



# SPAFID CONNECT

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2017 results

*Testo del comunicato*

Vedi allegato.

**FINCANTIERI: VARD SECOND QUARTER 2017 RESULTS**

**Trieste, July 24, 2017 – FINCANTIERI S.p.A. (“Fincantieri”)** announces that Vard Holdings Limited (“**VARD**”) issued its unaudited second quarter 2017 results.

As of today, VARD is 78.20% controlled by Fincantieri, which fully consolidates its financial results.

The press release and the document “Second quarter 2017 Financial Statements” released by VARD on its website [www.vard.com](http://www.vard.com) are attached.

\* \* \*

*Fincantieri is one of the world’s largest shipbuilding groups and number one by diversification and innovation. It is leader in cruise ship design and construction and a reference player in all high-tech shipbuilding industry’s sectors, from naval to offshore vessels, from high-complexity special vessels and ferries to mega-yachts, ship repairs and conversions, systems and components production and after-sales services.*

*Headquartered in Trieste (Italy), the Group has built more than 7,000 vessels in over 230 years of maritime history. With almost 19,200 employees, of whom more than 7,900 in Italy, 20 shipyards in 4 continents, today Fincantieri is the leading Western shipbuilder. It has among its clients the major cruise operators, the Italian and the U.S. Navy, in addition to several foreign navies, and it is partner of some of the main European defense companies within supranational programmes.*

[www.fincantieri.com](http://www.fincantieri.com)

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**FINCANTIERI S.p.A. – Media Relations**

Antonio Autorino

Tel. +39 040 3192473

Mob. +39 335 7859027

[antonio.autorino@fincantieri.it](mailto:antonio.autorino@fincantieri.it)

Laura Calzolari

Tel. +39 040 3192527

Mob. +39 334 6587922

[laura.calzolari@fincantieri.it](mailto:laura.calzolari@fincantieri.it)

Cristiano Musella

Tel. +39 040 3192225

Mob. +39 366 9254543

[cristiano.musella@fincantieri.it](mailto:cristiano.musella@fincantieri.it)

Micaela Longo

Tel. +39 040 3192247

Mob. +39 366 6856280

[micaela.longo@fincantieri.it](mailto:micaela.longo@fincantieri.it)

**FINCANTIERI S.p.A. – Investor Relations**

Cristiano Pasanisi

Tel. +39 040 3192375

[cristiano.pasanisi@fincantieri.it](mailto:cristiano.pasanisi@fincantieri.it)

Matteo David Masi

Tel. +39 040 3192334

[MatteoDavid.Masi@fincantieri.it](mailto:MatteoDavid.Masi@fincantieri.it)

Alberta Michelazzi

Tel. +39 040 3192497

[alberta.michelazzi@fincantieri.it](mailto:alberta.michelazzi@fincantieri.it)

For Immediate Release

## **VARD REGISTERS HIGHER EBITDA MARGINS; SUSTAINS HEADWAY INTO NEW MARKET SEGMENTS**

- *Year-on-year improvement of 2.3 percentage points in EBITDA margin to 2.8% in 2Q 2017*
- *2Q 2017 revenue remains flat from 2Q 2016, and up 20% from 1Q 2017*
- *New order intake of NOK 1.60 billion and successful delivery of one offshore vessel in 2Q 2017*
- *44 vessels in the order book as at 30 June 2017*

**Singapore, 25 July 2017** – Vard Holdings Limited (“VARD”, and together with its subsidiaries, the “Group”), one of the major global designers and shipbuilders of specialized vessels, today announced its financial results for the second quarter and first half-year ended 30 June 2017 (“2Q 2017” and “1H 2017” respectively).

VARD registered a revenue of NOK 2.13 billion in 2Q 2017, largely unchanged from the previous corresponding quarter (“2Q 2016”), and up 20% from the preceding quarter ended 31 March 2017. VARD’s overall revenue was affected by softer activity at the Norwegian yards and the cessation of operations in Vard Niterói, as it declined to NOK 3.91 billion in 1H 2017, from NOK 4.24 billion in the previous corresponding half-year (“1H 2016”).

EBITDA before restructuring cost climbed to NOK 60 million and NOK 100 million in 2Q 2017 and 1H 2017, from NOK 11 million and NOK 68 million for 2Q 2016 and 1H 2016 respectively. Correspondingly, EBITDA margins increased by 2.3 percentage points to 2.8% in 2Q 2017 from 0.5% in 2Q 2016, and 1.0 percentage point to 2.6% in 1H 2017 from 1.6% in 1H 2016.

The Group recognized restructuring costs of NOK 4 million in 2Q 2017, and NOK 10 million in 1H 2017, down from NOK 38 million in 2Q 2016 and NOK 49 million in 1H 2016. Depreciation and amortization costs for 2Q 2017 and 1H 2017 were slightly higher compared to 2Q 2016 and 1H 2016 due to the gradual completion of ongoing investments. With these costs incurred, the Group recorded operating losses of NOK 4 million in 2Q 2017 and NOK 23 million in 1H 2017. This marks a significant reduction from the operating losses of NOK 78 million and NOK 83 million recorded in 2Q 2016 and 1H 2016 respectively.

