



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2016 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 992 047 380
Organisasjonsform: Aksjeselskap
Foretaksnavn: FARSTAD OFFSHORE AS
Forretningsadresse: Skansekaia 4A
6002 ÅLESUND

Regnskapsår

Årsregnskapets periode: 01.01.2016 - 31.12.2016

Konsern

Morselskap i konsern: Nei

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Idar Gjerde
Dato for fastsettelse av årsregnskapet: 15.05.2017

Grunnlag for avgivelse

År 2016: Årsregnskapet er elektronisk innlevert
År 2015: Tall er hentet fra elektronisk innlevert årsregnskap fra 2016

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 02.11.2020



Resultatregnskap

Beløp i: NOK	Note	2016	2015
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	2	204 944 000	230 764 000
Annen driftsinntekt		5 641 000	3 114 000
Sum inntekter		210 586 000	233 879 000
Kostnader			
Lønnskostnad		47 403 000	72 793 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	5	27 628 000	4 786 000
Annen driftskostnad	7	124 619 000	218 496 000
Sum kostnader		199 650 000	296 075 000
Driftsresultat		10 935 000	-62 196 000
Finansinntekter og finanskostnader			
Annen renteinntekt		19 799 000	3 211 000
Annen finansinntekt		159 000	192 000
Sum finansinntekter		19 958 000	3 403 000
Annen finanskostnad		8 852 000	3 029 000
Sum finanskostnader		8 852 000	3 029 000
Netto finans		11 106 000	375 000
Ordinært resultat før skattekostnad		22 041 000	-61 821 000
Skattekostnad på ordinært resultat	3	19 627 000	39 747 000
Ordinært resultat etter skattekostnad		2 413 000	-101 568 000
Årsresultat		2 413 000	-101 568 000
Årsresultat etter minoritetsinteresser		2 413 000	-101 568 000
Totalresultat		2 413 000	-101 568 000



Balanse

Beløp i: NOK	Note	2016	2015
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	2		
Varige driftsmidler			
Skip, rigger, fly og lignende	5	24 344 000	53 606 000
Sum varige driftsmidler		24 344 000	53 606 000
Sum anleggsmidler		24 344 000	53 606 000
Omløpsmidler			
Varer			
Varer	9		9 144 000
Sum varer			9 144 000
Fordringer			
Kundefordringer		40 505 000	93 302 000
Andre fordringer	6	43 745 000	32 826 000
Sum fordringer		84 250 000	126 128 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	12	62 594 000	54 744 000
Sum bankinnskudd, kontanter og lignende		62 594 000	54 744 000
Sum omløpsmidler		146 844 000	190 016 000
SUM EIENDELER		171 188 000	243 622 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	4, 8	177 100 000	177 100 000
Sum innskutt egenkapital		177 100 000	177 100 000



Balanse

Beløp i: NOK	Note	2016	2015
Opptjent egenkapital			
Annen egenkapital	4, 8	-135 588 000	-138 622 000
Sum opptjent egenkapital		-135 588 000	-138 622 000
Sum egenkapital		41 512 000	38 478 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Konvertible lån	6	100 000 000	120 000 000
Sum annen langsiktig gjeld		100 000 000	120 000 000
Sum langsiktig gjeld		100 000 000	120 000 000
Kortsiktig gjeld			
Leverandørgjeld		12 676 000	19 717 000
Betalbar skatt	3	1 259 000	5 420 000
Annen kortsiktig gjeld	6	15 740 000	60 006 000
Sum kortsiktig gjeld		29 676 000	85 144 000
Sum gjeld		129 676 000	205 144 000
SUM EGENKAPITAL OG GJELD		171 188 000	243 622 000



FARSTAD OFFSHORE AS
Postboks 1301
6001 ÅLESUND

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Farstad Offshore AS, org. nr. 992 047 380

Vi viser til deres brev av 26. november 2014, samt tilleggsopplysninger i e-post, der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Farstad Offshore AS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Farstad Offshore AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

Farstad Offshore AS er heleid av Farstad Shipping ASA. Selskapet er et managementselskap for Subsea fartøyer. Aktivitetene er konsentrert til markedene i Nordvest-Europa og Brasil. Med bakgrunn i at selskapet og konsernet opererer i et internasjonalt marked, med internasjonale kunder og med internasjonale eksterne kredittinstitusjoner, er det ønskelig å kunne utarbeide årsregnskapet og årsberetningen på engelsk. Forretningsspråket til morselskapet er engelsk. All kommunikasjon med kunder og kredittinstitusjoner foregår i hovedsak på engelsk. Med bakgrunn i dette søkes det om at årsregnskapet og årsberetningen utarbeides på engelsk.

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvadlak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:



“Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgjenvinster med basis i skjev fordelt informasjon.”

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til “informative regnskaper for ulike grupper av regnskapsbrukere”. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

