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FIRST QUARTER 2017

FINANCIAL STATEMENTS

Published 12 May 2017

VARDTM
a **Fincantieri** company

Vard Holdings Limited

Incorporated in Singapore | Company Registration No. 201012504K
Unaudited results for the first quarter ended 31 March 2017

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1 UNAUDITED FINANCIAL STATEMENTS

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

	Group		
	1Q-2017 ended 31/03/17	1Q-2016 ended 31/03/16	Change %
Revenue	1,777	2,023	-12%
Materials, subcontract costs and others	(1,057)	(1,273)	-17%
Salaries and related costs	(540)	(564)	-4%
Other operating expenses	(140)	(129)	9%
EBITDA before restructuring cost	40	57	-30%
Restructuring cost	(6)	(11)	-45%
Depreciation, impairment and amortization	(53)	(51)	4%
Operating profit/(loss)	(19)	(5)	n/m
Financial income	96	122	-21%
Financial costs	(100)	(74)	35%
Net	(4)	48	n/m
Share of results of associates	-	-	n/m
Profit (loss) before tax	(23)	43	n/m
Income tax expense	(4)	-	n/m
Profit (loss) for the period	(27)	43	n/m
Profit (loss) for the period attributable to:			
Equity holders of the Company	(25)	37	n/m
Non-controlling interest	(2)	6	n/m
Profit (loss) for the period	(27)	43	n/m
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations	(4)	(140)	-97%
Net fair value change in cash flow hedge	6	-	n/m
Income tax on other comprehensive income	(9)	-	n/m
<i>Items that may not be reclassified subsequently to profit or loss:</i>			
Share of other comprehensive income in associated companies	-	-	n/m
Other comprehensive income for the period, net of income tax	(7)	(140)	-95%
Total comprehensive income for the period	(34)	(97)	-65%
Total comprehensive income attributable to:			
Equity holders of the Company	(31)	(53)	-42%
Non-controlling interest	(3)	(44)	-93%
Total comprehensive income for the period	(34)	(97)	-65%

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		
	1Q-2017 ended 31/03/17	1Q-2016 ended 31/03/16	Change %
Interest income	8	10	n/m
Foreign exchange gain	88	113	-22%
Other financial income	-	(1)	n/m
Financial income	96	122	-21%
Interest expense	(13)	(23)	-43%
Foreign exchange loss	(74)	(45)	64%
Other financial expenses	(13)	(6)	n/m
Financial expenses	(100)	(74)	35%
Net financial items	(4)	48	n/m
Depreciation of property, plant and equipment	(50)	(49)	2%
Amortization of intangibles	(3)	(2)	n/m
Impairment charges	-	-	n/m
Depreciation, impairment charges and amortization	(53)	(51)	4%
Provisions for doubtful debts	-	-	n/m
Allowance for doubtful debts and bad debts written off	-	-	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 31/03/17	As at 31/12/16	Change %	As at 31/03/17	As at 31/12/16	Change %
Property, plant and equipment	2,622	2,555	3%	-	-	n/m
Intangible assets	478	475	1%	-	-	n/m
Investment in subsidiary	-	-	n/m	2,983	2,983	0%
Investment in associates	222	222	0%	-	-	n/m
Other investments	19	19	0%	-	-	n/m
Interest-bearing receivables, non-current	573	473	21%	-	-	n/m
Non-current derivatives	25	28	-11%	-	-	n/m
Other non-current assets	73	38	92%	-	-	n/m
Deferred tax assets	78	82	-5%	-	-	n/m
TOTAL NON-CURRENT ASSETS	4,090	3,892	5%	2,983	2,983	0%
Inventories	2,052	1,949	5%	-	-	n/m
Construction WIP in excess of prepayments	5,486	5,594	-2%	-	-	n/m
Trade and other receivables	991	801	24%	132	112	18%
Current derivatives	27	53	-49%	-	-	n/m
Other current assets	115	161	-29%	-	-	n/m
Interest-bearing receivables, current	295	289	2%	5	7	n/m
Cash and cash equivalents	908	722	26%	2	3	n/m
Assets classified as held for sale	39	57	-32%	-	-	n/m
TOTAL CURRENT ASSETS	9,913	9,626	3%	139	122	14%
TOTAL ASSETS	14,003	13,518	4%	3,122	3,105	1%
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	(883)	(877)	1%	-	-	n/m
Retained earnings	2,169	2,194	-1%	392	375	5%
Total equity attributable to equity holders of the Comp.	2,234	2,265	-1%	3,119	3,102	1%
Non-controlling interest	27	30	-10%	-	-	n/m
TOTAL EQUITY	2,261	2,295	-1%	3,119	3,102	1%
Loans and borrowings, non-current	1,043	1,049	-1%	-	-	n/m
Deferred tax liabilities	112	109	3%	-	-	n/m
Non-current derivatives	63	32	97%	-	-	n/m
Other non-current liabilities	581	582	0%	-	-	n/m
Provisions, non-current	96	96	0%	-	-	n/m
TOTAL NON-CURRENT LIABILITIES	1,895	1,868	1%	-	-	n/m
Loans and borrowings, current	498	443	12%	-	-	n/m
Construction loans	5,445	5,248	4%	-	-	n/m
Prepayments in excess of construction WIP	1,158	763	52%	-	-	n/m
Trade and other payables	1,613	1,636	-1%	2	2	n/m
Current derivatives	443	591	-25%	-	-	n/m
Income tax payable	81	85	-5%	-	-	n/m
Provisions, current	124	141	-12%	-	-	n/m
Other current liabilities	456	404	13%	1	1	n/m
Liabilities directly associated with assets classified as held for sale	29	44	-34%	-	-	n/m
TOTAL CURRENT LIABILITIES	9,847	9,355	5%	3	3	n/m
TOTAL LIABILITIES	11,742	11,223	5%	3	3	n/m
TOTAL EQUITY AND LIABILITIES	14,003	13,518	4%	3,122	3,105	1%

