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SECOND QUARTER 2015

FINANCIAL STATEMENTS

Published 22 July 2015

VARD™
a **Fincantieri** company

Vard Holdings Limited

Incorporated in Singapore | Company Registration No. 201012504K
Unaudited results for the second quarter ended 30 June 2015

Second Quarter 2015 Financial Statements

UNAUDITED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2015

(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		
	2Q-2015 ended 30/06/15	2Q-2014 ended 30/06/14	Change %	1H-2015 ended 30/06/15	1H-2014 ended 30/06/14	Change %
Revenue	2,489	2,942	-15.4%	5,552	5,614	-1.1%
Materials, subcontract costs and others	(1,663)	(1,993)	-16.6%	(3,852)	(3,792)	1.6%
Salaries and related costs	(639)	(611)	4.6%	(1,302)	(1,163)	12.0%
Other operating expenses	(141)	(149)	-5.4%	(287)	(299)	-4.0%
EBITDA before restructuring cost	46	189	-75.7%	111	360	-69.2%
Restructuring cost	(14)	-	n/m	(20)	-	n/m
Depreciation, impairment and amortization	(53)	(49)	8.2%	(103)	(97)	6.2%
Operating profit (loss)	(21)	140	n/m	(12)	263	n/m
Financial income	55	11	400.0%	130	44	195.5%
Financial costs	(60)	(1)	n/m	(351)	(40)	777.5%
Net	(5)	10	n/m	(221)	4	n/m
Share of results of associates	3	5	-40.0%	4	7	-42.9%
Profit (loss) before tax	(23)	155	n/m	(229)	274	n/m
Income tax expense	(28)	(50)	-44.0%	(48)	(84)	-42.9%
Profit (loss) for the period	(51)	105	n/m	(277)	190	n/m
Profit (loss) for the period attributable to:						
Equity holders of the Company	58	140	-58.6%	(34)	232	n/m
Non-controlling interest	(109)	(35)	211.4%	(243)	(42)	478.6%
Profit (loss) for the period	(51)	105	n/m	(277)	190	n/m
Other comprehensive income:						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Exchange differences on translation of foreign operations	29	(46)	n/m	202	(60)	n/m
Other comprehensive income for the period, net of income tax	29	(46)	n/m	202	(60)	n/m
Total comprehensive income for the period	(22)	59	n/m	(75)	130	n/m
Total comprehensive income attributable to:						
Equity holders of the Company	87	94	-7.4%	95	172	-44.8%
Non-controlling interest	(109)	(35)	211.4%	(170)	(42)	304.8%
Total comprehensive income for the period	(22)	59	n/m	(75)	130	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		
	2Q-2015 ended 30/06/15	2Q-2014 ended 30/06/14	Change %	1H-2015 ended 30/06/15	1H-2014 ended 30/06/14	Change %
Interest income	6	6	0.0%	13	16	-18.8%
Foreign exchange gain	44	(1)	n/m	111	19	484.2%
Other financial income	5	6	-16.7%	6	9	-33.3%
Financial income	55	11	400.0%	130	44	195.5%
Interest expense	(17)	(1)	n/m	(32)	(2)	n/m
Foreign exchange loss	(39)	(1)	n/m	(313)	(38)	723.7%
Other financial expenses	(4)	1	n/m	(6)	-	n/m
Financial expenses	(60)	(1)	n/m	(351)	(40)	777.5%
Net financial items	(5)	10	n/m	(221)	4	n/m
Depreciation of property, plant and equipment	(47)	(48)	-2.1%	(96)	(95)	1.1%
Amortization of intangibles	(1)	(1)	0.0%	(2)	(1)	100.0%
Impairment charges	(5)	-	n/m	(5)	(1)	400.0%
Depreciation, impairment charges and amortization	(53)	(49)	8.2%	(103)	(97)	6.2%
Bad debt	-	(3)	n/m	-	(3)	n/m
Provisions for doubtful debts	-	(2)	n/m	-	2	n/m
Allowance for doubtful debts and bad debts written off / -back	-	(5)	n/m	-	(1)	n/m