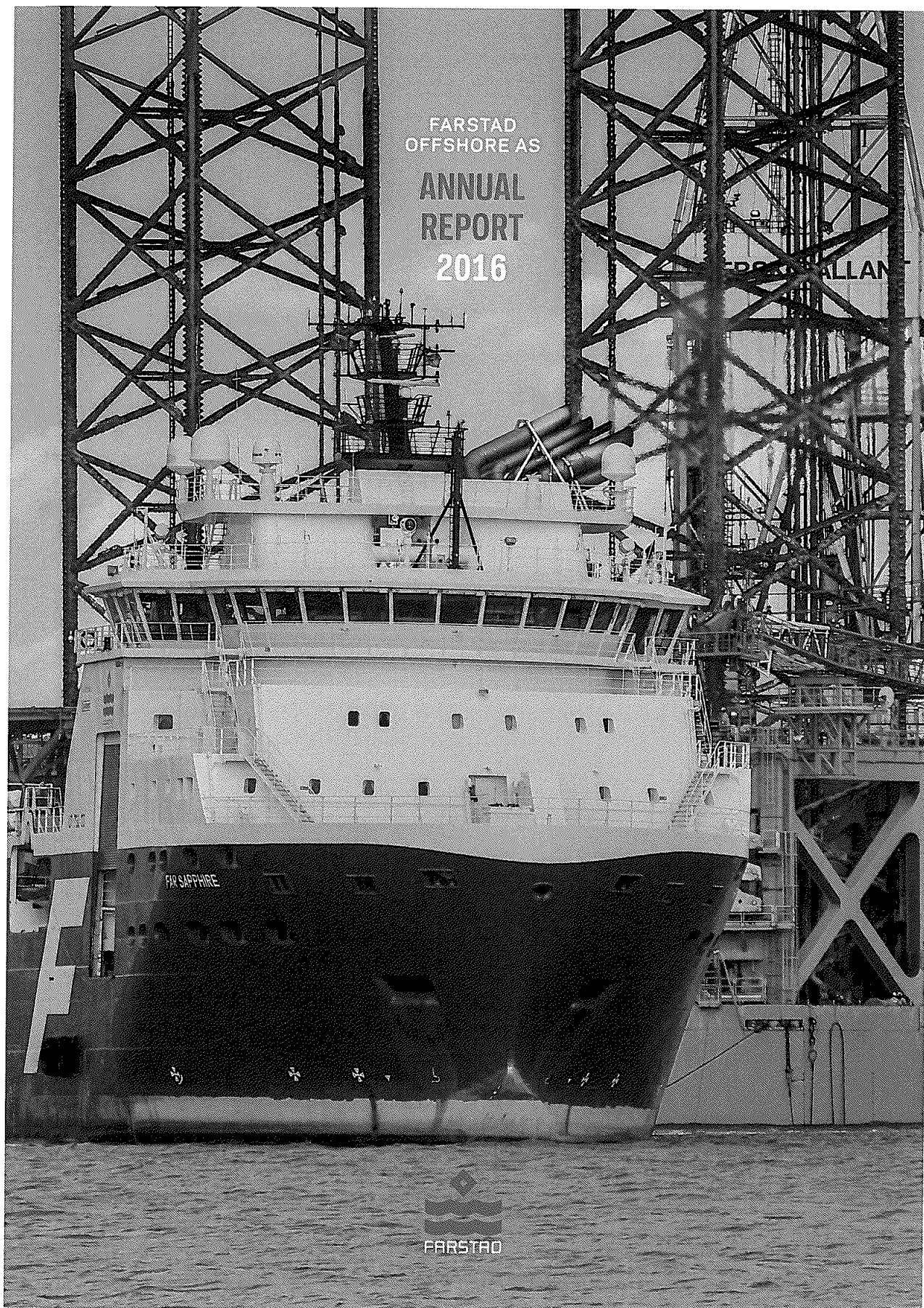
Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at selskapet er 100 % eiet av et selskap som benytter engelsk som foretningsspråk. Videre er det vektlagt at selskapet driver virksomhet i en internasjonal bransje der alle vesentlige aktører behersker og benytter engelsk språk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
Seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Geir Johannessen





THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

COMPANY STRUCTURE

FARSTAD OFFSHORE AS was established on 5 December 2007 in order to run shipping operations and other business associated with this. The company was established as part of contracting a new construction vessel in the Farstad fleet, Far Samson. This contract was later transferred to Farstad Construction AS. The vessel was specially designed to plow the seabed. The company is a wholly owned subsidiary of the listed company Farstad Shipping ASA and its head office is in Aalesund.

THE FLEET

As per 31 December there are no vessels left in this company. The company had bare boat contracts with Farstad Construction AS for two vessels up to July 2016 when they were cancelled. Further, the company had one vessel on financial lease from Farstad Marine AS from 4 May to 30 September, but this contract was also cancelled.

ENVIRONMENT AND EQUALITY

The company has no employees. The administration is managed by Farstad Shipping ASA.

The Board of Directors consists of men. The company has no planned or implemented measures on promoting gender equality. This will not be appropriate in a company of this size. The Discrimination Act's objective is to promote gender equality, ensure equal opportunities and rights, and to prevent discrimination due to ethnicity, national origin, descent, skin colour, language, religion and faith. The company does not have any issues with discrimination.

ENVIRONMENTAL REPORT

The Company has limited impact on the external environment.

FUTURE PROSPECTS

The combination of the current oil price levels and corresponding reduced activity offshore suggest that the activity for our industry will remain low in 2017. Even though there are some positive signs of increased activities, due to the unbalanced supply and demand of tonnage, it will take time before the overcapacity in the market is absorbed. Consequently, short term we can expect that the fierce competition will result in continuous low rate levels and a high portion of the global offshore service fleet being in lay-up.

Longer term, the group's strategy is based on oil and gas being important energy carriers for decades ahead, with the demand for energy increasing in line with population growth and higher standard of living. Development of new oil and gas fields offshore will still be important in order to meet future demands.

FINANCIAL STATEMENT

Operating income for 2016 was NOK 210.6 million including internal bareboat income NOK 1,7 million (NOK 233,9 million including internal bareboat income NOK 0,4 million in 2015). The reduction is related to internal transfer of vessels from this company to another company in the group. The operating result was NOK 10,9 million in 2016 (NOK -62,2 million in 2015), after an impairment of NOK 11,2 million (NOK 0 in 2015). The operating margin for the company was 5 % in 2016 (-27 %). The company has an equity ratio of 24 % (16 % in 2015). Despite increased margins, the liquidity situation is challenging.

The company's annual accounts show a profit of MNOK 2,4. The Board has approved the total profit to be transferred to Other Equity.