Due mainly to foreign exchange losses, the Group realized net financial items of negative NOK 49 million and NOK 53 million for 2Q 2017 and 1H 2017 respectively. Due to losses in associated ship-owning entities, which reflect the downturn in the offshore market, VARD’s share of results of associates was negative NOK 17 million for 1H 2017.

As a result, VARD recorded losses of NOK 69 million and NOK 96 million for 2Q 2017 and 1H 2017 respectively. This is compared to losses of NOK 67 million and NOK 24 million incurred in 2Q 2016 and 1H 2016 respectively.

Cash flows from operating activities were NOK 172 million negative in 2Q 2017 but NOK 71 million positive for 1H 2017 in total. Cash flows used in investing activities amounted to NOK 86 million in 2Q 2017 and NOK 179 million in 1H 2017, mainly driven by investments in property, plant and equipment related to the expansion of facilities at Vard Tulcea. Cash and cash equivalents as at 30 June 2017 amounted to NOK 694 million.

In 2Q 2017, one Offshore Subsea Construction Vessel (OSCV) was delivered to DOF Subsea. VARD's order intake was NOK 1.60 billion in 2Q 2017, with two new contracts secured for the design and construction of a Research Expedition Vessel (REV) and a live fish transportation vessel. As at 30 June 2017, VARD had 44 vessels in its order book, of which 37, or 84%, will be of VARD's own designs. VARD's order book value as at 30 June 2017 stood at NOK 12.88 billion, surpassing its 31 December 2016 order book value of NOK 12.65 billion.

### **Sustained headway into new market segments in Norway**

While yard utilization in Norway remains low and variable, VARD is gearing towards mobilizing resources and strengthening its cooperation with Fincantieri in certain areas of expertise. Vard Søviknes and Vard Langsten are advancing preparations for the first cruise vessel projects, and the design and procurement phases for these projects are either completed or progressing in a timely manner. Vard Brattvaag was designated as the outfitting yard for two major projects contracted in 1H 2017 – the krill fishing vessel for Aker BioMarine and the REV for Rosellinis Four-10.

Solidifying its foothold in the aquaculture market, Vard Aukra has received its first contract for a Live Fish Transportation Vessel. Vard Brevik continues to pursue new business opportunities, several of which are related to Liquefied Natural Gas (LNG) technology.

### **Higher workload for Romanian shipyards**

During the quarter, VARD's two Romanian shipyards experienced very high workloads, on the back of ongoing work for the cruise projects for PONANT and Hapag-Lloyd Cruises, and the Module Carrier Vessel (MCV) projects for Topaz Energy and Marine, and Kazmortransflot. These projects are advancing well. Work on two cruise vessel sections for Fincantieri is scheduled to be completed in the third and fourth quarter of 2017, and the construction of two more sections is expected to commence in the second half of the year.

Following the latest installation and testing of the new gantry crane at Vard Tulcea, VARD is close to completing a phase of investments at the yard, thereby growing its throughput and capabilities. In addition, VARD is undertaking a challenging hiring plan for workers and subcontractors, including the hiring of local and expatriate workers.

### **Steady progress in Vietnam and Brazil, and notable milestones in Equipment and Solutions businesses**

Operations at Vard Vung Tau in Vietnam remains stable, amidst healthy progress on the MCV projects, with the first MCV completed during 2Q 2017, and successfully delivered since.

Having acquired the remaining 4.85% of shares in Vard Promar, the Group now holds full control of its operations in Brazil. The shipyard is progressing on four projects under construction, with the fifth Liquefied Petroleum Gas (LPG) carrier for Transpetro in the final phase of testing and commissioning, in preparation of delivery in 3Q 2017.

VARD's Equipment and Solutions businesses achieved several significant milestones in 2Q 2017. In particular, Vard Electro's new bridge solution, SeaQ Bridge, was installed and successfully tested on a vessel for the first time. Vard Electro also secured a contract for the installation of battery packages for five hybrid gas-electric ferries for Torghatten Nord, two of which will be built by VARD. In addition, Vard Electro will provide the SeaQ energy storage system for the hybridization of a Solstad Farstad-owned Platform Supply Vessel (PSV), delivered by VARD in 2014. VARD's subsidiary Seaonics was selected to provide a comprehensive research equipment package for the REV contracted during 2Q 2017.

### **Relentless focus on diversification of product portfolio**

Efforts to diversify VARD's suite of product offerings remain ongoing, as the Group looks to leverage its innovative culture and extensive experience in highly specialized vessels to bolster its order book. This strategy is further underpinned by the management's focus on mitigating risks still inherent in the offshore project portfolio.

Although a Letter of Intent for an exploration cruise vessel signed in January 2017 expired without resulting in a firm contract, there are still unrealized opportunities for VARD in this segment. The fisheries and aquaculture markets also continue to see high activity, despite strong competition.

Moving forward, the Group faces the challenge of managing varying degrees of workload across the different yards. With a high utilization rate in Romania, low and variable workload in Norway, and in view of a decreasing workload in Brazil, VARD continues to seek new opportunities to utilize its innovation power and global shipbuilding capacities.

