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THIRD QUARTER 2017

FINANCIAL STATEMENTS

Published 10 November 2017

VARDTM
a **Fincantieri** company

Vard Holdings Limited

Incorporated in Singapore | Company Registration No. 201012504K
Unaudited results for the third quarter ended 30 September 2017

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1 UNAUDITED FINANCIAL STATEMENTS

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

	Group			Group		
	3Q-2017 ended 30/09/17	3Q-2016 ended 30/09/16	Change %	9 months ended 30/09/17	9 months ended 30/09/16	Change %
Revenue	2,005	1,503	33%	5,910	5,744	3%
Materials, subcontract costs and others	(1,282)	(860)	49%	(3,694)	(3,633)	2%
Salaries and related costs	(541)	(466)	16%	(1,668)	(1,596)	5%
Other operating expenses	(127)	(144)	-12%	(393)	(414)	-5%
EBITDA before restructuring cost	55	33	67%	155	101	53%
Restructuring cost	(11)	(27)	-59%	(21)	(76)	-72%
Depreciation, impairment and amortization	(53)	(51)	4%	(166)	(153)	8%
Operating profit/(loss)	(9)	(45)	-80%	(32)	(128)	-75%
Financial income	66	16	313%	150	284	-47%
Financial costs	(50)	(45)	11%	(187)	(240)	-22%
Net financial items	16	(29)	n/m	(37)	44	n/m
Share of results of associates	(16)	(9)	78%	(33)	(18)	83%
Profit (loss) before tax	(9)	(83)	-89%	(102)	(102)	0%
Income tax expense	-	(21)	n/m	(3)	(26)	-88%
Profit (loss) for the period	(9)	(104)	-91%	(105)	(128)	-18%
Profit (loss) for the period attributable to:						
Equity holders of the Company	(8)	(80)	-90%	(102)	(96)	6%
Non-controlling interest	(1)	(24)	-96%	(3)	(32)	-91%
Profit (loss) for the period	(9)	(104)	-91%	(105)	(128)	-18%
Other comprehensive income:						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Exchange differences on translation of foreign operations	(14)	(12)	17%	(11)	(305)	-96%
Net fair value change in cash flow hedge	56	42	33%	87	24	263%
Income tax on other comprehensive income	(7)	(11)	-36%	(3)	(6)	n/m
<i>Items that may not be reclassified subsequently to profit or loss:</i>						
Share of other comprehensive income in associated companies	-	(9)	n/m	(2)	(31)	-94%
Other comprehensive income for the period, net of income tax	35	10	250%	71	(318)	n/m
Total comprehensive income for the period	26	(94)	n/m	(34)	(446)	-92%
Total comprehensive income attributable to:						
Equity holders of the Company	26	(59)	n/m	(32)	(233)	-86%
Non-controlling interest	-	(35)	n/m	(2)	(213)	-99%
Total comprehensive income for the period	26	(94)	n/m	(34)	(446)	-92%

Notes:

(*) N/M - Not meaningful.

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

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

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

	Group			Group		
	3Q-2017	3Q-2016	Change	9 months	9 months	Change
	ended	ended	%	ended	ended	%
	30/09/17	30/09/16		30/09/17	30/09/16	
Interest income	9	10	-10%	26	27	-4%
Foreign exchange gain	56	5	n/m	123	253	-51%
Other financial income	1	1	0%	1	4	n/m
Financial income	66	16	313%	150	284	-47%
Interest expense	(29)	(17)	71%	(57)	(61)	-7%
Foreign exchange loss	(1)	(13)	-92%	(89)	(123)	-28%
Other financial expenses	(20)	(15)	33%	(41)	(56)	-27%
Financial expenses	(50)	(45)	11%	(187)	(240)	-22%
Net financial items	16	(29)	n/m	(37)	44	n/m
Depreciation of property, plant and equipment	(49)	(49)	0%	(150)	(146)	3%
Amortization of intangibles	(4)	(2)	100%	(13)	(7)	n/m
Impairment charges	-	-	n/m	(3)	-	n/m
Depreciation, impairment charges and amortization	(53)	(51)	4%	(166)	(153)	8%
Provisions for doubtful debts	-	-	n/m	-	7	n/m
Allowance for doubtful debts and bad debts written off	-	-	n/m	-	7	n/m

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UNAUDITED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(b)(i) Statement of Financial Position