EVENTS AFTER YEAR-END

Restructuring of the Farstad Shipping ASA Group

On 6 February 2017, Farstad Shipping ASA group announced that Aker Capital AS, a wholly owned subsidiary of Aker ASA, Hemen Holding Limited ("Hemen") (a company indirectly controlled by trusts established by Mr. John Fredriksen for the benefit of his immediate family), as well as Farstad Shipping's senior lenders, bondholders, and F-Shiplease AS (a subsidiary of Ocean Yield ASA),

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had entered into an agreement (the "Restructuring Agreement") for a fully-funded financial restructuring of Farstad Shipping ASA group (the "Farstad Restructuring"). On 2 March 2017 the Farstad Restructuring was approved by the majority of the bondholders in both bonds and on 3 March 2017 the Farstad Restructuring was approved by the general meeting.

The Farstad Restructuring consists of the following elements:

(i) Farstad Shipping group's creditors converted debt claims to equity (the "Conversion of debt") Farstad Shipping's senior lenders, bondholders and F-Shiplease AS have completed a capital increase for conversion of debt as follows:

a) Farstad Shipping ASA assumed debt owing by its subsidiaries to certain senior lenders in the amount of NOK 940 million and the senior lenders have converted NOK 940 million into 752 million new shares in Farstad Shipping ASA at a price of NOK 1.25 per share.

b) The senior lenders released Farstad Shipping group's subsidiaries of their obligation to pay NOK 332 million in future interest in exchange for a NOK 271 million claim against Farstad Shipping ASA (equalling the net present value of such future interest payments), and the NOK 271 million claim was converted into 774,285,714 new shares of Farstad Shipping ASA at a share price of NOK 0.35.

c) The outstanding bond debt in FAR03 and FAR04 with a total outstanding amount of NOK 1,407 million, representing a principal of NOK 1,400 million plus interest in the amount of NOK 7 million, was converted into 1,125,516,355 new shares of Farstad Shipping ASA at share price NOK 1.25.

d) F-Shiplease AS have released Farstad Supply AS of its obligation to pay NOK 70 million of the "amortisation" element and NOK 109 million of the "interest" element of its two bare-boat leasing agreements with F-Shiplease, in exchange for a NOK 161 million claim against Farstad Shipping ASA (equalling the sum of the NOK 70 million "amortisation" element and the net present value of the "interest" element being NOK 91 million). The NOK 70 million "amortisation" element of the claim was converted into 56 million new shares of Farstad Shipping ASA at a price of NOK 1.25 per share, whereas the NOK 91 million "interest" element of the claim was converted into 259,595,760 new shares of Farstad Shipping ASA at a share price of NOK 0.35.

(ii) Farstad Shipping ASA have issued NOK 650 million of new equity fully underwritten by Aker and Hemen (the "Equity Issue").

The Equity Issue, which was fully underwritten by Aker and Hemen on a 50:50 basis, consists of a NOK 400 million in share issue to Hemen and Aker and NOK 50 million in share issue to Tyrholm & Farstad Invest AS (an affiliate of Farstad Shipping ASA group's main shareholder) ("Private Placement 1"), a NOK 150 million in share issue to Farstad Shipping's bondholders ("Private Placement 2") and a NOK 50 million repair issue to existing Farstad Shipping ASA shareholders and Bondholders who were not allocated shares in Private Placement 2 (the "Repair Issue"). The Repair Issue was subscribed for NOK 29 million by Farstad Shipping's shareholders and bondholders, the remaining was subscribed by Aker and Hemen on a 50:50 basis. The subscription price in the Equity Issues were NOK 0.35 per share.

Share capital as per 31 December 2016 had a value of NOK 39 million, at a nominal price of NOK 1.00 per share. In 1Q 2017 the company's share capital was reduced with NOK 37 million from NOK 39 million to NOK 2 million by reducing the nominal value of the shares with NOK 0.95 per share from NOK 1.00 to NOK 0.05. The reduced share capital of NOK 37 million has been allocated to retained earnings. Following the equity issues that was completed by 23 March, the nominal share capital has been increased to approximately NOK 243 million.

(iii) The existing financing agreements of Farstad Shipping group was amended (the "Farstad Amended Financing Terms").

The terms and conditions of the existing financing agreements for Farstad Shipping ASA (except for financing agreements with Westpac and BNDES) were amended and harmonised, including by adding the following features:

a) The amortisation profile of the loans (after adjustment for the amounts converted to equity) was reduced to 10% of the original profile from 1 January 2017 until 31 December 2021. Commencing in Q1 2022 the balance of amortising senior debt will become amortising in linear instalments of 20% per year, whereas senior loans with a bullet repayment profile will receive an extraordinary repayment of 4% in Q2 2019. The final maturity date for all loans (with maturity date prior to the new maturity date) will be extended to Q4 2023;

b) A cash sweep mechanism has been introduced;

c) In addition to certain financial covenants, restrictions has been introduced with respect to Farstad Shipping ASA's ability to pay dividends, incur new debt, carry out equity issues and make capital expenditures;

d) Minimum value clause at 100% across the group's fleet (but suspended throughout 2019);

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- e) Removal of current ownership covenants;
- f) Pre-approval of sale of older vessels at prices below secured debt using agreed mechanisms.

The Farstad Amended Financing Terms ensures that Farstad Shipping ASA is no longer in breach with its financial covenants and long term debt classified as current liabilities has been reclassified as non-current liabilities. Total NOK 8,174 million are reclassified from current to Non-current liabilities following the Farstad Shipping ASA Restructuring.

Business combination

Furthermore to the announcement 6 February 2017, the parties to the Restructuring Agreement, together with Soff Invest AS and Ivan II AS (jointly the "Solstad Family Companies") and Tyrholm & Farstad AS, have agreed to work for a combination of Solstad Offshore ASA ("Solstad Offshore"), Farstad Shipping ASA and Deep Sea Supply Plc ("Deep Sea Supply") following completion of the Farstad Restructuring, creating a world class OSV company (the "Combination").