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(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(b)(i) Statement of Financial Position

	Group			Company		
	As at 30/06/15	As at 31/12/14	Change %	As at 30/06/15	As at 31/12/14	Change %
Property, plant and equipment	2,453	2,535	-3.2%	-	-	n/m
Intangible assets	414	338	22.5%	-	-	n/m
Investment in subsidiary	-	-	n/m	2,142	2,142	0.0%
Investment in associates	342	327	4.6%	-	-	n/m
Other investments	61	61	0.0%	-	-	n/m
Interest-bearing receivables, non-current	339	336	0.9%	656	632	3.8%
Non-current derivatives	55	1	n/m	-	-	n/m
Other non-current assets	31	55	-43.6%	-	-	n/m
Deferred tax assets	107	133	-19.5%	-	-	n/m
TOTAL NON-CURRENT ASSETS	3,802	3,786	0.4%	2,798	2,774	0.9%
Inventories	621	466	33.3%	-	-	n/m
Construction WIP in excess of prepayments	8,421	9,200	-8.5%	-	-	n/m
Trade and other receivables	1,837	1,638	12.1%	52	49	6.1%
Current derivatives	201	400	-49.8%	-	-	n/m
Other current assets	1,221	1,427	-14.4%	-	-	n/m
Interest-bearing receivables, current	486	530	-8.3%	100	70	42.9%
Cash and cash equivalents	904	2,002	-54.8%	8	10	-20.0%
TOTAL CURRENT ASSETS	13,691	15,663	-12.6%	160	129	24.0%
TOTAL ASSETS	17,493	19,449	-10.1%	2,958	2,903	1.9%
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	391	262	49.2%	-	-	n/m
Retained earnings	2,888	2,922	-1.2%	227	170	33.5%
Total equity attributable to equity holders of the Company	4,227	4,132	2.3%	2,954	2,897	2.0%
Non-controlling interest	(422)	(268)	57.5%	-	-	n/m
TOTAL EQUITY	3,805	3,864	-1.5%	2,954	2,897	2.0%
Loans and borrowings, non-current	1,219	1,204	1.2%	-	-	n/m
Deferred tax liabilities	54	72	-25.0%	2	2	0.0%
Non-current derivatives	1	47	-97.9%	-	-	n/m
Other non-current liabilities	56	3	n/m	-	-	n/m
Provisions, non-current	123	126	-2.4%	-	-	n/m
TOTAL NON-CURRENT LIABILITIES	1,453	1,452	0.1%	2	2	n/m
Loans and borrowings, current	488	406	20.2%	-	-	n/m
Construction loans	7,631	7,663	-0.4%	-	-	n/m
Prepayments in excess of construction WIP	360	848	-57.5%	-	-	n/m
Trade and other payables	1,325	2,418	-45.2%	1	1	0.0%
Current derivatives	2,226	2,180	2.1%	-	-	n/m
Income tax payable	73	192	-62.0%	1	2	-50.0%
Provisions, current	114	171	-33.3%	-	-	n/m
Other current liabilities	18	255	-92.9%	-	1	n/m
TOTAL CURRENT LIABILITIES	12,235	14,133	-13.4%	2	4	n/m
TOTAL LIABILITIES	13,688	15,585	-12.2%	4	6	n/m
TOTAL EQUITY AND LIABILITIES	17,493	19,449	-10.1%	2,958	2,903	1.9%

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UNAUDITED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2015

(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

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

	As at 30.06.15		As at 31.12.14	
	Secured	Unsecured	Secured	Unsecured
Loans and borrowings, current	488	-	406	-
Construction loans *	7,631	-	7,663	-
Total Amount repayable in one year or less, or on demand	8,119	-	8,069	-
<i>* Construction loans are in general treated as short term maturing on vessel delivery, and are secured by the vessels under construction.</i>				
Loans and borrowings, non-current	1,219	-	1,204	-
Total Amount repayable after one year	1,219	-	1,204	-
Total	9,338	-	9,273	-