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

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

	As at 31.03.17		As at 31.12.16	
	Secured	Unsecured	Secured	Unsecured
Loans and borrowings, current	263	235	200	243
Construction loans *	5,445	-	5,248	-
Total Amount repayable in one year or less, or on demand	5,708	235	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	1,043	-	1,049	-
Total Amount repayable after one year	1,043	-	1,049	-

Total	6,751	235	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	222	222	50	172
USD	112	959	88	871
EUR	14	125	125	-
BRL	-	-	-	-
Total		1,306	263	1,043

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

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(c) Statement of Cash Flows (Group)

	Group	
	1Q-2017 ended 31/03/17	1Q-2016 ended 31/03/16
OPERATING ACTIVITIES		
Profit (loss) before tax	(23)	43
<i>Adjustments for:</i>		
Net interest expense	5	13
Unrealised foreign exchange gain/loss	(13)	(97)
Depreciation, impairment and amortization	53	51
Operating cash flows before movements in working capital	22	10
Inventories	(103)	-
Construction work in progress	520	1,277
Proceeds from construction loans	285	1,509
Repayment of construction loans	(129)	(1,898)
Other working capital assets	(233)	(414)
Other working capital liabilities	(90)	(135)
Provisions	(17)	-
Cash generated from / (used in) operations	255	349
Interest received	8	10
Interest paid	(11)	(18)
Income tax paid	(9)	(24)
Cash flows from/ (used in) operating activities	243	317
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(88)	(28)
Purchase of intangible assets	(4)	(7)
Acquisition of subsidiary, net of cash acquired	(1)	-
Cash flows used in investing activities	(93)	(35)
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	103	11
Repayment of loans and borrowings	(47)	(63)
Cash flows from/ (used in) financing activities	56	(52)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	206	230
Effects of currency translation difference on cash and cash equivalents	3	3
Cash and cash equivalents excl. restricted cash at beginning of financial period	618	720
Cash and cash equivalents excl. restricted cash at end of financial period	827	953
Restricted cash at end of financial period	81	74
Cash and cash equivalents at end of financial period	908	1,027

