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THIRD QUARTER 2014

FINANCIAL STATEMENTS

Published 11 November 2014

VARD™
a **Fincantieri** company

Vard Holdings Limited

Incorporated in Singapore | Company Registration No. 201012504K | Unaudited results for the third quarter ended 30 September 2014

Third Quarter 2014 Financial Statements

UNAUDITED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

(All amounts in NOK millions unless otherwise stated)

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(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS

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

	Group			Group		
	3Q-2014 ended 30/09/14	3Q-2013 ended 30/09/13	Change %	9 months ended 30/09/14	9 months ended 30/09/13	Change %
Revenue	2,809	2,370	18.5%	8,423	8,062	4.5%
Materials, subcontract costs and others	(2,137)	(1,627)	31.3%	(5,929)	(5,613)	5.6%
Salaries and related costs	(606)	(527)	15.0%	(1,769)	(1,530)	15.6%
Other operating expenses	(117)	(113)	3.5%	(416)	(391)	6.4%
EBITDA	(51)	103	n/m	309	528	-41.5%
Depreciation, impairment and amortization	(57)	(31)	83.9%	(154)	(161)	-4.3%
Operating profit	(108)	72	n/m	155	367	-57.8%
Financial income	14	41	-65.9%	58	78	-25.6%
Financial costs	(70)	(6)	n/m	(110)	(39)	182.1%
Net	(56)	35	n/m	(52)	39	n/m
Share of results of associates	10	4	n/m	17	4	n/m
Profit before tax	(154)	111	n/m	120	410	-70.7%
Income tax expense	(6)	(53)	-88.7%	(90)	(216)	-58.3%
Profit for the period	(160)	58	n/m	30	194	-84.5%
Profit for the period attributable to:						
Equity holders of the Company	(37)	76	n/m	195	244	-20.1%
Non-controlling interest	(123)	(18)	583.3%	(165)	(50)	230.0%
Profit for the period	(160)	58	n/m	30	194	-84.5%
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of foreign operations	47	54	-13.0%	(13)	108	n/m
Income tax on other comprehensive income	-	-	n/m	-	(1)	n/m
Items that may not be reclassified subsequently to profit or loss:						
Net fair value changes of associated companies	(20)	-	n/m	(20)	-	n/m
Other comprehensive income for the period, net of income tax	27	54	-50.0%	(33)	107	n/m
Total comprehensive income for the period	(133)	112	n/m	(3)	301	n/m
Total comprehensive income attributable to:						
Equity holders of the Company	(10)	130	n/m	169	351	-51.9%
Non-controlling interest	(123)	(18)	583.3%	(172)	(50)	244.0%
Total comprehensive income for the period	(133)	112	n/m	(3)	301	n/m

Notes:

(*) N/M - Not meaningful.

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

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(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

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

	Group			Group		
	3Q-2014 ended 30/09/14	3Q-2013 ended 30/09/13	Change %	9 months ended 30/09/14	9 months ended 30/09/13	Change %
Interest income	7	18	-61.1%	23	36	-36.1%
Dividend income	-	-	n/m	2	-	n/m
Foreign exchange gain	-	19	n/m	19	37	-48.6%
Other financial income	7	4	n/m	14	5	n/m
Financial income	14	41	-65.9%	58	78	-25.6%
Interest expense	(1)	(1)	n/m	(3)	(7)	n/m
Foreign exchange loss	(59)	(4)	n/m	(97)	(29)	234.5%
Other financial expenses	(10)	(1)	n/m	(10)	(3)	n/m
Financial expenses	(70)	(6)	n/m	(110)	(39)	182.1%
Net financial items	(56)	35	n/m	(52)	39	n/m
Depreciation of property, plant and equipment	(56)	(30)	1	(151)	(89)	69.7%
Amortization of intangibles	(1)	-	n/m	(2)	(1)	n/m
Impairment charges	-	(1)	n/m	(1)	(71)	-98.6%
Depreciation, impairment charges and amortization	(57)	(31)	83.9%	(154)	(161)	-4.3%
Bad debt	3	-	n/m	-	10	n/m
Provisions for doubtful debts	(2)	-	n/m	-	(7)	n/m
Allowance for doubtful debts and bad debts written off / -back	1	-	n/m	-	3	n/m

