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THIRD QUARTER 2015

# FINANCIAL STATEMENTS

Published 11 November 2015

**VARD™**  
a **Fincantieri** company

**Vard Holdings Limited**

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

Third Quarter 2015 Financial Statements

UNAUDITED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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		
	3Q-2015	3Q-2014	Change %	9 months	9 months	Change %
	ended 30.09.15	ended 30.09.14		ended 30.09.15	ended 30.09.14	
Revenue	2,271	2,809	-19%	7,823	8,423	-7%
Materials, subcontract costs and others	(2,009)	(2,137)	-6%	(5,861)	(5,929)	-1%
Salaries and related costs	(547)	(606)	-10%	(1,849)	(1,769)	5%
Other operating expenses	(182)	(117)	56%	(469)	(416)	13%
EBITDA before restructuring cost	(467)	(51)	n/m	(356)	309	n/m
Restructuring cost	(36)	-	n/m	(56)	-	n/m
Depreciation, impairment and amortization	(51)	(57)	-11%	(154)	(154)	0%
Operating profit/(loss)	(554)	(108)	n/m	(566)	155	n/m
Financial income	152	14	n/m	282	58	n/m
Financial costs	(410)	(70)	n/m	(761)	(110)	n/m
Net	(258)	(56)	n/m	(479)	(52)	n/m
Share of results of associates	-	10	n/m	4	17	-76%
Profit/(loss) before tax	(812)	(154)	n/m	(1,041)	120	n/m
Income tax expense	(33)	(6)	n/m	(81)	(90)	-10%
Profit/(loss) for the period	(845)	(160)	n/m	(1,122)	30	n/m
Profit/(loss) for the period attributable to:						
Equity holders of the Company	(486)	(37)	n/m	(520)	195	n/m
Non-controlling interest	(359)	(123)	n/m	(602)	(165)	n/m
Profit/(loss) for the period	(845)	(160)	n/m	(1,122)	30	n/m
Other comprehensive income:						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Exchange differences on translation of foreign operations	272	47	n/m	474	(13)	n/m
<i>Items that may not be reclassified subsequently to profit or loss:</i>						
Net fair value changes of associated companies	-	(20)	n/m	-	(20)	n/m
Other comprehensive income for the period, net of income tax	272	27	n/m	474	(33)	n/m
Total comprehensive income/(loss) for the period	(573)	(133)	n/m	(648)	(3)	n/m
Total comprehensive income/(loss) attributable to:						
Equity holders of the Company	(214)	(10)	n/m	(193)	169	n/m
Non-controlling interest	(359)	(123)	n/m	(455)	(172)	n/m
Total comprehensive income/(loss) for the period	(573)	(133)	n/m	(648)	(3)	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-2015	3Q-2014	Change %	9 months	9 months	Change %
	ended 30.09.15	ended 30.09.14		ended 30.09.15	ended 30.09.14	
Interest income	8	7	14%	21	23	-9%
Dividend income	-	-	n/m	-	2	n/m
Foreign exchange gain	146	-	n/m	257	19	n/m
Other financial income	(2)	7	n/m	4	14	-71%
Financial income	152	14	n/m	282	58	n/m
Interest expense	(19)	(1)	n/m	(51)	(3)	n/m
Foreign exchange loss	(385)	(59)	n/m	(698)	(97)	n/m
Other financial expenses	(6)	(10)	-40%	(12)	(10)	20%
Financial expenses	(410)	(70)	n/m	(761)	(110)	n/m
Net financial items	(258)	(56)	n/m	(479)	(52)	n/m
Depreciation of property, plant and equipment	(50)	(56)	-11%	(146)	(151)	-3%
Amortization of intangibles	(1)	(1)	0%	(3)	(2)	50%
Impairment charges	-	-	n/m	(5)	(1)	n/m
Depreciation, impairment charges and amortization	(51)	(57)	-11%	(154)	(154)	0%
Bad debt	-	3	n/m	-	-	n/m
Provisions for doubtful debts	-	(2)	n/m	-	-	n/m
Allowance for doubtful debts and bad debts written off/back	-	1	n/m	-	-	n/m