	Group			Company		
	As at 30/09/17	As at 31/12/16	Change %	As at 30/09/17	As at 31/12/16	Change %
Property, plant and equipment	2,577	2,555	1%	-	-	n/m
Intangible assets	478	475	1%	-	-	n/m
Investment in subsidiary	-	-	n/m	2,983	2,983	0%
Investment in associates	199	222	-10%	-	-	n/m
Other investments	13	19	-32%	-	-	n/m
Interest-bearing receivables, non-current	613	473	30%	-	-	n/m
Non-current derivatives	-	28	n/m	-	-	n/m
Other non-current assets	97	38	155%	-	-	n/m
Deferred tax assets	68	82	-17%	-	-	n/m
TOTAL NON-CURRENT ASSETS	4,045	3,892	4%	2,983	2,983	0%
Inventories	2,138	1,949	10%	-	-	n/m
Construction WIP in excess of prepayments	6,176	5,594	10%	-	-	n/m
Trade and other receivables	690	801	-14%	174	112	55%
Current derivatives	58	53	9%	-	-	n/m
Other current assets	49	161	-70%	-	-	n/m
Interest-bearing receivables, current	309	289	7%	-	7	n/m
Cash and cash equivalents	857	722	19%	2	3	n/m
Assets classified as held for sale	-	57	n/m	-	-	n/m
TOTAL CURRENT ASSETS	10,277	9,626	7%	176	122	44%
TOTAL ASSETS	14,322	13,518	6%	3,159	3,105	2%
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	(807)	(877)	8%	-	-	n/m
Retained earnings	2,092	2,194	-5%	431	375	15%
Total equity attributable to equity holders of the Comp.	2,233	2,265	-1%	3,158	3,102	2%
Non-controlling interest	28	30	-7%	-	-	n/m
TOTAL EQUITY	2,261	2,295	-1%	3,158	3,102	2%
Loans and borrowings, non-current	1,057	1,049	1%	-	-	n/m
Deferred tax liabilities	89	109	-18%	-	-	n/m
Non-current derivatives	82	32	156%	-	-	n/m
Other non-current liabilities	567	582	-3%	-	-	n/m
Provisions, non-current	91	96	-5%	-	-	n/m
TOTAL NON-CURRENT LIABILITIES	1,886	1,868	1%	-	-	n/m
Loans and borrowings, current	831	443	88%	-	-	n/m
Construction loans	5,792	5,248	10%	-	-	n/m
Prepayments in excess of construction WIP	636	763	-17%	-	-	n/m
Trade and other payables	1,891	1,636	16%	1	2	n/m
Current derivatives	281	591	-52%	-	-	n/m
Income tax payable	83	85	-2%	-	-	n/m
Provisions, current	107	141	-24%	-	-	n/m
Other current liabilities	554	404	37%	-	1	n/m
Liabilities directly associated with assets classified as held for sale	-	44	n/m	-	-	n/m
TOTAL CURRENT LIABILITIES	10,175	9,355	9%	1	3	n/m
TOTAL LIABILITIES	12,061	11,223	7%	1	3	n/m
TOTAL EQUITY AND LIABILITIES	14,322	13,518	6%	3,159	3,105	2%

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

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

	As at 30.09.17		As at 31.12.16	
	Secured	Unsecured	Secured	Unsecured
Loans and borrowings, current	309	522	200	243
Construction loans *	5,792	-	5,248	-
Total Amount repayable in one year or less, or on demand	6,101	522	5,448	243

* 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	1,057	-	1,049	-
Total Amount repayable after one year	1,057	-	1,049	-

Total	7,158	522	6,497	243
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Details of debt secured by collaterals

Currency	Drawn	Drawn	Current	Non-current
	amount in currency	amount in NOK	portion in NOK	portion in NOK
NOK	181	181	50	132
USD	107	850	81	768
EUR	36	336	179	158
Total		1,367	309	1,057

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
- Shares in Vard Vung Tau Ltd.
- Shares in Vard Promar SA

Third Quarter 2017 Financial Statements

UNAUDITED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(c) Statement of Cash Flows (Group)