The combination is proposed to be structured as follows:

(i) Deep Sea Supply and Farstad Shipping ASA will merge into and be established as individual subsidiaries under Solstad Offshore, with shareholders of Deep Sea Supply and Farstad Shipping receiving shares in Solstad Offshore as consideration (the "Mergers").

Under the Mergers, Farstad Shipping ASA will merge with a newly incorporated subsidiary of Solstad Offshore and Farstad's former shareholders will receive shares in Solstad Offshore as merger consideration. The exchange ratio in the Solstad Offshore / Farstad merger will be 0.35:12.50 Farstad shares per Solstad Offshore share.

Contemporaneously with the Solstad Offshore / Farstad Shipping ASA merger, Deep Sea Supply will combine with Solstad Offshore in a merger or merger-like transaction whereby all of Deep Sea Supply's assets, rights and obligations will ultimately be transferred to a subsidiary of Solstad Offshore against consideration in the form of Solstad Offshore shares. The amount of Solstad Offshore consideration shares issued will be based on an agreed exchange ratio of 1.32:12.50 Deep Sea Supply shares per Solstad Offshore share.

(ii) The existing financing agreements of Solstad Offshore and Deep Sea Supply will be sought amended and harmonised with the Farstad Amended Financing Terms.

(iii) In connection with the Combination, Solstad Offshore will complete a NOK 200 million private placement directed towards Hemen at a subscription price of NOK 12.50 per share. The proceeds from the private placement will be passed on by Solstad Offshore to the part of the new group comprising the former Deep Sea Supply operations.

(iv) Aker will convert its NOK 250 million convertible loan to Solstad Offshore in exchange for shares, such convertible loan having originally been granted to Solstad Offshore in 2016 together with a NOK 250 million equity investment by Aker in Solstad Offshore.

(v) Solstad Offshore's dual share class structure will be collapsed, and all Class A and Class B shares will be converted to common shares on a 1:1 basis.

The transaction elements listed above are interdependent and will become effective simultaneously upon completion of the Combination. A merger plan between Farstad Shipping ASA (acquired) and Solship Invest 2 AS (acquiring), with shares in Solstad Offshore ASA, was approved by the boards of directors in the respective companies 24 of March.

However, the Combination is not completed and it is subject to, among other things, agreement on final transaction documentation, competition authority approvals and relevant corporate resolutions.

The senior lenders in Farstad Shipping ASA group have undertaken to vote in favour of and otherwise support the Combination. Further, the senior lenders have undertaken a lockup obligation preventing them from selling their shares in Farstad Shipping ASA until such time as the Combination is finally approved or until 30 September 2017, unless otherwise agreed with Aker and Hemen.

Based on the financial restructuring of Farstad Shipping ASA group, as well as the proposed business combination with Solstad Offshore and Deep Sea Supply, the board believes that the embedded financial risk in Farstad, has been reduced substantially. Longer term, both the company and the OSV industry as a whole is dependent upon improving market terms to return to sustainable earnings and debt servicing capacity.



GOING CONCERN

As per 31.12.2016, the company has lost more than 50 % of it's share capital. The Group acknowledges that the challenging market situation may require measures to strengthen the financial position and the capital structure of the Group and some of the subsidiaries, including Farstad Offshore AS. The company is financed by Farstad Shipping ASA and internal loans totaling MNOK 100 can be converted to share capital. The Board of Directors will take necessary actions to improve the financial situation of the company.

The Board confirms that the conditions of going concern are in place, and the annual accounts are prepared on this basis.

Aalesund, 31 December 2016

15 May 2017

The Board of Directors of FARSTAD OFFSHORE AS

Karl-Johan Bakken
Chairman of the Board

Olav Haugland
Member of the Board/General Manager

Idar Johannes Gjerde
Member of the Board



PROFIT AND LOSS			
FARSTAD OFFSHORE AS (NOK 1 000)			
	Note	2016	2015
Operating income:			
Freight Income	2	204 944	230 764
Other income		5 641	3 114
Total operating Income		210 586	233 879
Operating expenses:			
Crewing expenses vessels		47 403	72 793
Other operating expenses vessels		114 473	202 277
Administration	7	10 147	16 219
Total operating expenses		172 022	291 289
Operating profit before depreciations (EBITDA)		38 563	-57 410
Depreciation and impairment	5	27 628	4 786
Operating result (EBIT)		10 935	-62 196
Financial items:			
Financial income		159	192
Financial expenses		8 852	3 029
Realised agio (disagio)		19 799	3 211
Net financial income and expenses		11 106	375
Tax and results:			
Pre tax profit		22 041	-61 821
Tax	3	19 627	39 747
Profit for the year		2 413	-101 568

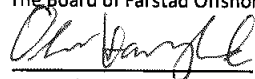


BALANCE SHEET

FARSTAD OFFSHORE AS (NOK 1 000)

	Note	2016	2015
ASSETS			
FIXED ASSETS			
Vessels and other fixed assets	5	24 344	53 606
Total fixed assets		24 344	53 606
CURRENT ASSETS			
Account receivables, freight income		40 505	93 302
Inventories		0	9 144
Other short-term receivables	6	43 745	32 826
Cash and cash equivalents	11	62 594	54 744
Total current assets		146 844	190 016
Total assets		171 188	243 622
EQUITY AND LIABILITIES			
EQUITY			
Share capital	4, 8	177 100	177 100
Other equity	4, 8	-135 588	-138 622
Total equity		41 512	38 478
NON-CURRENT LIABILITIES			
Liabilities to parent company	6	100 000	120 000
Total non-current liabilities		100 000	120 000
CURRENT LIABILITIES			
Accounts payable		12 676	19 717
Tax payable	3	1 259	5 420
Other current liabilities	6	15 740	60 006
Total current liabilities		29 676	85 144
Total liabilities		129 676	205 144
Total equity and liabilities		171 188	243 622