Details of debt secured by collaterals

Currency	Drawn	Drawn	Current	Non-
	amount in currency	amount in NOK	portion in NOK	current portion in NOK
NOK	193	193	15	178
USD	143	1,125	202	923
EUR	29	259	143	116
BRL	51	130	128	2
Total		1,707	488	1,219

The following assets have been pledged as security for the loans:

- Property, plant and equipment in Vard Group AS
- Property, plant and equipment in Vard Promar SA
- Property, plant and equipment in Vard Tulcea SA
- Equipment in Vard Niterói SA
- Shares in Vard Vung Tau Ltd.
- Shares in Vard Promar SA

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UNAUDITED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2015

(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(c) Statement of Cash Flows (Group)

	Group		Group	
	2Q-2015 ended 30/06/15	2Q-2014 ended 30/06/14	1H-2015 ended 30/06/15	1H-2014 ended 30/06/14
OPERATING ACTIVITIES				
Profit before tax	(23)	155	(229)	274
<i>Adjustments for:</i>				
Net interest income	11	(5)	19	(14)
Unrealised foreign exchange gain/loss	(33)	(35)	141	(66)
Depreciation, impairment and amortization	53	49	103	97
Change in pension assets and liabilities	-	-	-	1
Share of results of associates	(3)	(5)	(4)	(7)
<i>Operating cash flows before movements in working capital</i>	5	159	30	285
Inventories	(77)	(42)	(165)	(59)
Construction work in progress	92	1,177	643	740
Proceeds from construction loans	1,458	1,002	3,112	5,007
Repayment of construction loans	(1,501)	(1,842)	(3,235)	(4,769)
Other working capital assets	461	(298)	190	(537)
Other working capital liabilities	(758)	(177)	(1,364)	(301)
Provisions	(51)	(16)	(60)	(17)
<i>Cash generated from / (used in) operations</i>	(371)	(37)	(849)	349
Interest received	1	3	6	7
Interest paid	(22)	(1)	(24)	(2)
Income tax paid	(89)	(88)	(170)	(166)
<i>Cash flows from/ (used in) operating activities</i>	(481)	(123)	(1,037)	188
INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	-	-	1	-
Purchase of property, plant and equipment	(74)	(116)	(134)	(188)
Purchase of intangible assets	(3)	(2)	(7)	(3)
Issuance of new non-current interest bearing receivables	(3)	(10)	(3)	(20)
Proceeds from repayment of non-current interest bearing receivables	20	19	20	96
Issuance of new short-term interest-bearing receivables	-	(13)	(1)	(19)
Proceeds from repayment of short-term interest-bearing receivables	7	-	7	-
Acquisition of subsidiary, net of cash acquired	(45)	-	(45)	-
Acquisition of equity interest in associates	(11)	(11)	(11)	(22)
<i>Cash flows used in investing activities</i>	(109)	(133)	(173)	(156)
FINANCING ACTIVITIES				
Proceeds from loans and borrowings	159	92	355	116
Repayment of loans and borrowings	(302)	(107)	(328)	(133)
<i>Cash flows from/ (used in) financing activities</i>	(143)	(15)	27	(17)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS				
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	(733)	(271)	(1,183)	15
Effects of currency translation difference on cash and cash equivalents	71	(2)	12	(4)
Cash and cash equivalents excl. restricted cash at beginning of financial period	1,457	1,947	1,966	1,663
Cash and cash equivalents excl. restricted cash at end of financial period	795	1,674	795	1,674
Restricted cash at end of financial period	109	151	109	151
Cash and cash equivalents at end of financial period	904	1,825	904	1,825