	Group		Group	
	3Q-2017 ended 30/09/17	3Q-2016 ended 30/09/16	9 months ended 30/09/17	9 months ended 30/09/16
OPERATING ACTIVITIES				
Profit (loss) before tax	(9)	(83)	(102)	(102)
<i>Adjustments for:</i>				
Net interest expense	20	7	31	34
(Gain)/loss on disposal of property, plant and equipment, net	-	(2)	3	(2)
Unrealised foreign exchange gain/loss	(97)	(3)	(90)	(185)
Depreciation, impairment and amortization	53	51	166	153
Change in pension assets and liabilities	-	-	1	-
Other non-cash items in the statement of comprehensive income	9	-	15	29
Share of results of associates	16	9	33	18
Operating cash flows before movements in working capital	(8)	(21)	57	(55)
Inventories	(84)	18	(189)	(55)
Construction work in progress	(689)	1,876	(669)	4,089
Proceeds from construction loans	319	288	946	2,767
Repayment of construction loans	(32)	(1,288)	(329)	(4,775)
Other working capital assets	50	(1,423)	52	(2,098)
Other working capital liabilities	335	344	144	344
Provisions	(6)	(3)	(39)	(4)
Cash generated from / (used in) operations	(115)	(209)	(27)	213
Interest received	9	10	26	27
Interest paid	(21)	(13)	(41)	(59)
Income tax paid	(2)	(9)	(16)	(37)
Cash flows from/ (used in) operating activities	(129)	(221)	(58)	144
INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	-	10	2	11
Proceeds from disposal of subsidiary	-	-	7	-
Purchase of property, plant and equipment	(86)	(71)	(242)	(154)
Purchase of intangible assets	(2)	(3)	(19)	(20)
Acquisition of equity interest in associates	-	5	-	6
Proceeds from repayment of short-term interest-bearing receivables	5	-	5	-
Acquisition of subsidiary, net of cash acquired	-	-	(1)	-
Increase in ownership interest in subsidiaries	-	-	(14)	-
Cash flows used in investing activities	(83)	(59)	(262)	(157)
FINANCING ACTIVITIES				
Proceeds from loans and borrowings	496	-	803	44
Repayment of loans and borrowings	(87)	(90)	(308)	(327)
Transactions with non-controlling interests	-	(16)	-	(16)
Cash flows from/ (used in) financing activities	409	(106)	495	(299)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	197	(386)	175	(312)
Effects of currency translation difference on cash and cash equivalents	(15)	(15)	(13)	13
Cash and cash equivalents excl. restricted cash at beginning of financial period	598	822	618	720
Cash and cash equivalents excl. restricted cash at end of financial period	780	421	780	421
Restricted cash at end of financial period	77	104	77	104
Cash and cash equivalents at end of financial period	857	525	857	525

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(d)(i) Statements of Changes in Equity	Paid up Capital	Restructuring Reserve	Other reserves			Retained Earnings	Total Equity Attributable To Equity Holders of the Company	Non-controlling Interest	Total Equity
			Currency Translation Reserve	Fair Value Reserve	Other reserves				
At 1 January 2017	4,138	(3,190)	163	(38)	(1,002)	2,194	2,265	30	2,295
<i>Comprehensive income</i>									
Profit (loss) for the period	-	-	-	-	-	(102)	(102)	(3)	(105)
Other comprehensive income	-	-	6	64	-	-	70	1	71
Total comprehensive income	-	-	6	64	-	(102)	(32)	(2)	(34)
At 30 September 2017	4,138	(3,190)	169	26	(1,002)	2,092	2,233	28	2,261
At 1 January 2016	4,138	(3,190)	392	139	-	2,319	3,798	(837)	2,961
<i>Comprehensive income</i>									
Profit (loss) for the period	-	-	-	-	-	(96)	(96)	(32)	(128)
Other comprehensive income	-	-	(124)	(13)	-	-	(137)	(181)	(318)
Total comprehensive income	-	-	(124)	(13)	-	(96)	(233)	(213)	(446)
<i>Transactions with owners</i>									
Equity subscribed by non-controlling shareholders	-	-	-	-	-	-	-	22	22
Transactions with non-controlling interests	-	-	(87)	-	(1,001)	-	(1,088)	1,060	(28)
Total transaction with owners	-	-	(87)	-	(1,001)	-	(1,088)	1,082	(6)
At 30 September 2016	4,138	(3,190)	181	126	(1,001)	2,223	2,477	32	2,509

Company

	Paid up Capital	Restructuring Reserve	Retained Earnings	Total Equity
At 1 January 2017	4,138	(1,411)	375	3,102
<i>Comprehensive income</i>				
Profit (loss) for the period	-	-	56	56
Total comprehensive income for the period	-	-	56	56
At 30 September 2017	4,138	(1,411)	431	3,158
At 1 January 2016	4,138	(1,411)	280	3,007
<i>Comprehensive income</i>				
Profit (loss) for the period	-	-	76	76
Total comprehensive income for the period	-	-	76	76
At 30 September 2016	4,138	(1,411)	356	3,083

(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(d)(ii) Share Capital

There were no ordinary shares issued in 3Q 2017. There are no treasury shares, nor subsidiary holdings, as at 30 September 2017 and as at 30 September 2016.