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UNAUDITED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(b)(i) Statement of Financial Position

	Group			Company		
	As at 30.09.15	As at 31.12.14	Change %	As at 30.09.15	As at 31.12.14	Change %
Property, plant and equipment	2,368	2,535	-7%	-	-	n/m
Intangible assets	417	338	23%	-	-	n/m
Investment in subsidiary	-	-	n/m	2,142	2,142	0%
Investment in associates	344	327	5%	-	-	n/m
Other investments	61	61	0%	-	-	n/m
Interest-bearing receivables, non-current	340	336	1%	656	632	4%
Non-current derivatives	-	1	n/m	-	-	n/m
Other non-current assets	74	55	35%	-	-	n/m
Deferred tax assets	105	133	-21%	-	-	n/m
<b>TOTAL NON-CURRENT ASSETS</b>	<b>3,709</b>	<b>3,786</b>	<b>-2%</b>	<b>2,798</b>	<b>2,774</b>	<b>1%</b>
Inventories	517	466	11%	-	-	n/m
Construction WIP in excess of prepayments	9,909	9,200	8%	-	-	n/m
Trade and other receivables	1,637	1,638	0%	62	49	27%
Current derivatives	344	400	-14%	-	-	n/m
Other current assets	1,425	1,427	0%	-	-	n/m
Interest-bearing receivables, current	528	530	0%	100	70	43%
Cash and cash equivalents	906	2,002	-55%	20	10	n/m
Assets held for sale	221	-	n/m	-	-	n/m
<b>TOTAL CURRENT ASSETS</b>	<b>15,487</b>	<b>15,663</b>	<b>-1%</b>	<b>182</b>	<b>129</b>	<b>41%</b>
<b>TOTAL ASSETS</b>	<b>19,196</b>	<b>19,449</b>	<b>-1%</b>	<b>2,980</b>	<b>2,903</b>	<b>3%</b>
Paid up capital	4,138	4,138	0%	4,138	4,138	0%
Restructuring reserve	(3,190)	(3,190)	0%	(1,411)	(1,411)	0%
Other reserves	589	262	n/m	-	-	n/m
Retained earnings	2,402	2,922	-18%	250	170	47%
Total equity attributable to equity holders of the Company	3,939	4,132	-5%	2,977	2,897	3%
Non-controlling interest	(707)	(268)	n/m	-	-	n/m
<b>TOTAL EQUITY</b>	<b>3,232</b>	<b>3,864</b>	<b>-16%</b>	<b>2,977</b>	<b>2,897</b>	<b>3%</b>
Loans and borrowings, non-current	1,246	1,204	3%	-	-	n/m
Deferred tax liabilities	56	72	-22%	2	2	0%
Non-current derivatives	52	47	11%	-	-	n/m
Other non-current liabilities	12	3	n/m	-	-	n/m
Provisions, non-current	124	126	-2%	-	-	n/m
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1,490</b>	<b>1,452</b>	<b>3%</b>	<b>2</b>	<b>2</b>	<b>0%</b>
Loans and borrowings, current	759	406	87%	-	-	n/m
Construction loans	8,639	7,663	13%	-	-	n/m
Prepayments in excess of construction WIP	373	848	-56%	-	-	n/m
Trade and other payables	1,404	2,418	-42%	1	1	0%
Current derivatives	3,092	2,180	42%	-	-	n/m
Income tax payable	60	192	-69%	-	2	n/m
Provisions, current	119	171	-30%	-	-	n/m
Other current liabilities	28	255	-89%	-	1	n/m
<b>TOTAL CURRENT LIABILITIES</b>	<b>14,474</b>	<b>14,133</b>	<b>2%</b>	<b>1</b>	<b>4</b>	<b>n/m</b>
<b>TOTAL LIABILITIES</b>	<b>15,964</b>	<b>15,585</b>	<b>2%</b>	<b>3</b>	<b>6</b>	<b>n/m</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>19,196</b>	<b>19,449</b>	<b>-1%</b>	<b>2,980</b>	<b>2,903</b>	<b>3%</b>