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UNAUDITED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2015

(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(d)(i) Statements of
 Changes in Equity

Group	Paid up Capital	Restructu- ring Reserve	Currency Translation Reserve	Fair Value Reserve	Retained Earnings	Total Equity Attributable To Equity Holders of the Company	Non- controlling Interest	Total Equity
At 1 January 2015	4,138	(3,190)	120	142	2,922	4,132	(268)	3,864
<i>Comprehensive income</i>								
Profit for the period	-	-	-	-	(34)	(34)	(243)	(277)
Other comprehensive income	-	-	129	-	-	129	73	202
Total comprehensive income	-	-	129	-	(34)	95	(170)	(75)
<i>Transactions with owners</i>								
Effect of business combinations	-	-	-	-	-	-	16	16
Total transaction with owners	-	-	-	-	-	-	16	16
At 30 June 2015	4,138	(3,190)	249	142	2,888	4,227	(422)	3,805
At 1 January 2014	4,138	(3,190)	-	167	2,573	3,688	20	3,708
<i>Comprehensive income</i>								
Profit for the period	-	-	-	-	232	232	(42)	190
Other comprehensive income	-	-	-	-	(53)	(53)	(7)	(60)
Total comprehensive income	-	-	-	-	179	179	(49)	130
At 30 June 2014	4,138	(3,190)	-	167	2,752	3,867	(29)	3,838

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(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	Retained Earnings	Total Equity
At 1 January 2015	4,138	(1,411)	170	2,897
<i>Comprehensive income</i>				
Profit for the period	-	-	57	57
Total comprehensive income for the period	-	-	57	57
At 30 June 2015	4,138	(1,411)	227	2,954
At 1 January 2014	4,138	(1,411)	118	2,845
<i>Comprehensive income</i>				
Profit for the period	-	-	19	19
Total comprehensive income for the period	-	-	19	19
At 30 June 2014	4,138	(1,411)	137	2,864

(d)(ii) Share Capital

There were no ordinary shares issued in 2Q 2015. There are no treasury shares as at 30 June 2015 and as at 30 June 2014.

Share Options

There were no outstanding options to subscribe for shares as at 30 June 2015 (30 June 2014: 0).

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

The number of issued shares (excluding treasury shares) as at 30 June 2015 is 1,180,000,000 ordinary shares (31 December 2014: 1,180,000,000 ordinary shares)

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

Not applicable. The Company has no treasury shares.

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2 AUDIT

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

3 AUDITORS' REPORT

Not applicable.

4 ACCOUNTING POLICIES

Except as disclosed in paragraph 5, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements for the year ended 31 December 2014.

5 CHANGES IN ACCOUNTING POLICIES

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

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UNAUDITED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2015

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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		
	2Q-2015 ended 30/06/15	2Q-2014 ended 30/06/14	Change %	1H-2015 ended 30/06/15	1H-2014 ended 30/06/14	Change %
(i) Earnings for the period (in NOK millions)	58	140	-58.6%	(34)	232	n/m
Earnings for the period (in SGD millions)	10	28	-64.3%	(6)	47	n/m
Weighted average number of shares (in millions)	1,180	1,180	0.0%	1,180	1,180	0.0%
(ii) Earnings per share (NOK)	0.05	0.12	-58.3%	(0.03)	0.20	-115.0%
Earnings per share (SGD cents)	0.85	2.37	-64.1%	(0.51)	3.98	-112.8%
(iii) Diluted earnings per share (NOK)	0.05	0.12	-58.3%	(0.03)	0.20	-115.0%
Diluted earnings per share (SGD cents)	0.85	2.37	-64.1%	(0.51)	3.98	-112.8%
Adjusted weighted average number of shares (in millions)	1,180	1,180	0.0%	1,180	1,180	0.0%
Exchange rates:	30/06/15	30/06/14		30/06/15	30/06/14	
SGD/NOK	5.834	4.930	18.3%	5.834	4.930	18.3%