Share Options

There were no outstanding options to subscribe for shares as at 30 September 2017 (30 September 2016: 0).

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

The number of issued shares (excluding treasury shares) as at 30 September 2017 is 1,180,000,000 ordinary shares (31 December 2016: 1,180,000,000 ordinary shares).

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

Not applicable. The Company has no treasury shares.

(d)(v) Sales, Transfers, Cancellations and/or use of Subsidiary Holdings

Not applicable. The Company has no Subsidiary Holdings.

2 AUDIT

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

3 AUDITORS' REPORT

Not applicable.

4 ACCOUNTING POLICIES

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 2016.

5 CHANGES IN ACCOUNTING POLICIES

The Group has not implemented any new or revised financial reporting standards in 2017.

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-2017 ended 30/09/17	3Q-2016 ended 30/09/16	Change %	9 months ended 30/09/17	9 months ended 30/09/16	Change %
(i) Earnings for the period (in NOK millions)	(8)	(80)	-90%	(102)	(96)	6%
Earnings for the period (in SGD millions)	(1)	(14)	-93%	(17)	(16)	6%
Weighted average number of shares (in millions)	1,180	1,180	0%	1,180	1,180	0%
(ii) Earnings per share (NOK)	(0.01)	(0.07)	-86%	(0.09)	(0.08)	13%
Earnings per share (SGD cents)	(0.08)	(1.19)	-93%	(1.44)	(1.36)	6%
(iii) Diluted earnings per share (NOK)	(0.01)	(0.07)	-86%	(0.09)	(0.08)	13%
Diluted earnings per share (SGD cents)	(0.08)	(1.19)	-93%	(1.44)	(1.36)	6%
Adjusted weighted average number of shares (in millions)	1,180	1,180	0%	1,180	1,180	0%
Exchange rates:	30/09/17	30/09/16		30/09/17	30/09/16	
SGD/NOK	5.871	5.899	0%	5.871	5.899	0%

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 30/09/17	As at 31/12/16	Change %	As at 30/09/17	As at 31/12/16	Change %
Net assets value at the end of the period (NOK millions)	2,233	2,265	-1%	3,158	3,102	2%
Net assets value at the end of the period (SGD millions)	380	380	0%	538	520	3%
Number of shares (millions)	1,180	1,180	0%	1,180	1,180	0%
Net assets value per ordinary share (NOK)	1.89	1.92	-2%	2.68	2.63	2%
Net assets value per ordinary share (SGD)	0.32	0.32	0%	0.46	0.44	5%
Exchange rates:	30/09/17	31/12/16		30/09/17	31/12/16	
SGD/NOK	5.871	5.965	-2%	5.871	5.965	-2%

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 2017 were NOK 2.01 billion, up 33% from NOK 1.50 billion in 3Q 2016. The third quarter of 2017 has been characterized by high activity level at the yards located in Romania and Vietnam, compared to the corresponding period of 2016, due to rapid progress on Module Carrier Vessels (MCV) projects for Topaz Energy and Marine and Kazmortransflot, and the ongoing construction on all six expedition cruise vessels contracted in 2016.

Revenues for the nine months ended 30 September 2017 were NOK 5.91 billion, up 3% compared to the corresponding period of 2016. The reduced activity, especially at the Norwegian yards, as well as the cessation of operations in Vard Niterói during the third quarter of 2016, were more than compensated by the above-mentioned high activity level registered in Romania and Vietnam during the third quarter 2017.

EBITDA before restructuring cost for the quarter was NOK 55 million for 3Q 2017 and NOK 155 million for the nine months ended 30 September 2017, up from NOK 33 million for 3Q 2016 and NOK 101 million for the nine months ended 30 September 2016. The EBITDA margin increased from 2.2% in 3Q 2016 to 2.7% in 3Q 2017, and from 1.8% for the nine months ended 30 September 2016 to 2.6% for the nine months ended 30 September 2017.