Karl Johan Bakken
Chairman of the Board

Aalesund, 15.05.2017
The Board of Farstad Offshore AS

Olav Haugland
Member of the Board/General Manager


Idar Johannes Gjerde
Member of the Board



CASH FLOW STATEMENT		
FARSTAD OFFSHORE AS (NOK 1 000)		
	2016	2015
Cash flow from operations		
Profit before income taxes	22 041	-61 821
Taxes paid in the period	-19 916	-7 784
Gain/loss from sale of fixed assets	-2 555	-
Depreciation	16 402	4 786
Impairment of fixed assets	11 226	-
Change in inventory	9 144	-6 871
Change in trade debtors	52 798	-71 229
Change in trade creditors	-7 041	16 060
Differences in expensed pensions and payments in/out of the pension scheme	621	2 589
Change in other provisions	-56 181	58 900
Net cash flow from operations	26 538	-65 371
Cash flow from investments		
Proceeds from sale of fixed assets	1 438	-
Purchase of fixed assets	-126	-10 302
Net cash flow from investments	1 312	-10 302
Cash flow from financing		
Proceeds from long term loans	-	120 000
Repayment of long term debt	-20 000	-
Net cash flow from financing	-20 000	120 000
Exchange gains / (losses) on cash and cash equivalents		
Net change in cash and cash equivalents	7 850	44 327
Cash and cash equivalents at the beginning of the period	54 744	10 417
Cash and cash equivalents at the end of the period	62 594	54 744



NOTES TO THE ACCOUNTS (NOK 1 000) FARSTAD OFFSHORE AS

NOTE 1 ACCOUNTING PRINCIPLES

The annual accounts have been prepared in compliance with the Accounting Act and accounting principles generally accepted in Norway.::

Estimates

Areas that involve judgment or complexity, or areas where assumptions and estimates are significant to the consolidated accounts, are tax, the capitalisation and depreciation of deferred maintenance, average settlements and loss on receivables.

Financial instruments

Profit and loss items are recognised at the transaction date's exchange rate or the forward exchange rate where items are hedged against exchange rates. Current assets and current liabilities are recognised at the balance sheet date's exchange rate, and currency gains and losses due to exchange rate changes are recognised through profit or loss. Hedging instruments that qualify for hedge accounting according to NGAAP are not recognised in financial statements. Ineffective part of hedging, and hedging that do not qualify for hedge accounting, are recognised in the financial statements. The following exchange rates applied on the balance sheet date: USD 8.6200, GBP 10.6130, EUR 9.0863, AUD 6.2252 and BRL 2.6449.

Costs and Income recognition

The vessels are mainly leased on time charters (TC). The TC contracts comprise payment for factors such as crew hire. Income from the lease of vessels is recognised on a straight-line basis during the lease period. The lease period starts on the date the vessel is made available to the leaser, and terminates on the agreed date for return of the vessel. Crew hire and payments to cover other operating expenses are reported as income according to the straight-line method for the duration of the agreement. Income and costs associated with charter parties are recognised in the accounts on the basis of the number of days in the contract. Interest income is recorded as interest accrues.

Impairment of fixed assets

The booked values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that booked value may not be recoverable. If any such indications exist and if the booked value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount which for fixed assets is the greater of the net selling price and value in use. As an approach to net selling price for the fixed asset the value estimates obtained from sales of same type of assets in the same market are used as basis.

Maintenance costs on leased vessels

Ordinary repairs and maintenance are recognised in the profit and loss account. The cost of dockings, periodic maintenance, and larger modifications of leased vessels are recognised on the balance sheet and recognised as expenses on a straight-line basis over the period up to the next periodic maintenance/docking, normally every 30 months. The costs are recognised via depreciation.

Taxes

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated as 24 percent of temporary differences and the tax effect of tax losses carried forward. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilized. Taxes payable and deferred taxes are recognised directly against equity to the extent that they relate to equity transactions.

Pensions

Farstad Offshore AS is hiring all crew and crew related duties from other companies within the Farstad Shipping ASA Group. In connection with this all crew related expenses are charged to the company, including pension expenses.

The company has according to NRS 6 Pension costs declared the option to use IAS 19 for the recognition of the defined benefit plan. The current service cost and net interest income/costs are recognised immediately. The service cost is recognised in the vessels crew cost and administration cost in the income statement. Changes in estimates, both in assets and liabilities are recognised through retained earnings.

Cash flow statement

The company uses the indirect model when presenting its cash flow statement. The statement's line for cash and cash equivalents includes bank deposits, other deposits and marketable securities.

NOTE 2 FREIGHT INCOME

Freight income by product		
Platform Supply Vessels (PSV)	2016	2015
	10 681	-
Subsea Vessels (CSV)	194 263	230 764
Total freight income	204 944	230 764
Freight income by region		
North West Europe	2016	2015
	10 679	16 039
Brazil	59 781	109 981
Asia Pacific	-	-
Other segments (Africa, etc)	134 484	104 744
Total freight income	204 944	230 764



NOTES TO THE ACCOUNTS (NOK 1 000)

FARSTAD OFFSHORE AS

NOTE 3 TAXES

Calculation of deferred tax/deferred tax benefit

	2016	2015
Temporary differences		
Fixed assets	-	-6 216
Other temporary differences	-6 454	-
Net temporary differences	-6 454	-6 216
Tax losses carried forward	-134 749	-151 194
Basis for deferred tax	-141 203	-157 410
Deferred tax/deferred tax asset	-33 889	-39 353
Deferred tax asset not recognized in the balance sheet	-33 889	-39 353
Deferred tax in the balance sheet	-	-