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UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017

(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(d)(i) Statements of Changes in Equity	Other reserves					Retained Earnings	Total Equity Attributable To Equity Holders of the Company	Non-controlling Interest	Total Equity
	Paid up Capital	Restructuring Reserve	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
Comprehensive income									
Profit (loss) for the period	-	-	-	-	-	(25)	(25)	(2)	(27)
Other comprehensive income	-	-	(3)	(3)	-	-	(6)	(1)	(7)
Total comprehensive income	-	-	(3)	(3)	-	(25)	(31)	(3)	(34)
At 31 March 2017	4,138	(3,190)	160	(41)	(1,002)	2,169	2,234	27	2,261
At 1 January 2016									
At 1 January 2016	4,138	(3,190)	392	139	-	2,319	3,798	(837)	2,961
Comprehensive income									
Profit (loss) for the period	-	-	-	-	-	37	37	6	43
Other comprehensive income	-	-	(90)	-	-	-	(90)	(50)	(140)
Total comprehensive income	-	-	(90)	-	-	37	(53)	(44)	(97)
Transactions with owners									
Equity subscribed by non-controlling shareholders	-	-	-	-	-	-	-	22	22
Total transaction with owners	-	-	-	-	-	-	-	22	22
At 31 March 2016	4,138	(3,190)	302	139	-	2,356	3,745	(859)	2,886
Company									
						Paid up Capital	Restructuring Reserve	Retained Earnings	Total Equity
At 1 January 2017						4,138	(1,411)	375	3,102
Comprehensive income									
Profit (loss) for the period						-	-	17	17
Total comprehensive income for the period						-	-	17	17
At 31 March 2017						4,138	(1,411)	392	3,119
At 1 January 2016									
At 1 January 2016						4,138	(1,411)	280	3,007
Comprehensive income									
Profit (loss) for the period						-	-	26	26
Total comprehensive income for the period						-	-	26	26
At 31 March 2016						4,138	(1,411)	306	3,033

(All amounts in NOK millions unless otherwise stated)

1 UNAUDITED FINANCIAL STATEMENTS (cont.)

(d)(ii) Share Capital

There were no ordinary shares issued in 1Q 2017. There are no treasury shares, nor subsidiary holdings, as at 31 March 2017 and as at 31 March 2016.

Share Options

There were no outstanding options to subscribe for shares as at 31 March 2017 (31 March 2016: 0).

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

The number of issued shares (excluding treasury shares) as at 31 March 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		
	1Q-2017 ended 31/03/17	1Q-2016 ended 31/03/16	Change %
(i) Earnings for the period (in NOK millions)	(25)	37	n/m
Earnings for the period (in SGD millions)	(4)	6	n/m
Weighted average number of shares (in millions)	1,180	1,180	0%
(ii) Earnings per share (NOK)	(0.02)	0.03	-167%
Earnings per share (SGD cents)	(0.34)	0.51	-167%
(iii) Diluted earnings per share (NOK)	(0.02)	0.03	-167%
Diluted earnings per share (SGD cents)	(0.34)	0.51	-167%
Adjusted weighted average number of shares (in millions)	1,180	1,180	0%
Exchange rates:	31/03/17	31/03/16	
SGD/NOK	6.137	6.152	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 31/03/17	As at 31/12/16	Change %	As at 31/03/17	As at 31/12/16	Change %
Net assets value at the end of the period (NOK millions)	2,234	2,265	-1%	3,119	3,102	1%
Net assets value at the end of the period (SGD millions)	364	380	-4%	508	520	-2%
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%	2.64	2.63	0%
Net assets value per ordinary share (SGD)	0.31	0.32	-3%	0.43	0.44	-2%
Exchange rates:	31/03/17	31/12/16		31/03/17	31/12/16	
SGD/NOK	6.137	5.965	3%	6.137	5.965	3%

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 1Q 2017 were NOK 1.78 billion, down from NOK 2.02 billion in 1Q 2016. The reduction of 12% is caused by reduced activity, especially at the Norwegian yards, as well as the cessation of operations in Vard Niterói during the third quarter 2016. The reduction is both related to own and subcontractor production.