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UNAUDITED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(b)(i) Statement of Financial Position

	Group			Company		
	As at 30/09/14	As at 31/12/13	Change %	As at 30/09/14	As at 31/12/13	Change %
Property, plant and equipment	2,356	2,167	8.7%	-	-	n/m
Intangible assets	326	305	6.9%	-	-	n/m
Investment in subsidiary	-	-	n/m	2,142	2,142	0.0%
Investment in associates	402	383	5.0%	-	-	n/m
Other investments	62	62	0.0%	-	-	n/m
Interest-bearing receivables, non-current	220	201	9.5%	632	600	5.3%
Other receivables	70	80	-12.5%	-	-	n/m
Deferred tax assets	139	79	75.9%	-	-	n/m
Pension assets	2	4	n/m	-	-	n/m
TOTAL NON-CURRENT ASSETS	3,577	3,281	9.0%	2,774	2,742	1.2%
Inventories	404	382	5.8%	-	-	n/m
Construction WIP in excess of prepayments	4,883	6,136	-20.4%	-	-	n/m
Trade and other receivables	2,792	2,076	34.5%	31	47	-34.0%
Interest-bearing receivables, current	183	51	258.8%	-	-	n/m
Cash and cash equivalents	1,658	1,745	-5.0%	77	67	14.9%
TOTAL CURRENT ASSETS	9,920	10,390	-4.5%	108	114	-5.3%
TOTAL ASSETS	13,497	13,671	-1.3%	2,882	2,856	0.9%
Paid up capital	4,138	4,138	0.0%	4,138	4,138	0.0%
Restructuring reserve	(3,190)	(3,190)	0.0%	(1,411)	(1,411)	0.0%
Other reserves	141	167	-15.6%	-	-	n/m
Retained earnings	2,768	2,573	7.6%	148	116	27.6%
Total equity attributable to equity holders of the Comp.	3,857	3,688	4.6%	2,875	2,843	1.1%
Non-controlling interest	(143)	20	n/m	-	-	n/m
TOTAL EQUITY	3,714	3,708	0.2%	2,875	2,843	1.1%
Loans and borrowings, non-current	753	673	11.9%	-	-	n/m
Deferred tax liabilities	55	61	-9.8%	2	2	n/m
Pension liability	3	3	n/m	-	-	n/m
Other payables	20	32	-37.5%	-	-	n/m
Provisions, non-current	108	114	-5.3%	-	-	n/m
TOTAL NON-CURRENT LIABILITIES	939	883	6.3%	2	2	n/m
Loans and borrowings, current	237	305	-22.3%	-	-	n/m
Construction loans	4,745	4,707	0.8%	-	-	n/m
Prepayments in excess of construction WIP	1,064	991	7.4%	-	-	n/m
Trade and other payables	2,443	2,625	-6.9%	4	6	n/m
Income tax payable	154	202	-23.8%	1	5	n/m
Provisions, current	195	249	-21.7%	-	-	n/m
Other current liabilities	6	1	n/m	-	-	n/m
TOTAL CURRENT LIABILITIES	8,844	9,080	-2.6%	5	11	-54.5%
TOTAL LIABILITIES	9,783	9,963	-1.8%	7	13	-46.2%
TOTAL EQUITY AND LIABILITIES	13,497	13,671	-1.3%	2,882	2,856	0.9%

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UNAUDITED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(b)(ii) Aggregate amount of Group's Borrowings and Debt Securities

	As at 30.09.14		As at 31.12.13	
	Secured	Unsecured	Secured	Unsecured
Loans and borrowings, current	237	-	305	-
Construction loans *	4,745	-	4,707	-
Other current liabilities	-	6	-	1
Total Amount repayable in one year or less, or on demand	4,982	6	5,012	1
<i>* Construction loans are in general treated as short term maturing on vessel delivery.</i>				
Loans and borrowings, non-current	753	-	673	-
Total Amount repayable after one year	753	-	673	-
Total	5,735	6	5,685	1

Details of debt secured by collaterals¹⁾

The secured portion of the Group's borrowings and debt securities includes the long term loan facilities from "Innovation Norway" (a state-owned entity which promotes industrial development in Norway) which are secured by mortgages of an aggregate value of NOK 250 million. The loans are secured by investments, fixed assets such as property, plant and equipment as well as the dock at the Langsten yard.