	2016	2015
Basis for income tax expense, changes in deferred tax and tax payable		
Result before taxes	22 041	-61 821
Permanent differences	621	2 589
Basis for the tax expense for the year	22 662	-59 232
Change in temporary differences	238	-2 734
Basis for payable taxes in the income statement	22 900	-61 966
Change in tax losses carried forward	-16 446	61 736
+/- Group contributions received/given	-	231
Taxable income (basis for payable taxes in the balance sheet)	6 454	-

	2016	2015
Components of the income tax expense		
Withholding tax	18 014	13 142
Payable tax on this year's result	1 614	-
Change in deferred tax	-	26 605
Tax expense	19 627	39 747

	2016	2015
Payable taxes in the balance sheet		
Payable tax in the tax charge	1 614	-
Payable tax abroad	-354	5 420
Payable tax in the balance sheet	1 259	5 420

NOTE 4 EQUITY

	Share capital	Other equity	Total
Equity changes in the year			
Equity 01.01.	177 100	-138 622	38 478
Profit for the year	-	2 413	2 413
Passed on changes in estimates	-	621	621
Equity 31.12.	177 100	-135 588	41 512

NOTE 5 FIXED ASSETS

	A-Frame	Spare parts	Vessel*	Total fixed assets
Purchase cost pr. 01.01.	22 941	37 041	-	59 982
Additions	-	788	186 953	187 741
Disposals	22 941	2 100	186 953	211 994
Purchase cost pr. 31.12.	-	35 729	-	35 729
Accumulated depreciation 01.01.	11 982	159	-	12 141
Depreciation in the year	836	-	3 126	3 962
Impairment	-	11 226	-	11 226
Disposals	-12 818	-	-3 126	-15 944
Accumulated depreciation 31.12.	-	11 385	-	11 385
Recognized value deferred maintenance	-	-	-	-
Net book value pr. 31.12.	-	24 344	-	24 344

	2016	2015
Change in recognized value deferred maintenance		
Net book value pr. 01.01	5 765	2 846
Additions	5 379	7 519
Disposals	1 297	-
Depreciation in the year	-12 440	-4 600
Net book value pr. 31.12	-	5 765

*Vessel

Far Server was on financial bareboat from Farstad Marine AS to Farstad Offshore AS from 4/5 to 30/9-2016.

Impairment of NOK 11 226 has been recognised for components stored onshore based on an assessment of the sales values of these components in the market as of 31.12.16.



NOTES TO THE ACCOUNTS (NOK 1 000)

FARSTAD OFFSHORE AS

NOTE 6 BALANCE WITH GROUP COMPANIES, ETC.

	2016	2015
Current liabilities		
Farstad Shipping ASA		59 879
Farstad Offshore AS		
Farstad Construction AS		
Farstad Supply AS	14 274	-
Farstad Marine AS	401	
Farstad Shipping Pte Ltd.		
Farstad Shipping Crewing Services Pte Ltd.		
Farstad Shipping (Indian Pacific) Pty. Ltd.	-	-
Farstad Shipping Aalesund AS		
Farstad Shipping (Indian Pacific) Pty. Ltd.		
Total current liabilities	14 674	59 879
Accounts receivables		
Farstad Shipping ASA	8 454	359
Farstad Supply AS	144	428
Farstad Construction AS	32 736	11 673
Farstad Shipping Aalesund AS	621	2 589
Total current assets	41 954	15 049
Long term debt		
Farstad Shipping ASA*	100 000	120 000
Total	100 000	120 000

*3 months NIBOR + 3,75% margin.

NOTE 7 SALARIES, NUMBER OF EMPLOYEES AND MANAGEMENT AGREEMENTS WITH CLOSELY RELATED PARTIES

Farstad Offshore AS has no employees, - thus no wages or directors fee have been paid in 2016.

Management of the vessels is handled by Farstad Shipping ASA according to Management agreements.

In 2016 it was paid NOK 1 193 (NOK 1 651) in corporate fees and NOK 8 472 (NOK 13 904) in management fees to Farstad Shipping ASA.

The company is not obligated to have mandatory pension agreements.

Expensed audit fee

	2016	2015
Statutory audit	80	31
Tax advisory fee	-	11
Total audit fees	80	43

NOTE 8 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital of NOK 177 100 consist of 1 000 shares with nominal value of NOK 177.1 each. All shares are owned by Farstad Shipping ASA, Ålesund.

The parent company Farstad Shipping ASA has its registered offices in Skansekaia 4A, 6002 Ålesund, where the consolidated accounts which include the company can be obtained.

NOTE 9 FORWARD CONTRACTS

The company does not have any forward exchange contracts for outstanding receivables and future cash flows in foreign currencies as per 31.12.16.

The marketvalue of the forward exchange contracts per 31.12.15 was NOK -9 512.

NOTE 10 RELATED PARTIES

Farstad Offshore AS has purchased goods/services from		
Farstad Shipping ASA	9 665	15 555
Farstad Construction AS	101 088	166 812
Farstad Supply AS	-	-
Farstad Shipping Aalesund AS	-	-
Total	110 753	182 367
Farstad Offshore AS has sold goods/services to		
Farstad Shipping ASA	-	-
Farstad Supply AS	1 430	2 728
Total	1 430	2 728

NOTE 11 RESTRICTED CASH

The company has pledged cash deposits of NOK 10.2 million (NOK 31.6 million) as of 31.12.2016. This is related to a guarantee for delivery of newbuild vessel for a frame agreement with Technip Norge AS.