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UNAUDITED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 30.09.15		As at 31.12.14	
	Secured	Unsecured	Secured	Unsecured
Loans and borrowings, current	377	382	406	-
Construction loans *	8,639	-	7,663	-
Total Amount repayable in one year or less, or on demand	9,016	382	8,069	-

\* Construction loans are in general treated as short term maturing on vessel delivery, and are secured by the vessels under construction.

Loans and borrowings, non-current	1,246	-	1,204	-
Total Amount repayable after one year	1,246	-	1,204	-
<b>Total</b>	<b>10,262</b>	<b>382</b>	<b>9,273</b>	<b>-</b>

Details of debt secured by collaterals

Currency	Drawn		Current portion in NOK	Non-current portion in NOK
	Drawn amount in currency	amount in NOK		
NOK	221	221	49	172
USD	139	1,185	194	991
EUR	21	199	117	82
BRL	8	18	17	1
<b>Total</b>		<b>1,623</b>	<b>377</b>	<b>1,246</b>

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

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

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UNAUDITED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(c) Statement of Cash Flows (Group)

	Group		Group	
	3Q-2015 ended 30.09.15	3Q-2014 ended 30.09.14	9 months ended 30.09.15	9 months ended 30.09.14
<b>OPERATING ACTIVITIES</b>				
Profit before tax	(812)	(154)	(1,041)	120
<i>Adjustments for:</i>				
Net interest expense	11	17	30	3
(Gain)/loss on disposal of property, plant and equipment, net	-	1	-	1
Unrealised foreign exchange gain/loss	245	59	386	76
Depreciation, impairment and amortization	51	57	154	154
Change in pension assets and liabilities	-	1	-	2
Share of results of associates	-	(10)	(4)	(17)
<i>Operating cash flows before movements in working capital</i>	(505)	(29)	(475)	339
Inventories	124	37	(41)	(22)
Construction work in progress	(1,412)	586	(769)	1,326
Proceeds from construction loans	1,357	1,727	4,469	6,734
Repayment of construction loans	(571)	(1,999)	(3,806)	(6,768)
Other working capital assets	(139)	(230)	51	(850)
Other working capital liabilities	1,045	124	(319)	(177)
Provisions	16	(74)	(44)	(91)
<i>Cash generated from / (used in) operations</i>	(85)	142	(934)	491
Interest received	-	-	6	7
Interest paid	(11)	(1)	(35)	(3)
Income tax paid	-	(15)	(170)	(181)
<i>Cash flows from/ (used in) operating activities</i>	(96)	126	(1,133)	314
<b>INVESTING ACTIVITIES</b>				
Proceeds from disposal of property, plant and equipment	-	1	1	1
Purchase of property, plant and equipment	(66)	(124)	(200)	(312)
Purchase of intangible assets	(5)	(2)	(12)	(5)
Issuance of new non-current interest bearing receivables	-	-	(3)	(20)
Proceeds from repayment of non-current interest bearing receivables	-	-	20	96
Issuance of new short-term interest-bearing receivables	(1)	(113)	(2)	(132)
Proceeds from repayment of short-term interest-bearing receivables	-	-	7	-
Acquisition of subsidiary, net of cash acquired	-	(61)	(45)	(61)
Acquisition of equity interest in associates	-	-	(11)	(22)
<i>Cash flows used in investing activities</i>	(72)	(299)	(245)	(455)
<b>FINANCING ACTIVITIES</b>				
Proceeds from loans and borrowings	165	109	520	225
Repayment of loans and borrowings	35	(107)	(293)	(240)
Cash subscribed by non-controlling shareholders	-	9	-	9
<i>Cash flows from/ (used in) financing activities</i>	200	11	227	(6)
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
Effects of currency translation difference on cash and cash equivalents	(62)	23	(50)	19
Cash and cash equivalents excl. restricted cash at beginning of financial period	795	1,674	1,966	1,663
Cash and cash equivalents excl. restricted cash at end of financial period	765	1,535	765	1,535
Restricted cash at end of financial period	141	123	141	123
<i>Cash and cash equivalents at end of financial period</i>	906	1,658	906	1,658