Vard Singapore Pte Ltd has a long term loan investment facility of USD 10 million (NOK 63 million). The loan is used towards financing of investments in its Vietnam subsidiary. The loan is secured by pledge of the shares in Vard Vung Tau Ltd.

Vard Promar SA has a long term yard construction loan facility of USD 83.6 million (NOK 539 million) as well as short term facilities denominated in USD totalling 4 million (NOK 24 million). The loan is secured by mortgage in non-current assets, plant and equipment as well as the pledge of Vard Promar shares and parent company guarantees.

Vard Niteroi SA has credit facilities denominated in USD totalling 33 million (NOK 213 million) and credit facilities denominated in BRL totalling two million (NOK 5 million). The loans are secured by fiduciary lien of equipment.

Vessels under construction generally have a construction loan where the vessel itself functions as security.

¹⁾Facilities have been translated to NOK based on the exchange rates prevailing at the reporting date.

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UNAUDITED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(c) Statement of Cash Flows (Group)

	Group		Group	
	3Q-2014 ended 30/09/14	3Q-2013 ended 30/09/13	9 months ended 30/09/14	9 months ended 30/09/13
OPERATING ACTIVITIES				
Profit before tax	(154)	111	120	410
Adjustments for:				
Net interest income	17	(17)	3	(29)
Unrealised foreign exchange gain/loss	59	(52)	76	(18)
Depreciation, impairment and amortization	57	31	154	161
Change in pension assets and liabilities	1	1	2	1
Share-based payment expenses	-	-	-	10
Share of results of associates	(10)	(4)	(17)	(4)
Operating cash flows before movements in working capital	(29)	68	339	529
Inventories	37	(161)	(22)	(84)
Construction work in progress	586	(273)	1,326	(607)
Proceeds from construction loans	1,727	2,812	6,734	6,741
Repayment of construction loans	(1,999)	(1,854)	(6,768)	(5,891)
Trade and other receivables, incl. other interest bearing receivables	(230)	(154)	(850)	(61)
Trade and other payables, incl. other liabilities	124	(456)	(177)	(262)
Provisions	(74)	(80)	(91)	(318)
Cash generated from / (used in) operations	142	(98)	491	47
Interest received	-	-	7	15
Interest paid	(1)	(6)	(3)	(6)
Income tax paid	(15)	(3)	(181)	(440)
Cash flows from/ (used in) operating activities	126	(107)	314	(384)
INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	1	6	1	6
Purchase of property, plant and equipment	(124)	(328)	(312)	(640)
Purchase of intangible assets	(2)	(2)	(5)	(2)
Issuance of new non-current interest bearing receivables	-	(56)	(20)	(57)
Proceeds from repayment of non-current interest bearing receivables	-	-	96	-
Issuance of new short-term interest-bearing receivables	(113)	(46)	(132)	(46)
Proceeds from repayment of short-term interest-bearing receivables	-	87	-	87
Acquisition of subsidiary, net of cash acquired	(61)	(11)	(61)	(11)
Acquisition of equity interest in associates	-	-	(22)	-
Changes in other investments	-	-	-	(15)
Cash flows used in investing activities	(299)	(350)	(455)	(678)
FINANCING ACTIVITIES				
Proceeds from loans and borrowings	109	211	225	400
Repayment of loans and borrowings	(107)	(3)	(240)	(22)
Cash subscribed by non-controlling shareholders	9	-	9	4
Purchase of non-controlling interest in subsidiary	-	-	-	(2)
Cash settlement of employee share options	-	-	-	(7)
Cash flows from/ (used in) financing activities	11	208	(6)	372
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	(162)	(249)	(147)	(690)
Effects of currency translation difference on cash and cash equivalents	23	10	19	19
Cash and cash equivalents excl. restricted cash at beginning of financial period	1,674	1,986	1,663	2,418
Cash and cash equivalents excl. restricted cash at end of financial period	1,535	1,747	1,535	1,747
Restricted cash at end of financial period	123	56	123	56
Cash and cash equivalents at end of financial period	1,658	1,803	1,658	1,803

