimates, management uses a system of contract risk management and analysis to monitor and quantify the risks relating to these contracts. The amounts recognized in the financial statements represent management's best estimate using these systems and procedures.

### 16.2 Provisions for risks and charges

The Group recognizes provisions for legal and tax risks and outstanding litigation where the outcome is expected to be negative. The amount of the provisions relating to such risks represents management's best estimate at the current date. This estimate is derived by adopting assumptions that depend on factors that may change over time.

### 16.3 Deferred tax assets

The recognition of deferred tax assets is based on expectations about the Group's future taxable profit and the possibility of transferring certain tax benefits to companies participating in the national tax consolidation of CDP. The assessment of future taxable profit for the purposes of recognizing deferred tax assets depends on factors that can change over time and so have a material impact on the recoverability of deferred tax assets.

### 16.4 Impairment of assets

The Group's property, plant and equipment and intangible assets with indefinite useful lives are tested for impairment at least annually or more often in the presence of evidence indicating that the carrying amount of such assets is not recoverable.

The impairment loss is determined by comparing an asset's carrying amount with its recoverable amount, defined as the higher of the asset's fair value less costs to sell and its value in use, determined by discounting the expected future cash flows expected to be derived from the asset net of costs to sell. The expected cash flows are quantified using information available at the time of the estimate on the basis of subjective assessments of future variables (prices, costs, rates of growth in demand, production profiles) and are discounted using a rate that takes into account the risks specific to the asset concerned.

Goodwill and other intangible assets with indefinite useful lives are not amortized; the recoverability of their carrying amount is reviewed at least annually and whenever there is an indication that the asset may be impaired. Goodwill is tested for impairment at the lowest level (cash-generating unit "CGU") within the entity at which management assesses, directly or indirectly, the return on the investment that includes such goodwill. When the carrying amount of the cash-generating unit, including the attributed goodwill, is higher than its recoverable amount, the difference is an impairment loss that is charged first against the value of goodwill until fully absorbed; any loss not absorbed by goodwill is allocated pro-rata to the carrying amount of the other assets in the cash-generating unit.



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## APPENDIX 8 – SIGNIFICANT ACCOUNTING POLICIES OF FINCANTIERI

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### 16.5 Business combinations

The recognition of business combinations involves allocating to the acquired company's assets and liabilities the difference between the purchase price and the net book value of the net assets acquired. For most of the assets and liabilities, the allocation of this difference is performed by recognizing the assets and liabilities at their fair value. The unallocated portion is recognized as goodwill if positive, and if negative, it is taken to profit or loss. Management uses available information for the purposes of the allocation process and, in the case of the most significant business combinations, external valuations.

## APPENDIX 9 – DISCLOSURE OF SHAREHOLDINGS, DEALINGS AND OTHER ARRANGEMENTS

### 1. HOLDINGS OF SHARES

As at the Latest Practicable Date, based on the latest information available to the Offeror, the interests in Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with the Offeror are set out below:

Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Fincantieri Oil & Gas S.p.A. <sup>(1)</sup>	980,075,610	83.06	–	–
Fincantieri S.p.A. <sup>(1)</sup>	–	–	980,075,610	83.06
Fintecna S.p.A. <sup>(1)</sup>	–	–	980,075,610	83.06
Cassa Depositi d Prestiti S.p.A. <sup>(1)</sup>	–	–	980,075,610	83.06

**Note:**

(1) By virtue of Section 4 of the SFA, these entities are deemed to be interested in the shares held by the Offeror in Vard. The relationship of the said entities is as follows:

- (i) Fincantieri is the immediate holding company of the Offeror;
- (ii) Fintecna S.p.A. holds 71.64 per cent. of Fincantieri; and
- (iii) Cassa Depositi d Prestiti S.p.A. is the immediate holding company of Fintecna S.p.A.

### 2. DEALINGS IN SHARES

The details of the dealings in Shares during the Reference Period by the Offeror and parties acting or deemed to be acting in concert with the Offeror are set out below:

Name	Date	No. of Shares Acquired	Transaction Price per Share (\$\$)
Fincantieri Oil & Gas S.p.A.	4 April 2018	736,000	0.25
	3 April 2018	2,931,900	0.25
	2 April 2018	232,000	0.25
	29 March 2018	170,000	0.25
	28 March 2018	14,955,600	0.25
	27 March 2018	60,000	0.25
	26 March 2018	18,000	0.25
	23 March 2018	812,000	0.25
	22 March 2018	267,000	0.25
	21 March 2018	255,100	0.25
20 March 2018	227,000	0.25	