The Group's shipyards in Norway are still seeing low utilization while preparing for the arrival of new hulls currently under construction in Romania. Newbuilding activity is being supplemented by conversion, repair and maintenance work on a broad range of vessels, including coast guard, fisheries and offshore vessels. At Vard Langsten, the previously announced maintenance program for the Norwegian Coast Guard is ongoing. The same yard has also completed a comprehensive upgrade and lengthening project for a fishing trawler during the quarter. Vard Brattvaag is engaged in the installation of Vard Electro's SeaQTM Energy Storage system on board three Platform Supply Vessels (PSV), resulting in an upgrade of the vessels to "Battery Power" notation. Vard Brevik has delivered a Universal Transfer System (UTS), a groundbreaking floating solution for LNG transfer between ship and shore, to Connect LNG.

In Romania, where the workload is currently very high, improvements were recorded in managing the load situation through an increase in headcount and adapting the organization. Construction is now under way on all six expedition cruise vessels contracted during 2016. Of the series of MCV, the first two vessels were delivered from Vard Braila to Kazmortransflot during the quarter. Vard Tulcea delivered its first MCV to Topaz Energy and Marine in October.

Rapid progress on the MCV projects was also seen in Vietnam, where operations remained stable. Two MCVs were delivered to Topaz Energy and Marine from Vard Vung Tau during 3Q 2017, while two more were delivered after the end of the quarter. The remaining three vessels in the series to be delivered from Vietnam are under construction. A new contract for one small expedition cruise vessel for Coral Expeditions of Australia was signed, marking Vard Vung Tau's entry in the passenger vessel market, and securing work for the yard after completion of the MCV projects.

Vard Promar in Brazil completed the fifth Liquefied Petroleum Gas (LPG) Carrier for Transpetro during the quarter, and delivered the vessel in October. Good progress was also recorded on the Pipelay Support Vessels (PLSV) under construction for Dofcon Navegação (DOF and TechnipFMC). The pipelay tower was installed on the first vessel, and electrical installation work, testing and commissioning are ongoing.

Reflecting the lack of work in early stages of vessel construction at Vard Promar, a rightsizing of the organization is ongoing.

The Group strengthened its position in the aquaculture market through a streamlining of operations at Vard Aukra, and integration of the aquaculture equipment business (formerly Storvik Aqua) under a new brand name, Vard Aqua. A broad product portfolio was launched at the Aqua Nor international aquaculture exhibition and trade fair in Trondheim, Norway, where new solutions for the aquaculture industry were also introduced, including the FishSense system for feeding, monitoring, service and logistics. One service vessel was delivered to Måsøval Fiskeoppdrett, and a new contract was secured after the end of the quarter for a service vessel for Midt-Norsk Havbruk, scheduled for delivery in 2Q 2018.

The Group recognized restructuring cost of NOK 11 million during the quarter and NOK 21 million in the nine months ended 30 September 2017, related to termination benefits and statutory payments for temporary redundancies, mainly in Europe and Brazil.

Depreciation and amortization costs in the first nine months are increasing, compared with the corresponding periods of last year, consequent of the gradual completion of the ongoing investments.

(a) Statement of comprehensive income (cont.)

As a consequence of the items discussed above, the operating loss is equal to NOK 9 million in 3Q 2017 and NOK 32 million in the nine months ended 30 September 2017, improving from a loss of NOK 45 million in 3Q 2016 and NOK 128 million in the nine months ended 30 September 2016.

The net financial items went from NOK 29 million negative in 3Q 2016 to NOK 16 million positive in 3Q 2017, and from NOK 44 million positive in the nine months ended 30 September 2016 to NOK 37 million negative in the nine months ended 30 September 2017. The change is primarily related to foreign exchange gains and losses. In the nine months ended 30 September 2017, there is a net foreign exchange gain of NOK 34 million, of which NOK 24 million relates to the yard construction loan in Vard Promar denominated in USD (2016: NOK 183 million gain). In the corresponding period of last year, the group had a net foreign exchange gain of NOK 130 million.

Share of results of associates were NOK 33 million negative in the nine months ended 30 September 2017, due to the losses in associated ship-owning entities reflecting the present down-turn in the offshore market.

Because of the aforementioned reasons, the loss for the period was NOK 9 million in 3Q 2017 and NOK 105 million in the nine months ended 30 September 2017, compared to a loss of NOK 104 million in 3Q 2016 and NOK 128 million in the nine months ended 30 September 2016.

(b) Statement of financial position:

Total assets were NOK 14.32 billion as of 30 September 2017, up from NOK 13.52 billion as of 31 December 2016.