**Roy Reite, Chief Executive Officer and Executive Director of VARD**, commented, "VARD's business transition continues to progress amidst challenging market conditions. VARD has adopted a two-pronged approach in sustaining its efficiency by fostering and exploring new opportunities in diverse markets, whilst internally working towards stabilizing workloads across the different shipyards. With long-standing experience in the design and construction of highly specialized vessels, VARD is well placed to tap on unrealized opportunities in various new market segments."

– End –



For further information, please contact:

## **VARD**

Holger Dilling  
EVP Investor Relations & Business Development Asia  
Mobile: +47 90 61 92 55  
[holger.dilling@vard.com](mailto:holger.dilling@vard.com)

Geir Ingebrigtsen  
EVP & CFO  
Mobile: +47 94 14 70 22  
[geir.ingebrigtsen@vard.com](mailto:geir.ingebrigtsen@vard.com)

## **NEWGATE COMMUNICATIONS**

Jean Li  
Mobile: +65 9749 4209  
[jean.li@newgatecomms.com.sg](mailto:jean.li@newgatecomms.com.sg)

Amira Sadiran  
Mobile: +65 8202 9494  
[amira.sadiran@newgatecomms.com.sg](mailto:amira.sadiran@newgatecomms.com.sg)

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## **About VARD**

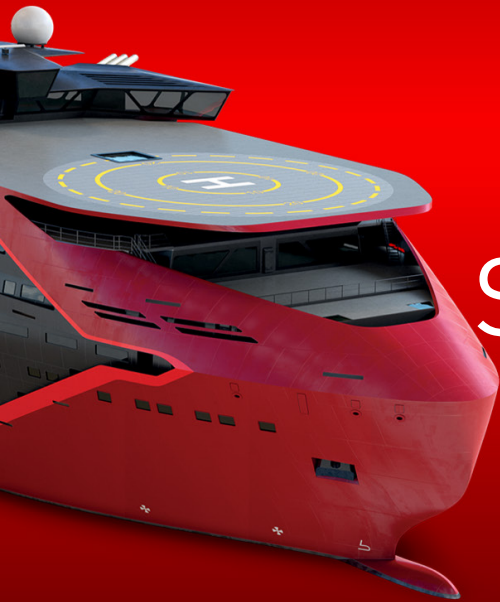
Vard Holdings Limited ("VARD"), together with its subsidiaries (the "Group"), is one of the major global designers and shipbuilders of specialized vessels. Headquartered in Norway and with 9,000 employees, VARD operates nine strategically located shipbuilding facilities, including five in Norway, two in Romania, one in Brazil and one in Vietnam. Through its specialized subsidiaries, VARD develops power and automation systems, deck handling equipment, and vessel accommodation solutions, and provides design and engineering services to the global maritime industry.

VARD's long shipbuilding traditions, cutting-edge innovation and technology coupled with its global operations and track record in constructing complex and highly customized vessels have earned it recognition from industry players and enabled it to build strong relationships with its customers.

VARD was listed on the Main Board of the Singapore Exchange on 12 November 2010. Majority shareholder Fincantieri Oil & Gas S.p.A., a wholly owned subsidiary of FINCANTIERI S.p.A., owns 78.03% in the Group. Headquartered in Trieste, Italy, FINCANTIERI is one of the world's largest shipbuilding groups and has, over its 200 years of maritime history, built more than 7,000 vessels.

[www.vard.com](http://www.vard.com)

**built on trust**



SECOND QUARTER 2017

# FINANCIAL STATEMENTS

Published 25 July 2017

**VARD**<sup>TM</sup>  
a **Fincantieri** company

**Vard Holdings Limited**

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

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**1 UNAUDITED FINANCIAL STATEMENTS**