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UNAUDITED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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	Restructuring 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/(loss) for the period	-	-	-	-	(520)	(520)	(602)	(1,122)
Other comprehensive income	-	-	327	-	-	327	147	474
Total comprehensive income/(loss)	-	-	327	-	(520)	(193)	(455)	(648)
<i>Transactions with owners</i>								
Effect of business combinations	-	-	-	-	-	-	16	16
Total transaction with owners	-	-	-	-	-	-	16	16
At 30 September 2015	4,138	(3,190)	447	142	2,402	3,939	(707)	3,232
At 1 January 2014	4,138	(3,190)	-	167	2,573	3,688	20	3,708
<i>Comprehensive income</i>								
Profit/(loss) for the period	-	-	-	-	195	195	(165)	30
Other comprehensive income	-	-	(26)	-	-	(26)	(7)	(33)
Total comprehensive income/(loss)	-	-	(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



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UNAUDITED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(d)(i) Statements of  
 Changes in Equity

Company

	Paid up Capital	Res- tructuring Reserve	Retained Earnings	Total Equity
At 1 January 2015	4,138	(1,411)	170	2,897
<i>Comprehensive income</i>				
Profit for the period	-	-	80	80
Total comprehensive income	-	-	80	80
At 30 September 2015	4,138	(1,411)	250	2,977
At 1 January 2014	4,138	(1,411)	118	2,845
<i>Comprehensive income</i>				
Profit for the period	-	-	30	30
Total comprehensive income	-	-	30	30
At 30 September 2014	4,138	(1,411)	148	2,875

(d)(ii) Share Capital

There were no ordinary shares issued in 3Q 2015. There are no treasury shares as at 30 September 2015 and as at 30 September 2014.

Share Options

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

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

The number of issued shares (excluding treasury shares) as at 30 September 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.

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.

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UNAUDITED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

(All amounts in NOK millions unless otherwise stated)

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 shorthand for "EBITDA before restructuring cost" throughout the remainder of this report.

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-2015 ended 30.09.15	3Q-2014 ended 30.09.14	Change %	9 months ended 30.09.15	9 months ended 30.09.14	Change %
(i) Earnings for the period (in NOK millions)	(486)	(37)	n/m	(520)	195	n/m
Earnings for the period (in SGD millions)	(81)	(7)	n/m	(87)	39	n/m
Weighted average number of shares (in millions)	1,180	1,180	0%	1,180	1,180	0%
(ii) Earnings per share (NOK)	(0.41)	(0.03)	n/m	(0.44)	0.17	n/m
Earnings per share (SGD cents)	(6.86)	(0.59)	n/m	(7.37)	3.31	n/m
(iii) Diluted earnings per share (NOK)	(0.41)	(0.03)	n/m	(0.44)	0.17	n/m
Diluted earnings per share (SGD cents)	(6.86)	(0.59)	n/m	(7.37)	3.31	n/m
Adjusted weighted average number of shares (in millions)	1,180	1,180	0%	1,180	1,180	0%
Exchange rates:	30.09.15	30.09.14		30.09.15	30.09.14	
SGD/NOK	5.982	5.055	18%	5.982	5.055	18%

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 30.09.15	As at 31.12.14	Change %	As at 30.09.15	As at 31.12.14	Change %
Net assets value at the end of the period (NOK millions)	3,939	4,132	-5%	2,977	2,897	3%
Net assets value at the end of the period (SGD millions)	658	735	-10%	498	515	-3%
Number of shares (millions)	1,180	1,180	0%	1,180	1,180	0%
Net assets value per ordinary share (NOK)	3.34	3.50	-5%	2.52	2.46	2%
Net assets value per ordinary share (SGD)	0.56	0.62	-10%	0.42	0.44	-5%
Exchange rates:	30.09.15	31.12.14		30.09.15	31.12.14	
SGD/NOK	5.982	5.622	6%	5.982	5.622	6%