EBITDA before restructuring cost for the quarter was NOK 40 million, compared to NOK 57 million in the corresponding period last year. The EBITDA margin decreased from 2.8% in 1Q 2016 to 2.3% in 1Q 2017.

The Norwegian shipyards saw stable operations, but with medium to low workload. Temporary layoffs at several yards were still required to mitigate the effects of lower capacity utilization. Repair, conversion and upgrade projects are being undertaken to provide additional work for the yards, and a maintenance program for the Norwegian Coast Guard vessels was initiated under an agreement signed during the quarter. The pelagic trawler contracted during the quarter for delivery from Vard Langsten will be built entirely in Norway, providing work to the yard earlier than otherwise possible. At Vard Brattvaag, two Offshore Subsea Construction Vessels (OSCV) for Topaz Energy and Marine are under construction. Furthermore a contract for a krill fishing vessel was secured during 1Q 2017, and one for a Research Expedition Vessel (REV) after the end of the quarter. At Vard Søviknes, preparations are being made for the arrival of the first cruise hull for PONANT from Romania. A mock-up of the cabin interiors was built, and approved by the client. Continuation of operations at Vard Brevik was ensured by securing contracts for two car- and passenger ferries in 1Q 2017. Vard Aukra continues to build its position in the aquaculture market, with a contract for a live fish transportation vessel secured after the end of the quarter.

In Romania, workload at the yards is high, especially at Vard Tulcea. Here, two large ship sections for Fincantieri are under construction, in addition to hulls for VARD's own cruise vessel projects, and fully outfitted Module Carrier Vessels (MCV). There is a substantial demand for new employees, with hiring of more than 500 new workers underway. In the meantime, the use of subcontractors is increasing. Progress on the MCV projects is according to plan. Hull construction for the four exploration cruise vessels for PONANT is ongoing, while steel cutting has started for the two vessels for Hapag-Lloyd Cruises.

Operations at the shipyard at Vung Tau in Vietnam are stable. With seven MCVs in the order book, the yard enjoys a healthy utilization. Progress on the MCV projects is good. The first such vessel has been successfully launched, and is currently in the commissioning phase.

In Brazil, construction of two Pipelay Support Vessels (PLSV) for Dofcon Navegação – a joint venture of DOF and TechnipFMC – and two Liquefied Petroleum Gas (LPG) carriers for Transpetro, is progressing at Vard Promar. As a result of a lack of new orders for the yard, the workload in the early phases of vessel construction is insufficient, while all the yard's focus is on outfitting and commissioning of the projects currently in the order book. The yard is pursuing leads to secure additional work to improve capacity utilization in all stages of production.

The Group recognised restructuring cost of NOK 6 million during the quarter, related to termination benefits and statutory payments for temporary redundancies, mainly in Europe and Brazil.

Depreciations in the quarter are stable compared with 1Q 2016.

As a consequence of the items discussed above, the operating loss is equal to 19 million in 1Q 2017 compared to a loss of NOK 5 million in 1Q 2016.

The change in net financial items from NOK 48 million positive in 1Q 2016 to NOK 4 million negative in 1Q 2017 is primarily related to foreign exchange gains and losses. For the quarter there is a net foreign exchange gain of NOK 14 million, of which NOK 28 million relates to the yard construction loan in Vard Promar denominated in USD. In the corresponding period last year, the group had a net foreign exchange gain of NOK 68 million.

For the aforementioned reasons, the profit of NOK 43 million in 1Q 2016 turned to a loss of NOK 27 million in 1Q 2017.

(b) Statement of financial position:

The statement of financial position remains relatively stable compared with 31 December 2016.

Total non-current assets increased marginally from NOK 3.89 billion as of 31 December 2016 to NOK 4.09 billion as of 31 March 2017.

Total current assets have increased from NOK 9.63 billion as of 31 December 2016 to NOK 9.91 billion as of 31 March 2017. The increase is mainly driven by the effect of cash inflows from vessel deliveries and the increase in inventories due to the activities on the new projects.