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

	Group			Group		
	2Q-2017 ended 30/06/17	2Q-2016 ended 30/06/16	Change %	1H-2017 ended 30/06/17	1H-2016 ended 30/06/16	Change %
Revenue	2,128	2,218	-4%	3,905	4,241	-8%
Materials, subcontract costs and others	(1,355)	(1,500)	-10%	(2,412)	(2,773)	-13%
Salaries and related costs	(587)	(566)	4%	(1,127)	(1,130)	0%
Other operating expenses	(126)	(141)	-11%	(266)	(270)	-1%
<b>EBITDA before restructuring cost</b>	<b>60</b>	<b>11</b>	<b>445%</b>	<b>100</b>	<b>68</b>	<b>47%</b>
Restructuring cost	(4)	(38)	-89%	(10)	(49)	-80%
Depreciation, impairment and amortization	(60)	(51)	18%	(113)	(102)	11%
<b>Operating profit/(loss)</b>	<b>(4)</b>	<b>(78)</b>	<b>-95%</b>	<b>(23)</b>	<b>(83)</b>	<b>-72%</b>
Financial income	9	146	-94%	84	268	-69%
Financial costs	(58)	(121)	-52%	(137)	(195)	-30%
<b>Net financial items</b>	<b>(49)</b>	<b>25</b>	<b>n/m</b>	<b>(53)</b>	<b>73</b>	<b>n/m</b>
Share of results of associates	(17)	(9)	n/m	(17)	(9)	n/m
<b>Profit (loss) before tax</b>	<b>(70)</b>	<b>(62)</b>	<b>13%</b>	<b>(93)</b>	<b>(19)</b>	<b>389%</b>
Income tax expense	1	(5)	n/m	(3)	(5)	n/m
<b>Profit (loss) for the period</b>	<b>(69)</b>	<b>(67)</b>	<b>3%</b>	<b>(96)</b>	<b>(24)</b>	<b>300%</b>
<b>Profit (loss) for the period attributable to:</b>						
Equity holders of the Company	(69)	(53)	30%	(94)	(16)	488%
Non-controlling interest	-	(14)	n/m	(2)	(8)	n/m
<b>Profit (loss) for the period</b>	<b>(69)</b>	<b>(67)</b>	<b>3%</b>	<b>(96)</b>	<b>(24)</b>	<b>300%</b>
<b>Other comprehensive income:</b>						
<b>Items that may be reclassified subsequently to profit or loss:</b>						
Exchange differences on translation of foreign operations	7	(153)	n/m	3	(293)	n/m
Net fair value change in cash flow hedge	25	(18)	n/m	31	(18)	n/m
Income tax on other comprehensive income	13	4	n/m	4	4	n/m
<b>Items that may not be reclassified subsequently to profit or loss:</b>						
Share of other comprehensive income in associated companies	(2)	(22)	-91%	(2)	(22)	-91%
<b>Other comprehensive income for the period, net of income tax</b>	<b>43</b>	<b>(189)</b>	<b>n/m</b>	<b>36</b>	<b>(329)</b>	<b>n/m</b>
<b>Total comprehensive income for the period</b>	<b>(26)</b>	<b>(256)</b>	<b>-90%</b>	<b>(60)</b>	<b>(353)</b>	<b>-83%</b>
<b>Total comprehensive income attributable to:</b>						
Equity holders of the Company	(27)	(121)	-78%	(58)	(174)	-67%
Non-controlling interest	1	(135)	n/m	(2)	(179)	-99%
<b>Total comprehensive income for the period</b>	<b>(26)</b>	<b>(256)</b>	<b>-90%</b>	<b>(60)</b>	<b>(353)</b>	<b>-83%</b>

**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		
	2Q-2017 ended 30/06/17	2Q-2016 ended 30/06/16	Change %	1H-2017 ended 30/06/17	1H-2016 ended 30/06/16	Change %
Interest income	9	7	n/m	17	17	0%
Foreign exchange gain	-	135	n/m	67	248	-73%
Other financial income	-	4	n/m	-	3	n/m
<b>Financial income</b>	<b>9</b>	<b>146</b>	<b>-94%</b>	<b>84</b>	<b>268</b>	<b>-69%</b>
Interest expense	(15)	(21)	-29%	(28)	(44)	-36%
Foreign exchange loss	(35)	(65)	-46%	(88)	(110)	-20%
Other financial expenses	(8)	(35)	-77%	(21)	(41)	-49%
<b>Financial expenses</b>	<b>(58)</b>	<b>(121)</b>	<b>-52%</b>	<b>(137)</b>	<b>(195)</b>	<b>-30%</b>
<b>Net financial items</b>	<b>(49)</b>	<b>25</b>	<b>n/m</b>	<b>(53)</b>	<b>73</b>	<b>n/m</b>
Depreciation of property, plant and equipment	(51)	(48)	6%	(101)	(97)	4%
Amortization of intangibles	(6)	(3)	n/m	(9)	(5)	n/m
Impairment charges	(3)	-	n/m	(3)	-	n/m
<b>Depreciation, impairment charges and amortization</b>	<b>(60)</b>	<b>(51)</b>	<b>18%</b>	<b>(113)</b>	<b>(102)</b>	<b>11%</b>
Provisions for doubtful debts	-	7	n/m	-	7	n/m
<b>Allowance for doubtful debts and bad debts written off</b>	<b>-</b>	<b>7</b>	<b>n/m</b>	<b>-</b>	<b>7</b>	<b>n/m</b>

