



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2017 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 914 439 639
Organisasjonsform: Aksjeselskap
Foretaksnavn: DEEP SEA SUPPLY SHIPOWNING I AS
Forretningsadresse: Storgaten 4
4876 GRIMSTAD

Regnskapsår

Årsregnskapets periode: 01.01.2017 - 31.12.2017

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: Anders Hall Jomaas
Dato for fastsettelse av årsregnskapet: 30.07.2018

Grunnlag for avgivelse

År 2017: Årsregnskapet er elektronisk innlevert
År 2016: Tall er hentet fra elektronisk innlevert årsregnskap fra 2017

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, 05.11.2020



Resultatregnskap

Beløp i: USD	Note	2017	2016
RESULTATREGNSKAP			
Inntekter			
Revenue	9	4 059 000	12 493 000
Other operating income		453 000	3 414 000
Sum inntekter		4 512 000	15 907 000
Kostnader			
Depreciation	2	8 601 000	13 441 000
Impairment	2	25 151 000	42 243 000
Operating expenses vessels	11	7 719 000	11 072 000
Other operating expenses	10	1 919 000	513 000
Sum kostnader		43 390 000	67 269 000
Driftsresultat		-38 878 000	-51 362 000
Finansinntekter og finanskostnader			
Annen renteinntekt		667 000	228 000
Sum finansinntekter		667 000	228 000
Write - down of financial assets		-1 153 000	6 000
Annen rentekostnad		3 759 000	3 890 000
Other financial expenses		-165 000	2 708 000
Sum finanskostnader		2 441 000	6 604 000
Netto finans		-1 774 000	-6 376 000
Ordinært resultat før skattekostnad		-40 652 000	-57 738 000
Income tax expense	8	6 000	3 000
Ordinært resultat etter skattekostnad		-40 658 000	-57 741 000
Årsresultat		-40 658 000	-57 741 000
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		-40 658 000	-57 741 000
Sum overføringer og disponeringer		-40 658 000	-57 741 000



Balanse

Beløp i: USD	Note	2017	2016
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Vessels and newbuilding contracts	2	48 385 000	81 111 000
Sum varige driftsmidler		48 385 000	81 111 000
Sum anleggsmidler		48 385 000	81 111 000
Omløpsmidler			
Varer			
Inventories	3	1 019 000	1 041 000
Sum varer		1 019 000	1 041 000
Fordringer			
Trade receivables		0	537 000
Other receivables		460 000	604 000
Konsernfordringer	5	15 841 000	22 865 000
Sum fordringer		16 301 000	24 006 000
Bankinnskudd, kontanter og lignende			
Cash and bank deposits		425 000	1 524 000
Sum bankinnskudd, kontanter og lignende		425 000	1 524 000
Sum omløpsmidler		17 745 000	26 571 000
SUM EIENDELER		66 130 000	107 682 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	6,7	460 000	114 000
Overkurs	6	117 393 000	114 295 000



Balanse

Beløp i: USD	Note	2017	2016
Sum innskutt egenkapital		117 853 000	114 409 000
Opptjent egenkapital			
Other equity	6	-144 233 000	-103 575 000
Sum opptjent egenkapital		-144 233 000	-103 575 000
Sum egenkapital		-26 380 000	10 834 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	4	86 453 000	89 881 000
Langsiktig konserngjeld	5	4 046 000	3 729 000
Sum annen langsiktig gjeld		90 499 000	93 610 000
Sum langsiktig gjeld		90 499 000	93 610 000
Kortsiktig gjeld			
Liabilities to financial institutions	4	165 000	0
Other short-term liabilities		1 846 000	3 237 000
Sum kortsiktig gjeld		2 011 000	3 237 000
Sum gjeld		92 510 000	96 847 000
SUM EGENKAPITAL OG GJELD		66 130 000	107 681 000



Cash flow statement
Deep Sea Supply Shipowning I AS

	2017	2016
Cash flow from operations		
Loss before income taxes	-40 652	-57 739
Taxes paid in the period	-6	-3
Depreciation	8 678	13 441
Impairment of fixed assets	26 075	42 243
Change in inventory	23	467
Change in trade debtors	144	1 757
Change in other provisions	-690	-866
Net cash flow from operations	-6 429	-700
Cash flow from investments		
Purchase of fixed assets	-2 027	-902
Change of loans receivable group (short.t/long.t)	7 024	1 812
Net cash flow from investments	4 997	910
Cash flow from financing		
Proceeds from long term loan from group companies	332	2 380
Payments towards other borrowings (short.t/long.t)	0	-2 974
Net cash flow from financing	332	-594
Net cash flow for the period	-1 100	-383
Cash and cash equivalents at the beginning of the period	1 524	1 907
Cash and cash equivalents at the end of the period	425	1 524
This consist of:		
Bank deposits etc:	425	1 524