Total non-current assets increased marginally from NOK 3.89 billion as of 31 December 2016 to NOK 4.05 billion as of 30 September 2017.

Total current assets were NOK 10.28 billion as of 30 September 2017, up from NOK 9.63 billion as of 31 December 2016, as a result of increase in inventories and construction WIP in excess of prepayments offset by decrease in trade and other receivables and other current assets.

Total non-current liabilities were stable when comparing 30 September 2017 with 31 December 2016.

Total current liabilities have increased from NOK 9.36 billion end of 31 December 2016 to NOK 10.18 billion end of 30 September 2017. The increase is mainly driven by the utilization of construction loans and current loans and borrowings, partially offset by the decrease in current derivatives. The group is expecting construction loans to continue to increase as activity levels picks up. Several new construction loans are currently being negotiated, however pending approvals with the lenders.

(c) Statement of cash flows:

Cash flows from operating activities were NOK 129 million negative in 3Q 2017, compared to NOK 221 million negative in 3Q 2016. For the nine months ended 30 September 2017, cash flows from operating activities were NOK 58 million negative, compared to NOK 144 million positive in the corresponding period of 2016. Cash flows from operating activities can fluctuate significantly from period to period due to changes in working capital.

Cash flows used in investing activities amounted to NOK 83 million in 3Q 2017, compared to NOK 59 million in 3Q 2016. Cash flows used in investing activities were NOK 262 million in the nine months ended 30 September 2017, compared to NOK 157 million in the corresponding period of 2016. Investments in property, plant and equipment during the nine months of 2017 were mainly related to the expansion of facilities at Vard Tulcea to support the diversification of production to new market segments.

Cash flows from financing activities were NOK 409 million positive in 3Q 2017, compared to NOK 106 million negative in 3Q 2016. For the nine months ended 30 September 2017, the Group had positive cash flow from financing activities of NOK 495 million, compared to NOK 299 million negative in the corresponding period of 2016. The group has obtained NOK 187 million of new non-current loans during the quarter. Out of NOK 308 million in repayments of loans and borrowing during the nine months ended 30 September 2017, NOK 157 million relate to instalments paid on non-current loans.

Because of the aforementioned reasons, the cash and cash equivalents at the end of the financial period were equal to NOK 857 million for the period ended 30 September 2017 (30 September 2016: NOK 525 million).

9 VARIANCE FROM FORECAST STATEMENT

The Company has not disclosed any forecast to the market.

10 PROSPECTS

At the end of 3Q 2017, the order book value amounted to NOK 12.00 billion, down from NOK 12.65 billion at the end of 2016 and NOK 14.08 billion at the end of 3Q 2016. Aggregate order value at the end of the quarter was NOK 22.66 billion, and the order book comprised 41 vessels, of which 34 will be of VARD's own design. Order intake in the nine months ended 30 September 2017 was NOK 4.49 billion and NOK 1.01 billion in 3Q 2017.

VARD continues to develop new opportunities in the expedition cruise vessel market through high focus on design and innovation. In fisheries and aquaculture, the Group has improved its position to take advantage of good prospects in those markets.

Following review of proposals from three competing yards, VARD has also been selected by the Norwegian Government to continue negotiations for the construction of three new Coast Guard vessels. If successful, the project shall be tabled for approval by the Norwegian Parliament in 2018, and delivery of the vessels would be in 2022, 2023 and 2024.

The offshore market is still considered challenging, but there are signs of recovery in the long term in the broader oil & gas industry. However, risks are still inherent in the Group's existing offshore project portfolio and certain clients within the offshore segment are still undergoing financial restructurings, resulting in postponed deliveries of some projects.

Workload at the shipyards remains volatile, and varies by geography. Improvement in yard utilization in Norway contingent, upon arrival of cruise vessel hulls and other projects from Romania.

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-2017 ended 30/09/17	9 months ended 30/09/17	3Q-2017 ended 30/09/17	9 months ended 30/09/17
Fincantieri Group			
-	-	2	6
-	-	-	2
-	-	-	165
-	-	287	580
-	-	537	537
-	-	23	23
-	-	849	1,313

(All amounts in NOK millions unless otherwise stated)

13 CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS UNDER RULE 720(1) OF THE LISTING MANUAL

The Company has procured undertakings required under Rule 720(1) of the Listing Manual from all its directors and executive officers in the format set out in Appendix 7.7.

14 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 2017 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Mr Roy Reite
Executive Director & CEO
10 November 2017