**1 UNAUDITED FINANCIAL STATEMENTS (cont.)**

**(b)(i) Statement of Financial Position**

	Group			Company		
	As at 30/06/17	As at 31/12/16	Change %	As at 30/06/17	As at 31/12/16	Change %
Property, plant and equipment	2,591	2,555	1%	-	-	n/m
Intangible assets	482	475	1%	-	-	n/m
Investment in subsidiary	-	-	n/m	2,983	2,983	0%
Investment in associates	206	222	-7%	-	-	n/m
Other investments	16	19	-16%	-	-	n/m
Interest-bearing receivables, non-current	621	473	31%	-	-	n/m
Non-current derivatives	3	28	-89%	-	-	n/m
Other non-current assets	137	38	261%	-	-	n/m
Deferred tax assets	81	82	-1%	-	-	n/m
<b>TOTAL NON-CURRENT ASSETS</b>	<b>4,137</b>	<b>3,892</b>	<b>6%</b>	<b>2,983</b>	<b>2,983</b>	<b>0%</b>
Inventories	2,054	1,949	5%	-	-	n/m
Construction WIP in excess of prepayments	5,710	5,594	2%	-	-	n/m
Trade and other receivables	692	801	-14%	153	112	37%
Current derivatives	20	53	-62%	-	-	n/m
Other current assets	55	161	-66%	-	-	n/m
Interest-bearing receivables, current	314	289	9%	1	7	n/m
Cash and cash equivalents	694	722	-4%	2	3	n/m
Assets classified as held for sale	-	57	n/m	-	-	n/m
<b>TOTAL CURRENT ASSETS</b>	<b>9,539</b>	<b>9,626</b>	<b>-1%</b>	<b>156</b>	<b>122</b>	<b>28%</b>
<b>TOTAL ASSETS</b>	<b>13,676</b>	<b>13,518</b>	<b>1%</b>	<b>3,139</b>	<b>3,105</b>	<b>1%</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	(841)	(877)	4%	-	-	n/m
Retained earnings	2,100	2,194	-4%	411	375	10%
Total equity attributable to equity holders of the Comp.	2,207	2,265	-3%	3,138	3,102	1%
Non-controlling interest	28	30	-7%	-	-	n/m
<b>TOTAL EQUITY</b>	<b>2,235</b>	<b>2,295</b>	<b>-3%</b>	<b>3,138</b>	<b>3,102</b>	<b>1%</b>
Loans and borrowings, non-current	986	1,049	-6%	-	-	n/m
Deferred tax liabilities	91	109	-17%	-	-	n/m
Non-current derivatives	119	32	272%	-	-	n/m
Other non-current liabilities	584	582	0%	-	-	n/m
Provisions, non-current	92	96	-4%	-	-	n/m
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1,872</b>	<b>1,868</b>	<b>0%</b>	<b>-</b>	<b>-</b>	<b>n/m</b>
Loans and borrowings, current	559	443	26%	-	-	n/m
Construction loans	5,586	5,248	6%	-	-	n/m
Prepayments in excess of construction WIP	886	763	16%	-	-	n/m
Trade and other payables	1,595	1,636	-3%	1	2	n/m
Current derivatives	347	591	-41%	-	-	n/m
Income tax payable	88	85	4%	-	-	n/m
Provisions, current	112	141	-21%	-	-	n/m
Other current liabilities	396	404	-2%	-	1	n/m
Liabilities directly associated with assets classified as held for sale	-	44	n/m	-	-	n/m
<b>TOTAL CURRENT LIABILITIES</b>	<b>9,569</b>	<b>9,355</b>	<b>2%</b>	<b>1</b>	<b>3</b>	<b>n/m</b>
<b>TOTAL LIABILITIES</b>	<b>11,441</b>	<b>11,223</b>	<b>2%</b>	<b>1</b>	<b>3</b>	<b>n/m</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>13,676</b>	<b>13,518</b>	<b>1%</b>	<b>3,139</b>	<b>3,105</b>	<b>1%</b>

**1 UNAUDITED FINANCIAL STATEMENTS (cont.)**

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

	As at 30.06.17		As at 31.12.16	
	Secured	Unsecured	Secured	Unsecured
Loans and borrowings, current	187	372	200	243
Construction loans *	5,586	-	5,248	-
<b>Total Amount repayable in one year or less, or on demand</b>	<b>5,773</b>	<b>372</b>	<b>5,448</b>	<b>243</b>

\* 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	986	-	1,049	-
<b>Total Amount repayable after one year</b>	<b>986</b>	<b>-</b>	<b>1,049</b>	<b>-</b>

<b>Total</b>	<b>6,759</b>	<b>372</b>	<b>6,497</b>	<b>243</b>
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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	216	216	55	161
USD	109	911	86	825
EUR	5	46	46	-
<b>Total</b>		<b>1,173</b>	<b>187</b>	<b>986</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
- Shares in Vard Vung Tau Ltd.
- Shares in Vard Promar SA