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UNAUDITED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(d)(i) Statements of
Changes in Equity

Group	Paid up Capital	Restructu- ring Reserve	Currency Translation Reserve	Fair Value Reserve	Share option reserve	Retained Earnings	Total Equity Attributable To Equity Holders of the Company	Non- controlling Interest	Total Equity
At 1 January 2014	4,138	(3,190)	-	167	-	2,573	3,688	20	3,708
<i>Comprehensive income</i>									
Profit for the period	-	-	-	-	-	195	195	(165)	30
Other comprehensive income	-	-	(26)	-	-	-	(26)	(7)	(33)
Total comprehensive income	-	-	(26)	-	-	195	169	(172)	(3)
<i>Transactions with owners</i>									
Cash subscribed by non- controlling shareholders	-	-	-	-	-	-	-	9	9
Total transaction with owners	-	-	-	-	-	-	-	9	9
At 30 september 2014	4,138	(3,190)	(26)	167	-	2,768	3,857	(143)	3,714
At 1 January 2013	4,138	(3,190)	(177)	173	19	2,188	3,151	65	3,216
<i>Comprehensive income</i>									
Profit for the period	-	-	-	-	-	244	244	(50)	194
Other comprehensive income	-	-	105	-	-	-	105	2	107
Total comprehensive income	-	-	105	-	-	244	349	(48)	301
<i>Transactions with owners</i>									
Cost of share-based payments	-	-	-	-	9	-	9	-	9
Cancellation of option scheme	-	-	-	-	(28)	21	(7)	-	(7)
Dividends paid to non- controlling interests	-	-	-	-	-	-	-	(1)	(1)
Cash subscribed by non- controlling shareholders	-	-	-	-	-	-	-	4	4
Changes in non-controlling interests	-	-	-	-	-	-	-	(1)	(1)
Total transaction with owners	-	-	-	-	(19)	21	2	2	4
At 30 september 2013	4,138	(3,190)	(72)	173	-	2,453	3,502	19	3,521

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UNAUDITED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(d)(i) Statements of
Changes in Equity

Company	Paid up Capital	Restructu- ring Reserve	Share option reserve	Retained Earnings	Total Equity
At 1 January 2014	4,138	(1,411)	0	118	2,845
<i>Comprehensive income</i>					
Profit for the period	-	-	-	30	30
Total comprehensive income for the period	-	-	-	30	30
At 30 september 2014	4,138	(1,411)	0	148	2,875
At 1 January 2013	4,138	(1,411)	17	60	2,804
<i>Comprehensive income</i>					
Profit for the period	-	-	-	25	25
Total comprehensive income for the period	-	-	-	25	25
<i>Transactions with owners</i>					
Cancellation of option scheme	-	-	(26)	19	(7)
Cost of share-based payments	-	-	9	-	9
Total transactions with owners	-	-	(17)	19	2
At 30 september 2013	4,138	(1,411)	0	104	2,831

(d)(ii) Share Capital

There were no ordinary shares issued in 3Q 2014. There are no treasury shares as at 30 September 2014 and as at 30 September 2013.

Share Options

There were no outstanding options to subscribe for shares as at 30 September 2014 (30 September 2013: 0).

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

The number of issued shares (excluding treasury shares) as at 30 September 2014 is 1,180,000,000 ordinary shares (31 December 2013: 1,180,000,000 ordinary shares)

(d)(iv) Sales, Transfers, Disposals, Cancellations and/or use of Treasury Shares

Not applicable. The Company has no treasury shares.

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UNAUDITED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

(All amounts in NOK millions unless otherwise stated)

2 AUDIT

The figures have not been audited nor reviewed by the auditors.

3 AUDITORS' REPORT

Not applicable.

4 ACCOUNTING POLICIES

Except as disclosed in paragraph 5, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements for the year ended 31 December 2013.