**APPENDIX 9 – DISCLOSURE OF SHAREHOLDINGS, DEALINGS AND OTHER ARRANGEMENTS**

<b>Name</b>	<b>Date</b>	<b>No. of Shares Acquired</b>	<b>Transaction Price per Share (\$\$)</b>
	19 March 2018	251,000	0.25
	16 March 2018	2,092,800	0.25
	15 March 2018	1,962,000	0.25
	14 March 2018	1,591,000	0.25
	13 March 2018	810,000	0.25
	12 March 2018	45,000	0.25
	9 March 2018	227,000	0.25
	8 March 2018	393,000	0.25
	7 March 2018	526,000	0.25
	6 March 2018	2,904,100	0.25
	5 March 2018	293,000	0.25
	2 March 2018	674,000	0.25
	1 March 2018	779,000	0.25
	28 February 2018	220,000	0.25
	27 February 2018	260,000	0.25
	26 February 2018	70,000	0.25
	23 February 2018	61,500	0.25
	21 February 2018	319,700	0.25
	20 February 2018	55,000	0.25
	14 February 2018	130,000	0.25
	13 February 2018	135,000	0.25
	12 February 2018	150,000	0.25
	9 February 2018	541,200	0.25
	8 February 2018	259,500	0.25
	7 February 2018	270,000	0.25
	6 February 2018	280,000	0.25
	5 February 2018	2,616,300	0.25
	25 January 2018	2,000	0.25
	24 January 2018	16,000	0.25
	23 January 2018	202,000	0.25
	22 January 2018	31,000	0.25
	18 January 2018	15,000	0.25
	16 January 2018	30,000	0.25

**APPENDIX 9 – DISCLOSURE OF SHAREHOLDINGS, DEALINGS AND OTHER ARRANGEMENTS**

<b>Name</b>	<b>Date</b>	<b>No. of Shares Acquired</b>	<b>Transaction Price per Share (\$\$)</b>
	15 January 2018	10,000	0.25
	12 January 2018	20,200	0.25
	11 January 2018	12,000	0.25
	10 January 2018	100	0.25
	9 January 2018	132,300	0.25
	8 January 2018	35,000	0.25
	5 January 2018	100	0.25
	4 January 2018	11,900	0.25
	3 January 2018	54,200	0.25
	2 January 2018	26,000	0.25
	26 December 2017	406,000	0.25
	21 December 2017	57,300	0.25
	20 December 2017	17,700	0.25
	19 December 2017	113,600	0.25
	18 December 2017	1,206,400	0.25
	15 December 2017	513,600	0.25
	13 December 2017	63,300	0.25
	12 December 2017	64,700	0.25
	11 December 2017	59,400	0.25
	8 December 2017	122,500	0.25
	7 December 2017	38,400	0.25
	6 December 2017	119,400	0.25
	5 December 2017	110,100	0.25
	4 December 2017	30,600	0.25
	1 December 2017	312,000	0.25
	30 November 2017	1,225,800	0.25
	29 November 2017	135,100	0.25
	28 November 2017	63,600	0.25
	27 November 2017	11,900	0.25
	23 October 2017	200	0.24
	13 October 2017	2,400	0.24
	11 October 2017	472,600	0.24
	10 October 2017	31,600	0.24

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**APPENDIX 9 – DISCLOSURE OF SHAREHOLDINGS, DEALINGS AND OTHER ARRANGEMENTS**

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Name	Date	No. of Shares Acquired	Transaction Price per Share (\$)
	9 October 2017	171,700	0.24
	6 October 2017	41,000	0.24
	5 October 2017	126,900	0.24
	4 October 2017	12,500	0.24
	3 October 2017	30,000	0.24
	28 September 2017	7,000	0.24
	26 September 2017	10,000	0.24
	25 September 2017	14,900	0.24
	21 September 2017	33,000	0.24
	20 September 2017	47,900	0.24
	19 September 2017	50,900	0.24
	18 September 2017	655,000	0.24
	15 September 2017	5,094,700	0.24
	14 September 2017	139,500	0.24
	13 September 2017	1,000	0.24
	12 September 2017	283,000	0.24
	8 September 2017	41,100	0.24
	7 September 2017	237,000	0.24
	5 September 2017	247,100	0.24
	29 August 2017	86,000	0.24
	28 August 2017	150,700	0.24
	25 August 2017	43,800	0.24
	24 August 2017	102,700	0.24
	21 August 2017	156,600	0.24
	18 August 2017	369,300	0.24
	17 August 2017	212,000	0.24
	16 August 2017	73,500	0.24
	15 August 2017	232,000	0.24
	14 August 2017	53,000	0.24

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## APPENDIX 10 – ADDITIONAL GENERAL INFORMATION

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### 1. DISCLOSURE OF INTERESTS