**1 UNAUDITED FINANCIAL STATEMENTS (cont.)**

**(c) Statement of Cash Flows (Group)**

	Group		Group	
	2Q-2017 ended 30/06/17	2Q-2016 ended 30/06/16	1H-2017 ended 30/06/17	1H-2016 ended 30/06/16
<b>OPERATING ACTIVITIES</b>				
Profit (loss) before tax	(70)	(62)	(93)	(19)
<i>Adjustments for:</i>				
Net interest expense	6	14	11	27
(Gain)/loss on disposal of property, plant and equipment, net	3	-	3	-
Unrealised foreign exchange gain/loss	20	(85)	7	(182)
Depreciation, impairment and amortization	60	51	113	102
Change in pension assets and liabilities	1	-	1	-
Other non-cash items in the statement of comprehensive income	6	29	6	29
Share of results of associates	17	9	17	9
<b>Operating cash flows before movements in working capital</b>	<b>43</b>	<b>(44)</b>	<b>65</b>	<b>(34)</b>
Inventories	(2)	(73)	(105)	(73)
Construction work in progress	(500)	936	20	2,213
Proceeds from construction loans	342	970	627	2,479
Repayment of construction loans	(168)	(1,589)	(297)	(3,487)
Other working capital assets	235	(259)	2	(675)
Other working capital liabilities	(101)	135	(191)	-
Provisions	(16)	(1)	(33)	(1)
<b>Cash generated from / (used in) operations</b>	<b>(167)</b>	<b>75</b>	<b>88</b>	<b>422</b>
Interest received	9	7	17	17
Interest paid	(9)	(28)	(20)	(46)
Income tax paid	(5)	(4)	(14)	(28)
<b>Cash flows from/ (used in) operating activities</b>	<b>(172)</b>	<b>50</b>	<b>71</b>	<b>365</b>
<b>INVESTING ACTIVITIES</b>				
Proceeds from disposal of property, plant and equipment	2	1	2	1
Proceeds from disposal of subsidiary	7	-	7	-
Purchase of property, plant and equipment	(68)	(55)	(156)	(83)
Purchase of intangible assets	(13)	(10)	(17)	(17)
Proceeds from repayment of non-current interest bearing receivables	-	1	-	3
Acquisition of subsidiary, net of cash acquired	-	-	(1)	-
Increase in ownership interest in subsidiaries	(14)	-	(14)	-
<b>Cash flows used in investing activities</b>	<b>(86)</b>	<b>(63)</b>	<b>(179)</b>	<b>(96)</b>
<b>FINANCING ACTIVITIES</b>				
Proceeds from loans and borrowings	204	33	307	44
Repayment of loans and borrowings	(174)	(174)	(221)	(237)
<b>Cash flows from/ (used in) financing activities</b>	<b>30</b>	<b>(141)</b>	<b>86</b>	<b>(193)</b>
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(228)</b>	<b>(154)</b>	<b>(22)</b>	<b>76</b>
Effects of currency translation difference on cash and cash equivalents	(1)	23	2	26
Cash and cash equivalents excl. restricted cash at beginning of financial period	827	953	618	720
<b>Cash and cash equivalents excl. restricted cash at end of financial period</b>	<b>598</b>	<b>822</b>	<b>598</b>	<b>822</b>
Restricted cash at end of financial period	96	86	96	86
<b>Cash and cash equivalents at end of financial period</b>	<b>694</b>	<b>908</b>	<b>694</b>	<b>908</b>

**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				
<b>At 1 January 2017</b>	<b>4,138</b>	<b>(3,190)</b>	<b>163</b>	<b>(38)</b>	<b>(1,002)</b>	<b>2,194</b>	<b>2,265</b>	<b>30</b>	<b>2,295</b>
<i>Comprehensive income</i>									
Profit (loss) for the period	-	-	-	-	-	(94)	(94)	(2)	(96)
Other comprehensive income	-	-	15	21	-	-	36	-	36
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>21</b>	<b>-</b>	<b>(94)</b>	<b>(58)</b>	<b>(2)</b>	<b>(60)</b>
<b>At 30 June 2017</b>	<b>4,138</b>	<b>(3,190)</b>	<b>178</b>	<b>(17)</b>	<b>(1,002)</b>	<b>2,100</b>	<b>2,207</b>	<b>28</b>	<b>2,235</b>
<b>At 1 January 2016</b>	<b>4,138</b>	<b>(3,190)</b>	<b>392</b>	<b>139</b>	<b>-</b>	<b>2,319</b>	<b>3,798</b>	<b>(837)</b>	<b>2,961</b>
<i>Comprehensive income</i>									
Profit (loss) for the period	-	-	-	-	-	(16)	(16)	(8)	(24)
Other comprehensive income	-	-	(122)	(36)	-	-	(158)	(171)	(329)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(122)</b>	<b>(36)</b>	<b>-</b>	<b>(16)</b>	<b>(174)</b>	<b>(179)</b>	<b>(353)</b>
<i>Transactions with owners</i>									
Equity subscribed by non-controlling shareholders	-	-	-	-	-	-	-	22	22
<b>Total transaction with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22</b>	<b>22</b>
<b>At 30 June 2016</b>	<b>4,138</b>	<b>(3,190)</b>	<b>270</b>	<b>103</b>	<b>-</b>	<b>2,303</b>	<b>3,624</b>	<b>(994)</b>	<b>2,630</b>
<b>Company</b>									
						Paid up Capital	Restructuring Reserve	Retained Earnings	Total Equity
<b>At 1 January 2017</b>						<b>4,138</b>	<b>(1,411)</b>	<b>375</b>	<b>3,102</b>
<i>Comprehensive income</i>									
Profit (loss) for the period						-	-	36	36
<b>Total comprehensive income for the period</b>						<b>-</b>	<b>-</b>	<b>36</b>	<b>36</b>
<b>At 30 June 2017</b>						<b>4,138</b>	<b>(1,411)</b>	<b>411</b>	<b>3,138</b>
<b>At 1 January 2016</b>						<b>4,138</b>	<b>(1,411)</b>	<b>280</b>	<b>3,007</b>
<i>Comprehensive income</i>									
Profit (loss) for the period						-	-	51	51
<b>Total comprehensive income for the period</b>						<b>-</b>	<b>-</b>	<b>51</b>	<b>51</b>
<b>At 30 June 2016</b>						<b>4,138</b>	<b>(1,411)</b>	<b>331</b>	<b>3,058</b>

*(All amounts in NOK millions unless otherwise stated)*

**1 UNAUDITED FINANCIAL STATEMENTS (cont.)**

**(d)(ii) Share Capital**

There were no ordinary shares issued in 2Q 2017. There are no treasury shares, nor subsidiary holdings, as at 30 June 2017 and as at 30 June 2016.