5 CHANGES IN ACCOUNTING POLICIES

On 1 January 2014, the Group adopted the following new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

FRS 110 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014)

FRS 110 replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation – Special Purpose Entities". The same criteria are now applied to all entities to determine control. Additional guidance is also provided to assist in the determination of control where this is difficult to assess.

FRS 112 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014)

FRS 112 requires disclosure of information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in (1) subsidiaries, (2) associates, (3) joint arrangements and (4) unconsolidated structured entities.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years.

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UNAUDITED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

(All amounts in NOK millions unless otherwise stated)

6 EARNINGS PER ORDINARY SHARE

Earnings per ordinary share (attributable to Equity holders of the Company) for the current financial period reported on and the corresponding period of the immediately preceding financial year:

	Group			Group		
	3Q-2014 ended 30/09/14	3Q-2013 ended 30/09/13	Change %	9 months ended 30/09/14	9 months ended 30/09/13	Change %
(i) Earnings for the period (in NOK millions)	(37)	76	n/m	195	244	-20.1%
Earnings for the period (in SGD millions)	(7)	16	n/m	39	51	-23.5%
Weighted average number of shares (in millions)	1,180	1,180	0.0%	1,180	1,180	0.0%
(ii) Earnings per share (NOK)	(0.03)	0.06	n/m	0.17	0.21	-19.0%
Earnings per share (SGD cents)	(0.59)	1.36	n/m	3.31	4.32	-23.4%
(iii) Diluted earnings per share (NOK)	(0.03)	0.06	n/m	0.17	0.21	-19.0%
Diluted earnings per share (SGD cents)	(0.59)	1.36	n/m	3.31	4.32	-23.4%
Adjusted weighted average number of shares (in millions)	1,180	1,180	0.0%	1,180	1,180	0.0%
Exchange rates:	30/09/14	30/09/13		30/09/14	30/09/13	
SGD/NOK	5.055	4.784	5.7%	5.055	4.784	5.7%

The SGD amounts are translated from NOK based on the exchange rates prevailing at the reporting date as shown above.

7 NET ASSETS VALUE PER ORDINARY SHARE

Net assets value (for the Issuer and Group) per ordinary share based on issued share capital of the issuer at the end of the current financial period reported on and immediately preceding financial year:

	Group			Company		
	As at 30/09/14	As at 31/12/13	Change %	As at 30/09/14	As at 31/12/13	Change %
Net assets value at the end of the period (NOK millions)	3,857	3,688	4.6%	2,875	2,843	1.1%
Net assets value at the end of the period (SGD millions)	763	767	-0.5%	569	591	-3.7%
Number of shares (millions)	1,180	1,180	0.0%	1,180	1,180	0.0%
Net assets value per ordinary share (NOK)	3.27	3.13	4.5%	2.44	2.41	1.2%
Net assets value per ordinary share (SGD)	0.65	0.65	0.0%	0.48	0.50	-4.0%
Exchange rates:	30/09/14	31/12/13		30/09/14	31/12/13	
SGD/NOK	5.055	4.809	5.1%	5.055	4.809	5.1%

The SGD amounts are translated from NOK based on the exchange rates prevailing at the reporting date as shown above.

Third Quarter 2014 Financial Statements

UNAUDITED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

(All amounts in NOK millions unless otherwise stated)

8 REVIEW OF GROUP PERFORMANCE

(a) Statement of comprehensive income:

The revenues for the third quarter 2014 were NOK 2.81 billion, up from NOK 2.37 billion in the corresponding period of 2013. VARD delivered five vessels during the third quarter and secured contracts for two newbuildings. For the nine months ended 30 September 2014, revenues increased 4.5% to NOK 8.42 billion compared to NOK 8.06 billion in the corresponding period of 2013.

Operating profit for the third quarter was negative NOK 108 million, down from NOK 72 million in the corresponding period of 2013. The operating margin for the quarter, representing operating profit to total revenues, was negative 3.8%. The EBITDA margin, representing EBITDA to total revenues was negative 1.8%. For the corresponding period last year, the operating margin and EBITDA margin were 3.0% and 4.4% respectively. On a year to date basis operating profit was NOK 155 million, down from NOK 367 million at the end of third quarter 2013. The operating margin and EBITDA margin were 1.8% and 3.7% respectively compared to 4.6% and 6.6% in the corresponding period of 2013.