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

8 REVIEW OF GROUP PERFORMANCE

(a) Statement of comprehensive income:

Revenues for 3Q 2015 were NOK 2.27 billion, down from NOK 2.81 billion in 3Q 2014. Revenues for the nine months ended 30 September 2015 were NOK 7.82 billion, down 7 % compared to the corresponding period in 2014. The decrease is mainly caused by reduced activity at some of the European shipyards.

EBITDA before restructuring cost was NOK 467 million negative for 3Q 2015 (3Q 2014: NOK 51 million negative), and NOK 356 million negative on a year to date basis (2014: NOK 309 million positive). The negative result for 2015 is caused by loss provisions related to projects at the Brazilian yards. The rest of the group contributed with a positive EBITDA, both in the quarter and on a year to date basis. However, margins for the European operations were also reduced compared with 2014, because of lower margins on ongoing projects combined with increased cost of underutilized capacity.

Restructuring cost of NOK 36 million in the quarter and NOK 56 million for the nine months ended 30 September 2015 are related to termination benefits and statutory payments for temporary lay-offs.

In VARD's European organization, comprising the shipyards in Romania and Norway, the activity level at the yards is declining as a result of the shortfall in new orders. The yards delivered one vessel in 3Q 2015 and seven vessels on a year to date basis. The ongoing cost reduction and efficiency improvement program continues in all entities, targeting direct and indirect cost savings. Recently introduced organizational changes in the basic engineering and procurement area are beginning to yield results. There is a strong focus on minimizing cost related to lower capacity utilization, and the reduction of the workforce is progressing in line with the reduced workload. In Romania, a formal restructuring process is underway at Vard Tulcea, the larger of the two yards. Engineering resources have been subcontracted to the parent group, Fincantieri, in order to retain highly skilled staff in the organization. Vard Tulcea has also successfully delivered first steel sections for Fincantieri cruise projects. In Norway, the work load is varying from yard to yard, and decreasing. Temporary layoffs are used to buffer the effects of underutilization.

Operations at the yard in Vietnam are stable and yard utilization is still good. The first of the two vessels with contracts terminated in 1Q 2015 was delivered in September to the Group company Vard Shipholding Singapore Pte. Ltd. The vessel has commenced on a four months' charter in Australia, with options for additional four months. The vessel is still actively marketed for sale. Construction work for the second vessel continues, with some modifications in scope in order to be able to offer a more flexible vessel to the market. On a year to date basis the yard has delivered two vessels to external customers.

In Brazil, downsizing at Niterói continued in line with the decreasing workload following recent vessel deliveries. The workforce will be further reduced in coming months on the back of the progress of the construction. 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 further cost overruns and delays related to the last AHTS. Both vessels are expected to be delivered in 1H 2016.

At Vard Promar, the progress on the LPG carriers has not been satisfactory during the quarter. The scope and complexity of the projects exceed original assumptions, and efficiency and operational stability at the yard are still lower than anticipated, resulting in new cost overruns and delays. As a consequence of the delays, estimated completion dates for the vessel series have been postponed and additional loss provisions have been made. In addition to increased direct production costs, the delays also cause additional financing costs and expected late delivery penalties. A revised building schedule now foresees delivery of one LPG carrier at the end of 2015, one in 2016 and two in each of 2017 and 2018, subject to agreement with Transpetro. The estimated cost for delays is based on the current contractual framework. Visibility and predictability are negatively impacted by the overall economic and political environment in Brazil, and the relationship with the client is challenging.

8 REVIEW OF GROUP PERFORMANCE (cont.)

(a) Statement of comprehensive income (cont.)