- 1.1 No Agreement having any Connection with or Dependence upon the Exit Offer.** As at the Latest Practicable Date, there is no agreement, arrangement or understanding between (i) the Offeror or any party acting in concert with the Offeror, and (ii) any of the current or recent directors of Vard or any of the current or recent Shareholders having any connection with or dependence upon the Exit Offer.
- 1.2 Transfer of Offer Shares.** As at the Latest Practicable Date, there is no agreement, arrangement or understanding whereby any Offer Shares acquired pursuant to the Exit Offer will be transferred to any other person. The Offeror, however, reserves the right to transfer any of the Offer Shares to any party acting in concert with the Offeror or for the purpose of granting security in favour of financial institutions which have extended or shall extend credit facilities to it.
- 1.3 No Payment or Benefit to Directors of Vard.** As at the Latest Practicable Date, there is no agreement, arrangement or understanding for any payment or other benefit to be made or given to any director of Vard or any of its related corporations as compensation for loss of office or otherwise in connection with the Exit Offer.
- 1.4 No Agreement Conditional upon Outcome of Exit Offer.** As at the Latest Practicable Date, there is no agreement, arrangement or understanding between (i) the Offeror, and (ii) any of the directors of Vard or any other person in connection with or conditional upon the outcome of the Exit Offer or is otherwise connected with the Exit Offer.
- 1.5 Transfer Restrictions.** The constitution of Vard does not contain any restrictions on the right to transfer the Offer Shares.
- 1.6 No Indemnity Arrangements.** As at the Latest Practicable Date, neither the Offeror nor any party acting in concert with the Offeror has entered into any arrangement with any person of the kind referred to in Note 7 on Rule 12 of the Code, including indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to Vard Securities which may be an inducement to deal or refrain from dealing in Vard Securities.

### 2. GENERAL

- 2.1 Costs and Expenses.** All costs and expenses of or incidental to the preparation and circulation of this Exit Offer Letter (other than professional fees and other costs incurred or to be incurred by Vard relating to the Exit Offer) and stamp duty and transfer fees resulting from acceptances of the Exit Offer will be paid by the Offeror.
- 2.2 Consent from Citigroup.** Citigroup (as exclusive financial adviser to the Offeror in connection with the Exit Offer) has given and has not withdrawn its written consent to the issue of this Exit Offer Letter with the inclusion of its name and all references to its name in the form and context in which it appears in this Exit Offer Letter.
- 2.3 Consent from RHT Corporate Advisory Pte. Ltd..** RHT Corporate Advisory Pte. Ltd. has given and has not withdrawn its written consent to the issue of this Exit Offer Letter with the inclusion of its name and all references to its name in the form and context in which it appears in this Exit Offer Letter.

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## APPENDIX 10 – ADDITIONAL GENERAL INFORMATION

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### 3. MARKET QUOTATIONS

- 3.1 Closing Prices of the Shares.** The closing prices of the Shares on the SGX-ST, as reported by Bloomberg L.P., on (i) 10 November 2017 (being the Last Trading Day) was S\$0.25, and (ii) the Latest Practicable Date was S\$0.25.

The last transacted prices and aggregate trading volume of the Shares on the SGX-ST on a monthly basis from May 2017 to October 2017 (being the six calendar months preceding the Joint Announcement Date), as reported by Bloomberg L.P., are set out below:

Month	Last Transacted Price (S\$)	Volume of Shares Traded
May 2017	0.24	50,916,200
June 2017	0.24	4,379,600
July 2017	0.24	3,527,800
August 2017	0.25	6,667,600
September 2017	0.24	10,406,100
October 2017	0.25	3,004,900

- 3.2 Highest and Lowest Prices.** During the period commencing six months prior to the Joint Announcement Date and ending on the Latest Practicable Date, the highest and lowest closing prices of the Shares on the SGX-ST, as reported by Bloomberg L.P., are as follows:

- (i) highest closing price: S\$0.27<sup>(1)</sup> on 7 November 2017; and
- (ii) lowest closing price: S\$0.24 on 15 to 16 May 2017, 22 to 24 May 2017, 29 to 31 May 2017, 2 June 2017, 14 June to 4 July 2017, 7 to 10 July 2017, 13 to 19 July 2017, 26 July 2017, 28 July to 18 August 2017, 24 to 29 August 2017, 5 to 15 September 2017, 20 September 2017, 25 to 28 September 2017 and 3 to 11 October 2017.

**Note:**

- (1) Rounded to the nearest two decimal places.

### 4. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at the offices of the Registrar at 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619 during normal business hours for the period for which the Exit Offer remains open for acceptance:

- (i) the letter of consent from Citigroup referred to in **Paragraph 2.2** of this **Appendix 10**;
- (ii) the letter of consent from RHT Corporate Advisory Pte. Ltd. referred to in **Paragraph 2.3** of this **Appendix 10**;
- (iii) the Joint Announcement;
- (iv) the Offeror Financial Statements; and
- (v) the Fincantieri Financial Statements.