Profit before tax was negative NOK 154 million, down from NOK 111 million in the corresponding period of 2013. With an effective tax rate of 3.9%, profit after tax came in at negative NOK 160 million. For the third quarter of 2013, the profit after tax was NOK 58 million. For the nine months ended 30 September 2014 profit before tax was NOK 120 million, down from NOK 410 million in the corresponding period of 2013. The profit after tax was NOK 30 million, down from NOK 194 million in the prior year. Effective tax rate for the Group is still very high as a result of zero or low tax rates for entities generating losses and higher tax rates for entities generating profit.

Out of the total foreign exchange loss reported year to date of NOK 97 million, NOK 87 million represents unrealized loss. NOK 29 million is related to the yard construction loan in Brazil denominated in USD. NOK 37 million is related to reversal of unrealized currency gain as at year end 2013 and will not result in a cash outflow. The remainder represents unrealized foreign exchange loss in relation to receivables, payables and bank accounts denominated in foreign currencies in general. The increased unrealized loss is due to the weakening of NOK versus USD and Euro during the quarter.

At NOK 714 million, new order intake during the quarter was below average, reflecting seasonal factors as well as uncertainty triggered by a changing market situation.

In its European organization, comprising the shipyards in Romania and Norway, VARD experienced substantial cost overruns in a limited number of projects, mainly related to the introduction of new production methodologies. The degree of completion achieved in Romania for several hulls was lower than planned, leading to higher cost incurred in Norway. The workload at the hull production yard in Tulcea is high, and outsourcing of some steel works to subcontractors is in progress. However, no changes in the delivery schedule are expected as a result of mitigating actions taken. A comprehensive change program is under way, addressing key areas of improvement, such as efficiency, productivity and workload management at the Romanian yards, integrating planning across production phases and locations, and procurement. Fincantieri Group is supporting the effort with the exchange of best practices, and specialist personnel.

Operations at the yard in Vietnam are stable and yard utilization is good, with five vessels currently under construction.

In Brazil, Vard Niterói has two more vessels to be delivered from its original order book. The repositioning and downsizing of some activities at the yard continues, while workload is maintained by the outfitting of two LPG carriers originally contracted by Vard Promar and built at a third-party yard. Additional cost was incurred for completion and rectification work as these projects enter the final stage before delivery. The activity level at the yard is high in order to secure the upcoming delivery of the first LPG carrier and the next AHTS vessel.

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UNAUDITED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

(All amounts in NOK millions unless otherwise stated)

8 REVIEW OF GROUP PERFORMANCE (cont.)

At the new shipyard Vard Promar, the first vessel built at the yard was successfully launched during 3Q 2014. However, project estimates for the LPG carriers currently under construction were revised downwards again due to slower than expected improvements in productivity. Planning certainty for the series of vessels has increased though as the first vessel reaches completion, and deliveries are expected within contractually agreed deadlines. A new yard management was put in place during the quarter, and a large team of expatriates supporting the yard development. Changes have been implemented with respect to the organization structure, planning and building methodology, and training of local resources.

(b) Statement of financial position:

With the delivery of five vessels during the quarter, construction work in progress in excess of prepayments decreased by 20.4% from NOK 6.14 billion to NOK 4.88 billion when comparing 30 September 2014 to 31 December 2013. At the same time trade and other receivables increased by 34.5% from NOK 2.08 billion to NOK 2.79 billion as a result of prepayments to suppliers for top-side equipment on certain projects. Cash and cash equivalents decreased by NOK 87 million to NOK 1.66 billion at the end of third quarter 2014. Of the total cash and bank deposits as of 30 September 2014, NOK 123 million relates to restricted bank deposits and restricted bank accounts for employees' tax deduction compared to NOK 82 million as of 31 December 2013.

Construction loans increased by 0.8% from NOK 4.71 billion to NOK 4.75 billion when comparing end of third quarter 2014 to year end 2013. Trade and other payables decreased by 6.9% to NOK 2.44 billion and prepayments in excess of construction work in progress increased by 7.4% to NOK 1.06 billion, versus NOK 2.63 billion and NOK 1.0 billion respectively as of year-end 2013. The movements in these items relates to on-going projects and ordinary business in general. Interest-bearing receivables, current, increased by NOK 132 million when comparing end of third quarter 2014 to year-end 2013 and relates to a cash collateral placed with a bank in relation to certain FX-derivatives for construction contracts denominated in USD.