The PLSV projects are progressing, but some delays are expected for both vessels. Because of the past performance at the yard, the uncertainty regarding the final outcome for these contracts are considered too high to recognize any profit on the projects.

The consequence of the items discussed above is that the operating loss for the period increased from NOK 108 million in 3Q 2014 to NOK 554 million in 3Q 2015. Correspondingly the operating profit of NOK 155 million for the nine months ended 30 September 2014 was reduced to an operating loss of 566 million for the nine months ended 30 September 2015.

Interest expense was NOK 19 million in 3Q 2015 and NOK 51 million for the nine months ended 30 September 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 441 million for the nine months ended 30 September 2015, of which NOK 386 million is unrealized. NOK 365 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 increased with NOK 233 million in 3Q 2015 compared to 1H 2015, contributing to a net foreign exchange loss of NOK 239 million in 3Q 2015.

The Group recorded a loss before tax of NOK 812 million in 3Q 2015 and NOK 1.04 billion for the nine months ended 30 September 2015, compared to a loss before tax of NOK 154 million in 3Q 2014 and a profit of NOK 120 million for the period ended 30 September 2015. Income tax expense was NOK 33 million in 3Q 2015 and NOK 81 million on a year to date basis, compared to NOK 6 million and NOK 90 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.

For the aforementioned reasons, the loss for the period increased from NOK 160 million in 3Q 2014 to a loss of NOK 845 million in 3Q 2015. A profit of NOK 30 million for the nine months period ended 30 September 2014 turned to a loss of NOK 1.12 billion for the nine months period ended 30 September 2015.

(b) Statement of financial position:

Total non-current assets were stable when comparing 30 September 2015 with 31 December 2014.

Total current assets have decreased from NOK 15.66 billion as of 31 December 2014 to NOK 15.49 billion as of 30 September 2015. Cash and cash equivalents are reduced by NOK 1.10 billion, while other working capital assets have increased by NOK 920 million. The increase related to other working capital assets is caused by an increase in construction WIP driven by hedge accounting effects. The vessel transferred to Vard Shipholding Singapore is presented as asset held for sale.

Total non-current liabilities have increased by 3 %, mainly because of unrealized foreign exchange losses on borrowings and new non-current loans, exceeding instalments paid.

Total current liabilities have increased from NOK 14.13 billion on 31 December 2014 to NOK 14.47 billion on 30 September 2015. Trade and other payables have decreased by NOK 1.01 billion, while there is a corresponding increase in construction loans. Current derivatives have increased from NOK 2.18 billion to NOK 3.10 billion, mainly because of the weakening of NOK compared to USD. There is a corresponding increase in Construction WIP assets and other current assets (firm commitment related to hedge accounting).

(c) Statement of cash flows:

Cash flow from operating activities was NOK 96 million negative in 3Q 2015 compared to NOK 126 million positive in 3Q 2014. For the nine months period ended 30 September 2015 cash flow from operating activities was NOK 1.13 billion negative, compared to NOK 314 million positive in the corresponding period of 2014. Cash flow from operating activities can fluctuate significantly from period to period due to changes in working capital. 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. In addition, the cash impact of previously reported losses in Brazil has now started to materialize.

Cash flow used in investing activities was NOK 72 million in 3Q 2015, compared to NOK 299 million in 3Q 2014. Cash flow used in investing activities was NOK 245 million for the nine months ended 30 September 2015, compared to NOK 455 million in the corresponding period of 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 of NOK 45 million was recorded during 2Q 2015.

Cash flow from financing activities was NOK 200 million in 3Q 2015, compared to NOK 11 million in 3Q 2014. For the nine months period ended 30 September 2015 the Group had a positive cash flow from financing activities of NOK 227 million, compared to NOK 6 million negative in the corresponding period of 2014. Most of both proceeds and repayment relates to current financing. In 3Q 2015 new credit facilities were established.