**Share Options**

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

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

The number of issued shares (excluding treasury shares) as at 30 June 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		
	2Q-2017 ended 30/06/17	2Q-2016 ended 30/06/16	Change %	1H-2017 ended 30/06/17	1H-2016 ended 30/06/16	Change %
(i) Earnings for the period (in NOK millions)	(69)	(53)	30%	(94)	(16)	488%
Earnings for the period (in SGD millions)	(11)	(8)	n/m	(15)	(3)	n/m
Weighted average number of shares (in millions)	1,180	1,180	0%	1,180	1,180	0%
(ii) Earnings per share (NOK)	(0.06)	(0.04)	50%	(0.08)	(0.01)	700%
Earnings per share (SGD cents)	(0.93)	(0.68)	37%	(1.27)	(0.25)	408%
(iii) Diluted earnings per share (NOK)	(0.06)	(0.04)	50%	(0.08)	(0.01)	700%
Diluted earnings per share (SGD cents)	(0.93)	(0.68)	37%	(1.27)	(0.25)	408%
Adjusted weighted average number of shares (in millions)	1,180	1,180	0%	1,180	1,180	0%
Exchange rates:	30/06/17	30/06/16		30/06/17	30/06/16	
SGD/NOK	6.093	6.289	-3%	6.093	6.289	-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 30/06/17	As at 31/12/16	Change %	As at 30/06/17	As at 31/12/16	Change %
Net assets value at the end of the period (NOK millions)	2,207	2,265	-3%	3,138	3,102	1%
Net assets value at the end of the period (SGD millions)	362	380	-5%	515	520	-1%
Number of shares (millions)	1,180	1,180	0%	1,180	1,180	0%
Net assets value per ordinary share (NOK)	1.87	1.92	-3%	2.66	2.63	1%
Net assets value per ordinary share (SGD)	0.31	0.32	-3%	0.44	0.44	0%
Exchange rates:	30/06/17	31/12/16		30/06/17	31/12/16	
SGD/NOK	6.093	5.965	2%	6.093	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 2Q 2017 were NOK 2.13 billion in line with 2Q 2016, while they were 20% higher compared to revenues for 1Q 2017. Revenues for 1H 2017 were NOK 3.91 billion, down from NOK 4.24 billion in 1H 2016. The reduction 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.

EBITDA before restructuring cost for the quarter was NOK 60 million for 2Q 2017 and NOK 100 million for 1H 2017, up from NOK 11 million for 2Q 2016 and NOK 68 for 1H 2016. The EBITDA margin increased from 0.5% in 2Q 2016 to 2.8% in 2Q 2017 and from 1.6% in 1H 2016 to 2.6% in 1H 2017.

In Norway, Vard Sjøviknes and Vard Langsten continued their preparations for the first cruise vessel projects. The design and procurement phases for the projects are completed or progressing according to plan. Management focus is now on mobilizing adequate resources and strengthening cooperation with Fincantieri in certain areas of expertise. Vard Brattvaag was designated as the outfitting yard for two major projects, the krill fishing vessel for Aker Biomarine announced in 1Q 2017 and confirmed in the second quarter, and the Research Expedition Vessel for Rosellinis Four-10 contracted during the quarter. Vard Aukra continued to strengthen its position in the aquaculture market with its first contract for a live fish transportation vessel, while Vard Brevik pursues new business opportunities, several of which related to LNG technology. Yard utilization in Norway during the quarter was variable but generally low.

The two shipyards in Romania experienced a very high workload during the quarter. A challenging hiring plan is being implemented for both own workers and subcontractors, and including hiring of expatriate workers. The phase of investments at Vard Tulcea is close to completion, with the new gantry crane installed and tested during the quarter. Work on the cruise projects for PONANT and Hapag-Lloyd Cruises is progressing in different stages of construction. The MCV projects for Topaz Energy and Marine and Kazmortransflot are progressing well. Work on two cruise vessel sections for Fincantieri is scheduled to be completed in 3Q and 4Q 2017, and work on two more sections is to start up in 2H 2017.

Operations at the shipyard in Vung Tau in Vietnam were again stable, amid good progress on the Module Carrier Vessel (MCV) projects. The first MCV was completed during the quarter and has been successfully delivered since.

In Brazil, the Group acquired the remaining 4.85% of shares in Vard Promar pursuant to previously agreed options, giving it 100% control of its operations at the new shipyard and providing for an amicable termination of the partnership with PJMR. Operationally, work is progressing on four projects under construction at the yard. The fifth Liquefied Petroleum Gas (LPG) carrier for Transpetro is in the final phase of testing and commissioning, in preparation of delivery in 3Q 2017.

The Group's Equipment and Solutions businesses, and in particular Vard Electro, achieved several milestones during the quarter. Vard Electro's new bridge solution, SeaQ Bridge, was installed and successfully tested on a vessel for the first time. A contract was secured for the installation of battery packages for five hybrid gas-electric ferries for Torghatten Nord, two of which will be built by VARD and three at a third-party shipyard. Vard Electro will also provide the SeaQ energy storage system for the hybridization of a SolstadFarstad-owned PSV, delivered by VARD in 2014. Seaonics was selected to provide a comprehensive research equipment package for the Research Expedition Vessel (REV).