Total interest-bearing liabilities, excluding construction loans amounted to NOK 990 million at 30 September 2014, up from NOK 978 million at year end 2013. The construction of the new shipyard in Brazil is now substantially complete except for the mounting of the gantry crane which is in progress.

(c) Statement of cash flows:

The cash flow from operating activities was positive NOK 126 million for the third quarter of 2014, compared to negative NOK 107 million in the corresponding period of 2013. Year to date 2014 cash flow from operating activities was positive NOK 314 million compared to negative NOK 384 million year to date 2013. Cash flow from operating activities can fluctuate significantly from period to period due to changes in working capital.

Cash flows used for investing activities for the third quarter of 2014 amounted to NOK 299 million, down from NOK 350 million in the corresponding period of 2013. The reduction is in line with the completion of the investments in Romania, as well as the new shipyard in Brazil.

Cash flows from financing activities for the third quarter of 2014 amounted to positive NOK 11 million which is the net effect of proceeds and repayments of loans and borrowings. The corresponding amount in the third quarter of 2013 was positive NOK 208 million.

During the third quarter of 2014, the net decrease in cash and cash equivalents by NOK 162 million was due to the aforementioned reasons.

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UNAUDITED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

(All amounts in NOK millions unless otherwise stated)

9 VARIANCE FROM FORECAST STATEMENT

The Company refers to the profit guidance announced on 5 August 2014 related to tax claim received from Brazilian Authorities. The Company has in cooperation with its legal counsel assessed the likelihood of a favorable ruling to be more likely than not, and hence no provision for the claim has been made as of Q3 2014.

The Company refers to the profit guidance announced on 14 October 2014. The result for the quarter is in line with the announcement.

10 PROSPECTS

At the end of third quarter 2014, the order book value amounted to NOK 20.13 billion, down from NOK 21.61 billion at the end of second quarter 2014 but still higher than at the end of the corresponding quarter in 2013. At the end of the quarter, the aggregate order value was NOK 29.50 billion, and the order book comprised 40 vessels, of which 24 will be of VARD's own design.

Despite a softer industry outlook on the back of a reduced oil price and a more cautious investment climate, VARD sees continued demand for certain vessel types, in particular in the subsea support and construction vessel market. VARD is well positioned to withstand a softer market in the near to medium term, due to its long and solid order book of firm contracts with major industry players, and an international client base with exposure to diverse oil and gas markets. Contract negotiations are ongoing for several projects, but below-average new order intake is expected for the remainder of 2014 and 2015.

Operationally, VARD expects stable operations in its European organization. In Vietnam, an expansion of the successful operations there is under evaluation. In Brazil, the new shipyard Vard Promar is showing clear signs of operational improvement, and is expected to reach its targeted production volume by mid-2015.

VARD expects to see a return to positive EBITDA margins in 4Q 2014, and further improvements in 2015.

11 DIVIDEND

(a) Current financial period reported on:

Any dividend declared for the current financial period reported on?
No

(b) Corresponding period of preceding financial year:

Any dividend declared for the corresponding period of the immediately preceding financial year?
No

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UNAUDITED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

(All amounts in NOK millions unless otherwise stated)

12 INTERESTED PERSON TRANSACTIONS

	Aggregate value of all interested person transactions during the financial period under review(excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
	3Q-2014 ended 30/09/14	9 months ended 30/09/14	3Q-2014 ended 30/09/14	9 months ended 30/09/14
Fincantieri Group				
Secondment of personnel to VARD	-	-	1	2
Design support to VARD	-	-	5	5
Total	-	-	6	7

13 CONFIRMATION BY THE BOARD

The Board of Directors hereby confirms that, to the best of its knowledge, nothing has come to its attention which may render the unaudited financial results for the third quarter ended 30 September 2014 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Mr Roy Reite
Executive Director & CEO
11 November 2014