NOTES TO THE ACCOUNTS (NOK 1 000)

FARSTAD OFFSHORE AS

NOTE 12 EVENTS AFTER YEAR END

Closing of the restructuring

On 06 February 2017, Farstad Shipping ASA group announced that Aker Capital AS, a wholly owned subsidiary of Aker ASA, Hemen Holding Limited ("Hemen") (a company indirectly controlled by trusts established by Mr. John Fredriksen for the benefit of his immediate family), as well as Farstad Shipping's senior lenders, bondholders, and F-Shiplease AS (a subsidiary of Ocean Yield ASA), have entered into an agreement (the "Restructuring Agreement") for a fully-funded financial restructuring of Farstad Shipping ASA group (the "Farstad Restructuring"). On 2 March 2017 the Farstad Restructuring was approved by the majority of the bondholders in both bonds and on 3 March 2017 the Farstad Restructuring was approved by the general meeting.

Farstad Restructuring consist of the following elements:

(i) Farstad Shipping group's creditors converted debt claims to equity (the "Conversion of debt")

Farstad Shipping group's senior lenders, bondholders and F-Shiplease AS have completed a capital increase for conversion of debt as follows:

- a) Farstad Shipping ASA assumed debt owing by its subsidiaries to certain senior lenders in the amount of NOK 940 million and the senior lenders have converted NOK 940 million into 752,000,000 new shares in Farstad Shipping ASA at a price of NOK 1.25 per share.
- b) The senior lenders released Farstad Shipping group's subsidiaries of their obligation to pay NOK 332 million in future interest in exchange for a NOK 271 million claim against Farstad Shipping ASA (equaling the net present value of such future interest payments), and the NOK 271 million claim is converted into 774,285,714 new shares of Farstad Shipping ASA at a share price of NOK 0.35.
- c) The outstanding bond debt in FAR03 and FAR04 with a total outstanding amount of NOK 1,407 million, representing a principal of NOK 1,400 million plus interest in the amount of NOK 7 million, is converted into 1,125,516,355 new shares of Farstad Shipping ASA at share price NOK 1.25.
- d) F-Shiplease AS have released Farstad Supply AS of its obligation to pay NOK 70 million of the "amortisation" element and NOK 109 million of the "interest" element of its two bare-boat leasing agreements with F-Shiplease, in exchange for a NOK 161, million claim against Farstad Shipping ASA (equaling the sum of the NOK 70,000,000 "amortisation" element and the net present value of the "interest" element being NOK 91). The NOK 70 million "amortisation" element of the claim is converted into 56,000,000 new shares of Farstad Shipping ASA at a price of NOK 1.25 per share, whereas the NOK 91 million "interest" element of the claim is converted into 259,595,760 new shares of Farstad Shipping ASA at a share price of NOK 0.35.

(ii) Farstad Shipping ASA have issued NOK 650 million of new equity fully underwritten by Aker and Hemen (the "Equity Issue")

The Equity Issue, which was fully underwritten by Aker and Hemen on a 50:50 basis, consists of a NOK 400 million in share issue to Hemen and Aker and NOK 50 million in share issue to Tyrholm & Farstad Invest AS (an affiliate of Farstad Shipping ASA group's main shareholder) ("Private Placement 1"), a NOK 150 million share in issue to Farstad Shipping's bondholders ("Private Placement 2") and a NOK 50 million repair issue to existing Farstad Shipping ASA shareholders and bondholders who were not allocated shares in Private Placement 2 (the "Repair Issue"). The Repair Issue was only subscribed for NOK 29 million by Farstad Shipping's shareholders and bondholders, the remaining was subscribed by Aker and Hemen on a 50:50 basis. The subscription price in the Equity issue was NOK 0.35 per share.

(iii) The existing financing agreements of Farstad Shipping ASA is amended (the "Farstad Amended Financing Terms")

The terms and conditions of the existing financing agreements for Farstad Shipping ASA (except for financing agreements with Westpac and BNDES) is amended and harmonised, including by adding the following features:

- a) The amortisation profile of the loans (after adjustment for the amounts converted to equity) is reduced to 10% of the original profile from 01 January 2017 until 31 December 2021. Commencing in Q1 2022 the balance of amortising senior debt will become amortising in linear instalments of 20% per year, whereas senior loans with a bullet repayment profile will receive an extraordinary repayment of 4% in Q2 2019. The final maturity date for all loans (with maturity date prior to the new maturity date) will be extended to Q4 2023;
- b) A cash sweep mechanism will be introduced;
- c) In addition to certain financial covenants, restrictions will be introduced with respect to Farstad Shipping ASA's ability to pay dividends, incur new debt, carry out equity issues and make capital expenditures;
- d) Minimum value clause at 100% across the group's fleet (but suspended throughout 2019);
- e) Removal of current ownership covenants;
- f) Pre-approval of sale of older vessels at prices below secure debt using agreed mechanisms.

The Farstad Amended Financing Terms ensures that Farstad Shipping ASA is no longer in breach with its financial covenants and long term debt classified as current liabilities is reclassified as non-current liabilities. Total NOK 8,174 million is reclassified from current to Non-current liabilities after the Farstad Shipping ASA Restructuring.

Farstad Shipping ASA's share capital as per 31 December 2016 had a value of NOK 39 million, at a nominal price of NOK 1.00 per share. In 1Q 2017 Farstad Shipping ASA's share capital is reduced with NOK 37 million from NOK 39 million to NOK 2 million by reducing the nominal value of the shares with NOK 0.95 per share from NOK 1.00 to NOK 0.05. The reduced share capital of NOK 37 million is allocated to retained earnings.

Part of the debt conversions to equity in Farstad Shipping ASA, a nominal value of total NOK 2 417 million were converted to equity at the conversion price of NOK 1.25 per share. The fair value of the debt conversions to equity is measured to only NOK 0.35 per shares. Therefore, NOK 0.05 per share is recognised as share capital, NOK 0.30 per share is recognised as additional paid-in capital and NOK 0.90 per share is recognised over the income statement and ends up in retained earnings. This gives the total amount of NOK 97 million in share capital, NOK 580 million in paid in capital and total amount of NOK 1 740 in income statement in Q1 2017.