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

Total current liabilities have increased from NOK 9.36 billion end of 31 December 2016 to NOK 9.85 billion end of 31 March 2017. The increase is mainly driven by the prepayments received in excess of construction work in progress.

(c) Statement of cash flows:

Cash flows from operating activities were NOK 243 million positive in 1Q 2017 compared to NOK 317 million positive in 1Q 2016. Cash flows from operating activities can fluctuate significantly from period to period due to changes in working capital. The positive cash flows in this quarter are driven by vessel deliveries and instalments received on other projects.

Cash flows used in investing activities amounted to NOK 93 million in 1Q 2017 compared to NOK 35 million in 1Q 2016. Investments in property, plant and equipment during the first quarter 2017 were mainly related to the expansion of facilities at Vard Tulcea.

Cash flows from financing activities was NOK 56 million positive in 1Q 2017 compared to NOK 52 million negative in 1Q 2016. The group has not obtained any new loans during the quarter. NOK 37 million of the repayments relate to instalments paid on non-current loans.

Because of the aforementioned reasons, the cash and cash equivalents at the end of financial period are equal to NOK 908 million for the period ended 31 March 2017 (31 March 2016: NOK 1.03 billion).

(d) Post balance sheet events

On 7 April 2017, the Group announced that its subsidiary Vard Group AS has secured a new contract for design and construction of one live fish transportation vessel for Fjordlaks Aqua in Norway.

On 10 April 2017, the Group announced that its wholly-owned subsidiary Vard Group AS, has divested its entire shareholding stake in its 100% held non-core subsidiary, Multifag AS, to a third party.

On 2 May 2017, the Group announced that its subsidiary Vard Group AS has secured a new contract for design and construction of one Research Expedition Vessel for Rosellinis Four-10.

9 VARIANCE FROM FORECAST STATEMENT

The Company has not disclosed any forecast to the market.

10 PROSPECTS

At the end of 1Q 2017, the order book value amounted to NOK 12.98 billion, up from NOK 10.65 billion at the end of 2016 and NOK 8.58 billion at the end of 1Q 2016. Aggregate order value at the end of the quarter was NOK 21.67 billion, and the order book comprised 43 vessels, of which 36 will be of VARD's own design. Order intake in the period was NOK 1.88 billion.

New project opportunities are expected to arise from diverse markets for specialized vessels in which VARD has established a foothold. Demand from the exploration cruise vessel segment is still healthy, as demonstrated by a Letter of Intent (LoI) for one such vessel entered into in the first quarter. With contracts recently entered into for a krill fishing vessel, a pelagic trawler and a live fish transportation vessel, VARD has broadened its offering and strengthened its position in the fisheries and aquaculture segment. In the meantime, while still too sporadic to constitute a trend, nascent interest for individual vessel types is noticeable in the offshore sector.

In VARD's operations, the majority of offshore projects in the order book are nearing completion, and there is a shift towards construction of cruise vessels and other specialized vessels in all stages of production. Capacity and capabilities of the organization are being developed to meet the requirements of the new, diversified portfolio. In the near to medium term, the workload in Norway is expected to be variable, while it is high in Romania. The operating environment in Brazil continues to be challenging.

Risk still remains in relation to the existing offshore project portfolio. The Group is continuously working to mitigate risk and strengthen its financial robustness.

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)	
	1Q-2017 ended 31/03/17	1Q-2016 ended 31/03/16	1Q-2017 ended 31/03/17	1Q-2016 ended 31/03/16
Fincantieri Group				
Secondment of personnel to VARD	-	-	2	1
Secondment of personnel to FINCANTIERI	-	-	-	2
Supply of consultancy service to VARD	-	-	2	-
Support service to Yard Management in Vard	-	-	-	1
Contract for manufacturing and outfitting of a ship-part to FINCANTIERI	-	-	-	252
Slot reservation agreement	-	-	-	399
Total	-	-	4	655

(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 31 March 2017 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Mr Roy Reite
Executive Director & CEO
12 May 2017