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

7 NET ASSETS VALUE PER ORDINARY SHARE

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

	Group			Company		
	As at 30/06/15	As at 31/12/14	Change %	As at 30/06/15	As at 31/12/14	Change %
Net assets value at the end of the period (NOK millions)	4,227	4,132	2.3%	2,954	2,897	2.0%
Net assets value at the end of the period (SGD millions)	725	735	-1.4%	506	515	-1.7%
Number of shares (millions)	1,180	1,180	0.0%	1,180	1,180	0.0%
Net assets value per ordinary share (NOK)	3.58	3.50	2.3%	2.50	2.46	1.6%
Net assets value per ordinary share (SGD)	0.61	0.62	-1.6%	0.43	0.44	-2.3%
Exchange rates:	30/06/15	31/12/14		30/06/15	31/12/14	
SGD/NOK	5.834	5.622	3.8%	5.834	5.622	3.8%

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

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UNAUDITED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2015

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8 REVIEW OF GROUP PERFORMANCE

(a) Statement of comprehensive income:

Revenues for 2Q 2015 were NOK 2.49 billion, down from NOK 2.94 billion in 2Q 2014. Revenues for 1H 2015 were NOK 5.55 billion, which is at the same level as revenues in 1H 2014. Activity at some of the yards was reduced in the quarter both compared to the previous quarter and 2Q 2014.

The Group recorded an operating loss of NOK 21 million for 2Q 2015 and NOK 12 million for 1H 2015, down from an operating profit of NOK 140 million in 2Q 2014 and NOK 263 million in 1H 2014. EBITDA before restructuring cost was NOK 46 million in 2Q 2015 and NOK 111 million in 1H 2015, compared to NOK 189 million and NOK 360 million in the corresponding periods of 2014. Restructuring cost of NOK 14 million in the quarter and NOK 20 million for 1H 2015 are related to termination benefits and statutory payments for temporary redundancies.

The EBITDA margin was reduced from 6.4% in 2Q 2014 to 1.8% in 2Q 2015, and from 6.4% in 1H 2014 to 2.0% in 1H 2015. The reduced margin is caused by weaker performance at some of the yards.

In its European organization, comprising the shipyards in Romania and Norway, the activity level at some of the yards has started to decline as a result of the shortfall in new orders. The yards delivered two vessels in 2Q 2015 and six vessels in 1H2015. Because of the high variance in activity level, there is a high focus on minimizing cost related to lower capacity utilization.

Operations at the yard in Vietnam are stable and yard utilization is still good. The yard delivered one vessel in 2Q 2015 and two vessels in 1H 2015. The construction work for the two vessels with contracts terminated in 1Q 2015 continues according to plan.

In Brazil, downsizing at Niterói continues in line with the decreasing workload following recent vessel deliveries. After the delivery of the first LPG carrier on 9 July 2015, the yard has one AHTS in its order book, and outfitting work on the second LPG carrier of the Vard Promar order book. Profit for the period is affected by cost overruns related to the last AHTS.

At Vard Promar, the progress on the LPG carriers has not been satisfactory during the quarter, and the estimated completion dates have been postponed. As a consequence of the delays, additional loss provisions have been required. The PLSV projects are progressing.

Interest expense was NOK 17 million in 2Q 2015 and NOK 32 million in 1H 2015. The interest expense has increased as a consequence of increased borrowings, and reduced capitalization of borrowing cost related to assets under construction.

The Group has a net foreign exchange loss of NOK 202 million in 1H 2015 of which NOK 142 million is unrealized. NOK 132 million of the unrealized loss is related to the yard construction loan in Vard Promar denominated in USD. The unrealized loss on the loan has been reduced with NOK 42 million in 2Q 2015 compared to 1Q 2015, contributing to a net foreign exchange gain of NOK 5 million in 2Q 2015.