Skattedirektoratet

Saksbehandler Torstein Kinden Helleland	Deres dato 18.03.2016	Vår dato 29.03.2016
Telefon 22078139	Deres referanse Peter R. Elleson	Vår referanse 2016/247372

ADVOKATFIRMAET PRICEWATERHOUSECOOPERS AS
Postboks 447
4664 KRISTIANSAND S

PRICEWATERHOUSECOOPERS
INNKOMMET 31 MAR 2016

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk

Vi viser til deres brev av 18. mars 2016 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for følgende selskaper;

Deep Sea Supply Management AS	org.nr. 990 397 090
Deep Sea Supply Shipowning AS	org.nr. 986 847 839
Deep Sea Supply BTG AS	org.nr. 914 274 133
Deep Sea Supply Shipowning I AS	org.nr. 914 439 639
Deep Sea Supply Shipowning II AS	org.nr. 914 439 736
Deep Sea Supply Shipowning III AS	org.nr. 914 441 277

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering de overnevnte selskaper 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

Deep Sea Supply Plc er et børsnotert selskap hjemmehørende på Kypros. Selskapet er morselskap i en konsernstruktur med datterselskaper i en rekke land (Kypros, Brasil, Malaysia, Singapore og Norge). I tillegg eier selskapet 50 % i et joint venture med den brasilianske investeringsbanken BTG Pactual. Joint venture er etablert i Norge med et felles holdingselskap og underliggende skipseiende selskaper. Konsernets hovedaktivitet er å eie og drive ankerhånderings- og supplyfartøyer. Driften består av utleie av fartøyene på bareboat eller time charter. Konsernets virksomhet er verdensomspennende, med særlig fokus på Brasil, Nordsjøen, Sør-Øst-Asia og Afrika.

Deep Sea Supply Management AS og Deep Sea Supply Shipowning AS er heleid av Deep Sea Supply Plc. Joint venture med BTG Pactual består av holdingselskapet Deep Sea Supply BTG AS, som er eid 50/50 av Deep Sea Supply Plc og BTG. Dette selskapet har tre underliggende

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Postboks 9200 Grønland
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Besøksadresse:
Se www.skatteetaten.no
Org.nr: 996250318
E-post: skatteetaten.no/sendepost

Sentralbord
800 80 000
Telefaks
22 17 08 60



heleide skipseiende datterselskaper; Deep Sea Supply Shipowning I AS, Deep Sea Supply Shipowning II AS og Deep Sea Supply Shipowning III AS.

Bransjen selskapene tilhører er internasjonal og arbeidsspråket på verdensbasis er engelsk. Alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal *”årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak 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 spekulasjonsgevinster med basis i skjevt 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 selskapene er eid av utenlandsk selskaper. Eierkretsen er begrenset. Videre er det vektlagt at selskapene driver virksomhet i en bransje der alle sentrale aktører behersker og benytter engelsk språk.



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Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer





Deep Sea Supply Shipowning I AS

Notes to the accounts for 2017

Note 1 Accounting principles

Basis of preparation

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

Functional and presentation currency

The company uses USD as functional currency and presentation currency.

All amounts in these financial statements are in USD 1 000 unless otherwise stated.

Use of estimates

The preparation of financial statements in compliance with the Norwegian Accounting Act requires the use of estimates. The application of the company's accounting principles also require management to apply assessments. Areas which to a great extent contain such assessments, a high degree of complexity, or areas in which assumptions and estimates are significant for the financial statements, are described in the notes.

Freight revenues

Revenue derived from the charter of vessels is recognized over the charter period on a straight line basis. Charter contracts are classified as operating leases, revenue derived from charter contracts is recognized in the period over the lease term on a straight line basis. Related services are recognized as revenue in accordance with the services being rendered.

Some charter contracts include mobilization fee, which is paid at the beginning of the charter period. If the fee is to cover upgrades or equipment, the fee is booked as revenue and the relevant capital expenditure is capitalized and depreciated over the charter period on a straight line basis.

Vessels without signed contract in place at discharge have no revenue before a new contract is signed. Charter related expenses incurred for vessels in the idle time are expensed. Revenues from time charters and bareboat charters accounted for as operating leases are recognized over the rental periods of such charters, as service is performed on a straight line basis.

Classification of balance sheet items

Assets intended for long term ownership or use have been classified as fixed assets. Assets relating to the trading cycle have been classified as current assets. Other receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities. First year's instalment on long term liabilities and long term receivables are, however, not classified as short term liabilities and current assets.