NOTES TO THE ACCOUNTS (NOK 1 000)

FARSTAD OFFSHORE AS

For the rest of the debt conversions to equity, a nominal value of total NOK 362 million, the conversion price per share is NOK 0.35. NOK 0.05 per share is recognised as share capital and NOK 0.30 per share is recognised as additional paid-in capital, total amount of NOK 52 million in share capital and NOK 310 million in paid in capital in Q1 2017.

For the F-Shiplease lease agreements, a part of the lease payments will be deferred from Q1 2017 and until Q4 2021. Commencing in Q1 2022, the lease payments will revert to the original levels and in addition, all deferred payments will become repayable in linear instalments of 20% per year, with a bullet repayment of deferred payments in Q4 2023. The maturity dates of the leases remain unchanged, being March and June 2025, and a new cash sweep mechanism is introduced in the leases. All the changes to the leases agreements results in a reclassification of the leases from financial lease to operational lease. Non-current assets is derecognised with NOK 1,095 million, current liabilities is derecognised with NOK 48,9 million and non-current liabilities are derecognised with NOK 1,015 million. Even after the amendments of the lease agreements, the agreements are considered as onerous contracts, with an expected negative net present value of NOK 84 million for both lease agreements, recognised in the income statement in 1Q 2017.

All equity issues was completed 23 March.

The Farstad Shipping ASA's pro-forma statement of financial position as of 31 December 2016 adjusted for the effects of the Farstad Restructuring is as per below:

(In NOK million)	As of 31 December 2016	Effect of restructuring	Adjusted for restructuring effects
Assets			
Non-Current Assets	11 808,40	-665,1	11 143,30
Current Assets	1 358,80	585	1 943,80
Assets classified as held for sale	370,5		370,5
Total Assets	13 537,70	-80,1	13 457,60
Equity and Liabilities			
Share capital	39	204,2	243,2
Additional paid-in capital	198,4	1 412,40	1 610,80
Retained earnings	749,2	1 497,90	2 247,10
Equity	986,6	3 114,40	4 101,00
Non-current liabilities	1 695,70	6 401,60	8 097,30
Current liabilities	10 856,40	-9 596,10	1 259,30
Total Equity and Liabilities	13 537,70	-80,1	13 457,60

Business Combination

Furthermore to the announcement 6 February 2017, the parties to the Restructuring Agreement, together with Soff Invest AS and Ivan II AS (jointly the "Solstad

The combination is proposed to be structured as follows:

- (i) Deep Sea Supply and Farstad Shipping will merge into and be established as individual subsidiaries under Solstad Offshore, with shareholders of Deep Sea Supply and Farstad Shipping receiving shares in Solstad Offshore as consideration (the "Mergers").

Under the Mergers, Farstad Shipping will merge with a newly incorporated subsidiary of Solstad Offshore and Farstad Shipping's former shareholders will receive shares in Solstad Offshore as merger consideration. The exchange ratio in the Solstad Offshore / Farstad merger will be 0.35:12.50 Farstad shares per Solstad Offshore share.

Contemporaneously with the Solstad Offshore / Farstad Shipping merger, Deep Sea Supply will combine with Solstad Offshore in a merger or merger-like transaction whereby all of Deep Sea Supply's assets, rights and obligations will ultimately be transferred to a subsidiary of Solstad Offshore against consideration in the form of Solstad Offshore shares. The amount of Solstad Offshore consideration shares issued will be based on an agreed exchange ratio of 1.32:12.50 Deep Sea Supply shares per Solstad Offshore share.

- (ii) The existing financing agreements of Solstad Offshore and Deep Sea Supply will be sought amended and harmonised with the Farstad Amended Financing Terms.
- (iii) In connection with the Combination, Solstad Offshore will complete a NOK 200 million private placement directed towards Hemen at a subscription price of NOK 12.50 per share. The proceeds from the private placement will be passed on by Solstad Offshore to the part of the new group comprising the former Deep Sea Supply operations.
- (iv) Aker will convert its NOK 250 million convertible loan to Solstad Offshore in exchange for shares, such convertible loan having originally been granted to Solstad Offshore in 2016 together with a NOK 250 million equity investment by Aker in Solstad Offshore.
- (v) Solstad Offshore's dual share class structure will be collapsed, and all Class A and Class B shares will be converted to common shares on a 1:1 basis.

The transaction elements listed above are interdependent and will become effective simultaneously upon completion of the Combination. A merger plan between Farstad Shipping ASA (acquired) and Solship Invest 2 AS (acquiring), with shares in Solstad Offshore ASA, was approved by the boards of directors in the respective companies 24 of March. However, the Combination is not completed and it is subject to, among other things, agreement on final transaction documentation, competition authority approvals and relevant corporate resolutions.

The senior lenders in Farstad Shipping ASA group have undertaken to vote in favour of and otherwise support the Combination. Further, the senior lenders have undertaken a lockup obligation preventing them from selling their shares in Farstad Shipping ASA until such time as the Combination is finally approved or until 30 September 2017, unless otherwise agreed with Aker and Hemen.



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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Farstad Offshore AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Farstad Offshore AS, which comprise the balance sheet as at 31 December 2016, the income statement and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2016 and its financial performance for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) is responsible for the other information. Our opinion on the audit of the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally



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accepted in Norway, including International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Ålesund, 15 May 2017
ERNST & YOUNG AS

Ivar-André Norvik
State Authorised Public Accountant (Norway)

Independent auditor's report - Farstad Offshore AS

A member firm of Ernst & Young Global Limited