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UNAUDITED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2015

(All amounts in NOK millions unless otherwise stated)

8 REVIEW OF GROUP PERFORMANCE (cont.)

(a) Statement of comprehensive income (cont.)

The Group recorded a loss before tax of NOK 23 million in 2Q 2015 and NOK 229 million in 1H 2015, compared to a profit before tax of NOK 155 million in 2Q 2014 and NOK 274 million in 1H2015 . Income tax expense was NOK 28 million in 2Q 2015 and NOK 48 million in 1H 2015, compared to NOK 50 million and NOK 84 million in the corresponding periods last year. The effective tax rate is high because no deferred tax asset has been recognized related to entities generating losses in Brazil.

Because of the aforementioned reasons, profit for the period was reduced from NOK 105 million in 2Q 2014 to a loss of NOK 51 million in 2Q 2015, and from a profit of NOK 190 million in 1H 2014 to a loss of NOK 277 million in 1H 2015.

(b) Statement of financial position:

Total non-current assets are at the same level when comparing 30 June 2015 with 31 December 2014.

Total current assets have decreased from NOK 15.66 billion as of 31 December 2014 to NOK 13.69 billion as of 30 June 2015. NOK 1.1 billion of the reduction is caused by a reduction in cash and cash equivalents. The remaining reduction is caused by movements in projects related working capital items.

Total non-current liabilities are at the same level when comparing 30 June 2015 with 31 December 2014.

Total current liabilities have decreased from NOK 14.13 billion 31 December 2014 to NOK 12.24 billion 30 June 2015. The reduction is mainly caused by a reduction in trade and other payables, as well as prepayments in excess of construction WIP.

(c) Statement of cash flows:

Cash flow from operating activities was NOK 481 million negative in 2Q 2015 compared to NOK 123 million negative in 2Q 2014. In 1H 2015 cash flow from operating activities was NOK 1.04 billion negative, compared to NOK 188 million positive in the corresponding period in 2014. Cash flow from operating activities can fluctuate significantly from period to period due to changes in working capital. In spite of deliveries of several vessels in the quarter, the movements in working capital are negative mainly because of some large projects that require high working capital investments exceeding the available construction loan financing of these projects.

Cash flow used in investing activities was NOK 109 million in 2Q 2015, compared to NOK 133 million in the corresponding period of 2014. Cash flow used in investing activities was NOK 173 million in 1H 2015, compared to NOK 156 million in 1H 2014. Investments in property plant and equipment are at a lower level in 2015 than in the previous year. In 2014 there were higher investments related to the new yard in Promar, and the modernization of the yard in Tulcea. Net cash outflow related to the acquisition of ICD software was NOK 45 million.

Cash flow used in financing activities was NOK 143 million in 2Q 2015, compared to NOK 15 million in 2Q 2015. For 1H 2015 the Group had a positive cash flow from financing activities of NOK 27 million, compared to NOK 17 million negative in 1H 2015. Most of both proceeds and repayment relates to current financing. A short term loan in Vard Niteroi was repaid after the delivery of the AHTS "Skandi Angra" in May.

A net decrease in cash and cash equivalents by NOK 733 million in 2Q 2015 and NOK 1.18 billion in 1H 2015, was due to the aforementioned reasons. Including movements in restricted cash and effects of currency translation differences on cash and cash equivalents, the reduction was NOK 788 million in 2Q 2015 and NOK 1.1 billion in 1H 2015 .

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(d) Brazil tax claim

The previously reported tax claim in Brazil is still awaiting a decision in the second out of three levels of appeals within the Brazilian administrative tax authorities. VARD intends to continue to defend its position through further appeals and by all legal means at its disposal. The Company has in cooperation with its legal counsel assessed the likelihood of a favourable ruling in the second or third appeal as more likely than not and hence no provision for the claim has been made.

9 VARIANCE FROM FORECAST STATEMENT

The result for this quarter is in line with the commentary made in paragraph 10 of the previous quarter.