Deep Sea Supply Shipowning I AS

Notes to the accounts for 2017

Non-current assets and maintenance costs

Property, plant and equipment are stated at historical cost, less subsequent depreciation and impairment. For vessels purchased, these costs include expenditures that are directly attributable to the acquisition of the items. Depreciation is calculated on a straight-line basis, taking residual values into consideration, and adjusted for impairment charges, if any. The carrying value of the fixed assets on the balance sheet represents the cost less accumulated depreciation and any impairment charges.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Day-to-day maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

The cost of major renovations and periodic maintenance of vessels are capitalized and depreciated over the useful lifetime of the parts replaced. The useful lifetime of regular vessels docking expenses will normally be the period until next docking which if it is an intermediate survey is after 30 months and if it is a special survey is after 60 months.

When ships are acquired, a proportion of the acquisition cost is separated to periodic maintenance.

Depreciation on vessels and other assets (equipment) is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Vessels	20 years
– Vehicles	5 years
– Deferred maintenance	5 years
– Furniture, fittings and equipment	3 years

The assets' residual values and useful lifetime assumptions of fixed-assets are reviewed at each balance sheet date, and where they differ significantly from previous estimates, depreciation charges are changed accordingly.

Relocation costs

Relocation costs, for moving a vessel from one geographical location to another when entering a new charter agreement, are capitalized as a separate component for the vessel. The component is depreciated over the charter period on a straight line basis.

Asset impairments

Impairment tests are carried out if there is indication that the carrying amount of an asset exceeds the estimated recoverable amount. The test is performed on the lowest level of fixed assets at which independent cashflows can be identified. If the carrying amount is higher than both the fair value less cost to sell and recoverable amount (net present value of future use/ownership), the asset is written down to the highest of fair value less cost to sell and the recoverable amount.

Previous impairment charges, except writedown of goodwill, are reversed in later periods if the conditions causing the write-down are no longer present. Reversal of previously recognized impairment is limited to the amount the carrying value of the asset would have been, had the initial impairment charge not taken place.

Inventories

Inventories are valued at the lower of purchase cost (according to the FIFO principle) and fair value.



Deep Sea Supply Shipowning I AS

Notes to the accounts for 2017

Debtors

Trade debtors are recognised in the balance sheet after provision for bad debts. The bad debts provision is made on basis of an individual assessment of each debtor and an additional provision is made for other debtors to cover expected losses. Significant financial problems at the customers, the likelihood that the customer will become bankrupt or experience financial restructuring and postponements and insufficient payments, are considered indicators that the debtors should be written down.

Other debtors, both current and long term, are recognised at the lower of nominal and net realisable value. Net realisable value is the present value of estimated future payments. When the effect of a writedown is insignificant for accounting purposes this is, however, not carried out. Provisions for bad debts are valued the same way as for trade debtors.

Foreign currencies

Assets and liabilities in foreign currencies are valued at the exchange rate on the balance sheet date. Exchange gains and losses relating to sales and purchases in foreign currencies are recognised as operating income and cost of goods sold.

Liabilities

Liabilities, with the exception of certain liability provisions, are recognised in the balance sheet at nominal amount.

Taxes

The company is taxed under The Norwegian Tonnage Tax Regime and will not be taxed based on its net operating profit. Taxation under the shipping tax regime requires compliance to stringent requirements, and voluntary or compulsory exit from the regime will result in taxation of net profits based on ordinary taxation. Net taxable financial income is taxed according to the shipping tax regime (24 %). Tonnage tax paid under the tonnage tax regime is classified as operational expenses.

Cash flow statement

The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits, and other short term investments which immediately and with minimal exchange risk can be converted into known cash amounts, with due date less than three months from purchase date.



Deep Sea Supply Shipowning I AS

Notes to the accounts for 2017

Note 2 Fixed assets

	Vessels and equipment	
	2017	2016
Purchase cost 01.01.	258 502	257 600
Additions	1 103	902
Purchase cost 31.12.	259 605	258 502
Accumulated depreciation 31.12.	40 085	31 407
Accumulated impairment 31.12.	171 135	145 984
Net book value 31.12.	48 385	81 111
Depreciation in the year	8 678	13 441
Impairment in the year	25 151	42 243

Impairment

Due to weak and challenging market conditions with decreased ship values, the company has impaired the value for several of the vessels. The company has received independent valuation on the vessels from 2 independent brokers. Value in use calculation has been prepared for all vessels. The most important assumptions in the value in use calculation are a WACC on 8,36 %, and to estimate the rate assumption historical rates for the previous 7 - 10 years are used. The company has used a growth assumption on 0 - 1 % until 2021 and after 2021 they have added an inflation rate adjustment of 2 % to the revenue. The group assumes that the market will be back in a normal situation in 2023. From today until 2023, the market is expected to gradually improve.

Note 3 Inventories

	2017	2016
Bunkers	993	1 016
Spare parts	25	25
Total	1 019	1 041

Note 4 Borrowings

Falling due between	2017	2016
0 - 1 year	165	0
1 - 2 years	165	89 946
2 - 5 years	86 303	0
Total	86 634	89 946
Amortized cost	-16	-65
Total	86 618	89 881

In February 2013 the company entered into a loan facility agreement for the total amount of MUSD 128. The purpose of the loan is financing of the construction of the company's newbuild vessels. The termination date of this agreement was 31.10.2016.