A net increase in cash and cash equivalents by NOK 32 million was recorded in 3Q 2015, and a net decrease of NOK 1.16 billion on a year to date basis due to the aforementioned reasons. Including movements in restricted cash and effects of currency translation differences on cash and cash equivalents, there was an increase of NOK 2 million in 3Q 2015 and a decrease of NOK 1.10 billion for the nine months period ended 30 September 2015.

(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 Company refers to the profit warning issued on 15 October 2015. The result for the quarter is in line with the announcement.

10 PROSPECTS

At the end of 3Q 2015, the order book value amounted to NOK 14.01 billion, compared to NOK 13.92 billion at the end of 2Q 2015 and NOK 17.74 billion at the end of 2014. Aggregate order value at the end of the quarter was NOK 26.23 billion, and the order book comprised 31 vessels, of which 18 will be of VARD's own design. The order intake in 3Q 2015 is lower than recognized revenue, but the order book remains stable compared to 2Q 2015 because of foreign exchange effects.

VARD's core market for offshore support vessels continues to be weak, especially for PSVs and AHTS in the North Sea where many vessels have been laid up and newbuilding projects are being delayed. Currently project opportunities in the offshore industry are mostly related to light construction vessels, and in other geographical areas. VARD is increasingly active in regions outside its traditional home market. Other specialized vessels segments are expected to make up for some of the shortfall in new offshore orders, but the market is fragmented and highly competitive. A new vessel design series targeting fisheries and aquaculture has been launched. This segment represents a potential growth area for the Group.

Albeit cash in the quarter remained stable, VARD continues to work with all stakeholders to ensure appropriate funding is in place relative to its operations, including strengthening of the working capital. Projects currently in the order book tie up, and will continue to tie up, a significant amount of cash in the quarters to come. However, cash tied up in working capital will be freed up during 2Q 2016 after delivery of the projects requiring the highest working capital investments. The loss provisions related to the operations in Brazil, will materialize in cash outflows up until delivery of the last LPG vessel in the Promar order book in 2018.

Third Quarter 2015 Financial Statements

UNAUDITED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

(All amounts in NOK millions unless otherwise stated)

10 PROSPECTS (cont.)

VARD is facing the dual challenge of a severe cyclical downturn in its core market, and managing the turn-around in Brazil. Work has been initiated on a comprehensive strategy overhaul and the development of a business plan addressing these challenges. In the short term, further downsizing and adjustment of the organization are expected. During these processes, the management's focus is on protecting core competencies, technologies and relationships, and making the Company competitive to seize new market opportunities. Diversification of the production, including increased cooperation with the Fincantieri parent group, has the potential to reduce dependency on cyclical oil and gas business. Following the successful delivery of steel sections from Vard Tulcea to Fincantieri, opportunities are being evaluated how Vard Tulcea can carry out a larger share of cruise shipbuilding projects, utilizing capacity and expertise in engineering and construction. VARD's exposure to Brazil will be reviewed as part of the comprehensive strategy overhaul, and structural changes are possible if the institutional framework, operating performance and financial results continue to be inadequate. At the end of 3Q 2015, the balance sheet of the group included property, plant and equipment of NOK 950 million related to the operations in Brazil, which could be subject to impairment depending on the outcome of the aforementioned process. The new business plan will be announced together with the FY2015 results.

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)	
	3Q-2015 ended 30.09.15	9 months ended 30.09.15	3Q-2015 ended 30.09.15	9 months ended 30.09.15
Fincantieri Group				
Sale of electrical equipment to Fincantieri	-	-	2	29
Sale of electrical package to Fincantieri	-	-	-	4
Agreement for construction of hull blocks to Fincantieri	-	-	23	23
Service agreement	-	-	1	1
Secondment of personnel to VARD	-	-	2	5
Secondment of personnel to Fincantieri	-	-	3	5
Support service to Yard Management in Vard	-	-	-	1
<b>Total</b>	-	-	<b>30</b>	<b>68</b>

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 2015 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Mr Roy Reite  
 Executive Director & CEO  
 11 November 2015