The Group recognised restructuring cost of NOK 4 million during the quarter and NOK 10 million in the 1H 2017, related to termination benefits and statutory payments for temporary redundancies, mainly in Europe and Brazil.

Depreciation and amortization in the quarter and in the first six months is increasing compared with the corresponding periods of last year as consequence of the gradual completion of the investments ongoing.

As a consequence of the items discussed above, the operating loss is equal to NOK 4 million in 2Q 2017 and NOK 23 million in 1H 2017 improving from a loss of NOK 78 million in 2Q 2016 and NOK 83 million in 1H 2016.

**(a) Statement of comprehensive income (cont.)**

The net financial items went from NOK 25 million positive in 2Q 2016 to NOK 49 million negative in 2Q 2017 and from NOK 73 million positive in 1H 2016 to NOK 53 million negative in 1H 2017. The change is primarily related to foreign exchange gains and losses. In 1H 2017 there is a net foreign exchange loss of NOK 22 million, of which NOK 12 million relates to the yard construction loan in Vard Promar denominated in USD (1H 2016: NOK 195 million gain). In the corresponding period of last year, the group had a net foreign exchange gain of NOK 138 million.

Share of results of associates were NOK 17 million negative in 1H 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 69 million in 2Q 2017 and NOK 96 million in 1H 2017, compared to a loss of NOK 67 million in 2Q 2016 and NOK 24 million in 1H 2016.

**(b) Statement of financial position:**

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

Total non-current assets increased marginally from NOK 3.89 billion as of 31 December 2016 to NOK 4.14 billion as of 30 June 2017.

Total current assets were NOK 9.54 billion as of 30 June 2017, stable compared to NOK 9.63 billion as of 31 December 2016, as 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 June 2017 with 31 December 2016.

Total current liabilities have increased from NOK 9.36 billion end of 31 December 2016 to NOK 9.57 billion end of 30 June 2017. The increase is mainly driven by the utilization of construction loans and prepayments received in excess of construction work in progress partially offset by the decrease in current derivatives.

**(c) Statement of cash flows:**

Cash flows from operating activities were NOK 172 million negative in 2Q 2017 compared to NOK 50 million positive in 2Q 2016. For 1H 2017 cash flow from operating activities were NOK 71 million positive, compared to NOK 365 million positive in the corresponding period in 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 86 million in 2Q 2017 compared to NOK 63 million in 2Q 2016. Cash flows used in investing activities were NOK 179 million in 1H 2017 compared to NOK 96 million in 1H 2016. Investments in property, plant and equipment during the first six months of 2017 were mainly related to the expansion of facilities at Vard Tulcea.

Cash flows from financing activities were NOK 30 million positive in 2Q 2017 compared to NOK 141 million negative in 2Q 2016. For 1H 2017 the Group had a positive cash flow from financing activities of NOK 86 million compared to NOK 193 million negative in 1H 2016. The group has not obtained any new loans during the quarter. NOK 83 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 the financial period were equal to NOK 694 million for the period ended 30 June 2017 (30 June 2016: NOK 908 million).

**9 VARIANCE FROM FORECAST STATEMENT**

The Company has not disclosed any forecast to the market.

**10 PROSPECTS**

At the end of 2Q 2017, the order book value amounted to NOK 12.88 billion, up from NOK 12.65 billion at the end of 2016 and NOK 11.93 billion at the end of 2Q 2016. Aggregate order value at the end of the quarter was NOK 22.75 billion, and the order book comprised 44 vessels, of which 37 will be of VARD's own design. Order intake in 1H 2017 was NOK 3.48 billion and NOK 1.60 in 2Q 2017.

VARD continues to focus on the diversification of its product portfolio. The contract secured during the quarter for a Research Expedition Vessel (REV) marks the entry into another new market and demonstrates the Group's high innovation potential. Despite the Letter of Intent (LoI) for one exploration cruise vessel signed in January 2017 having expired without resulting in a firm contract, VARD still sees opportunities in this market. The fisheries and aquaculture markets continue to see high activity, but competition is also strong.

Operationally, the key challenge for the Group in the near term is to manage the varying workload at the different yards, namely a very high utilization in Romania, low and variable load in Norway, and a decreasing workload, especially for the early stages of vessel construction, in Brazil.

Risk inherent in the offshore project portfolio persists, and high attention is being devoted to mitigating actions.

**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-2017 ended 30/06/17	1H-2017 ended 30/06/17	2Q-2017 ended 30/06/17	1H-2017 ended 30/06/17
<b>Fincantieri Group</b>				
Secondment of personnel to VARD	-	-	2	4
Supply of consultancy service to VARD	-	-	-	2
5 year rental agreement of barge from FINCANTIERI	-	-	165	165
Contract for manufacturing and outfitting of a ship-part to FINCANTIERI	-	-	293	293
<b>Total</b>	-	-	<b>460</b>	<b>464</b>

*(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 second quarter ended 30 June 2017 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

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Mr Roy Reite  
Executive Director & CEO  
25 July 2017

Fine Comunicato n.1616-74

Numero di Pagine: 21