10 PROSPECTS

At the end of 2Q 2015, the order book value amounted to NOK 13.92 billion, down from NOK 15.63 billion at the end of 1Q 2015 and NOK 21.61 billion at the end of 2Q 2014. Aggregate order value at the end of the quarter was NOK 25.22 billion, and the order book comprised 29 vessels, of which 17 will be of VARD's own design. The order book continues to decline as revenue recognition exceeds new additions to the order book in a very challenging market. In particular in VARD's home market in the North Sea, the order outlook is still weak in the near term. At the same time, opportunities exist in some specialized segments, both within offshore oil & gas and in other niche markets. Activity in concept design is high as the Group aims to create new projects and reach out to new clients, markets and segments.

As a result of the shortfall in new orders, the Company has started to see lower utilization at some of its shipyards, and this trend is expected to accelerate during the second half of 2015 and in 2016. To mitigate the impact of lower capacity utilization in different order book scenarios, the Group has commenced a program to reduce the work force. Cost cutting measures and capacity adjustments are geared towards minimizing the effects of under-utilization while preserving core competences in the Group. Engineers and skilled labor from Romania and Norway have been engaged to support Vard Promar in Brazil, and additional engineering resources are being subcontracted to the Fincantieri parent group. Adjusting capacity flexibly in line with the new order development is one of the key challenges in this situation, as utilization is volatile and varies from yard to yard. Restructuring cost related to termination benefits and statutory payments for temporary redundancies will be incurred.

In Brazil, the Niterói yard has seen risk reduced with the delivery of another AHTS during the quarter, and an important milestone was reached with the delivery of the first LPG carrier (part of the Promar order book) after the end of the quarter, but cost overruns continue to be a concern until the delivery of the last remaining AHTS. The Company is currently evaluating opportunities for follow-on business at Niterói after the completion of the current newbuilding program. At the new shipyard Vard Promar, the situation is still demanding, and the focus is on further improvements in operational stability and efficiency, in particular in the later production stages toward delivery of the first LPG carriers from the yard, and on the avoidance of further delays.

Projects currently in the order book tie up, and will continue to tie up, a significant amount of cash in the quarters to come. The projects requiring the highest working capital are scheduled for delivery in 1H 2016. New credit lines are already secured, and additional facilities are under negotiation in order to maintain a healthy free cash reserve. The new bank facilities carry competitive terms and conditions compared to the Group's existing credit facilities.

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10 PROSPECTS (cont.)

Amid market uncertainty and operational challenges, the Company continues to see R&D and innovation and new business development as crucial to maintain its market position. The launch of VARD's new innovation project, "A step forward", which was launched during 2Q 2015, has received a positive echo in the industry and is a platform for development of new products and client relationships. The Company also invested further in its Equipment and Solutions business with the acquisition of ICD Software, a leading automation and control system software provider, underlining its ambitions to diversify its product portfolio and develop new business areas.

11 DIVIDEND

(a) Current financial period reported on:

Any dividend declared for the current financial period reported on?

No

(b) Corresponding period of preceding financial year:

Any dividend declared for the corresponding period of the immediately preceding financial year?

No

12 INTERESTED PERSON TRANSACTIONS

	Aggregate value of all interested person transactions during the financial period under review(excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
	2Q-2015 ended 30/06/15	1H-2015 ended 30/06/15	2Q-2015 ended 30/06/15	1H-2015 ended 30/06/15
Fincantieri Group				
Sale of electrical equipment to Fincantieri	-	-	-	27
Sale of electrical package to Fincantieri	-	-	-	4
Secondment of personnel to VARD	-	-	1	3
Secondment of personnel to Fincantieri	-	-	2	2
Support service to Yard Management in Vard	-	-	-	1
Total	-	-	3	38

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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 second quarter ended 30 June 2015 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Mr Roy Reite
Executive Director & CEO
22 July 2015