As a part of the restructuring, the company achieved refinancing for its long - term bank borrowing 29th of September 2016, and the new termination date is 31.10.2018.

On 8th of June 2017 Deep Sea Supply Shipowning AS, Deep Sea Supply Shipowning I, Deep Sea Supply Labuan and Deep Sea Supply Labuan II Limited entered into a Senior Secured Term Loan Facility agreement with ABN Amro Bank N.V, Nordea Bank AB, Swedbank AB and DnB Bank ASA. The purpose of the new facility is replacement of the existing facility from February 2013.

Maturity date for the new loan facility is December 31st 2021.



Deep Sea Supply Shipowning I AS

Notes to the accounts for 2017

	2017	2016
Liabilities secured by mortgage	86 618	89 881
Balance sheet value of assets placed as security:		
	2017	2016
Vessels	48 385	81 111
Total	48 385	81 111

Note 5 Balance with group companies, etc.

	Other debtors	
	2017	2016
Group companies	15 841	22 865
Total	15 841	22 865

	Other long term liabilities	
	2017	2016
Group companies	-4 046	-3 729
Total	-4 046	-3 729

Transactions with related parties, etc.

Related parties are members of the board, management and other companies within the group.

Deep Sea Supply Servicos Maritimos Ltda has charged management fee of USD 126 (2016: USD 130) to Deep Sea Supply Shipowning I AS during 2017.

DESS Management Singapore Pte Ltd has charged management fee of USD 330 (2016: USD 141) to Deep Sea Supply Shipowning I AS during 2017.

Deep Sea Supply Management AS has charged management fee of USD 896 (2016: USD 194) to Deep Sea Supply Shipowning I AS during 2017.

Deep Sea Supply Shipowning I AS has received internal TC income of USD 453 from Deep Sea Supply Navegacao for the vessel Sea Tiger during 2017.

During 2017, the company has rented out 1 vessel on a BB agreement to the company Deep Sea Supply Navegacao Maritima Ltd.

Intercompany balances are charged with an interest of Nibor/EURIBOR or Libor + 2 % margin.

The calculations are prepared in arrears, quarterly, based on the average balance for the quarter passed.

Note 6 Shareholders' equity

Equity changes in the year	Share capital	Share premium	Other equity	Total
Equity 01.01.	114	114 295	-103 575	10 834
Contribution in kind	346	3 098	0	3 443
Loss for the year	0	0	-40 658	-40 658
Equity 31.12.	460	117 393	-144 233	-26 380

The company has performed a capital increase by conversion of debt the 28th of June 2017.



Deep Sea Supply Shipowning I AS

Notes to the accounts for 2017

Note 7 Share capital and shareholder information

The share capital consists of 30 shares, each with a face value of NOK 129 289 each.
All shares issued are fully paid in.

Deep Sea Supply Shipowning I AS is owned 96,7 % by Deep Sea Supply AS and 3,33 % by Deep Sea Supply Shipowning II AS.
Deep Sea Supply AS and Deep Sea Supply Shipowning II AS is located in Storgaten 4, 4876 Grimstad.

Note 8 Taxes

The company entered into the Norwegian shipping tax system as of 23.9.2015.
The company does not pay tonnage tax because of the size of the vessels.

Based on net taxable loss from finance the company has a loss carried forward as of 31.12.17 of kNOK 5 679.

Note 9 Freight revenue vessels

Geographical distribution	2017	2016
North South America	4 234	12 959
Asia	-1	-171
North Sea	-174	-61
Africa	0	-234
Total	4 059	12 493

Note 10 Payroll expenses, number of employees, remunerations, loans to employees, etc.

There have been no employees in the company throughout the year.
No remuneration has been paid to Board of Directors during 2017.
No loans/sureties have been granted to the general manager, Board chairman or other related parties.

Expensed audit fee

	2017	2016
Statutory audit (incl. technical assistance with financial statements)	17	20
Tax advisory fee (incl. technical assistance with tax return)	4	5
Total audit fees	20	25

Note 11 Operating expenses vessels

	2017	2016
Crew expenses	2 979	4 786
Insurance	582	1 031
Repairs and maintenance, lubrication oil, stores, supplies and miscellaneous	1 751	3 320
Administration expenses	2 408	1 934
Total	7 719	11 072



Deep Sea Supply Shipowning I AS

Notes to the accounts for 2017

Note 12 Events after the balance sheet date

On 27th March, the Company and other fellow group companies ("the Group") has entered into a standstill and deferral agreement with its lenders. Reference is made to the stock exchange announcement July 12th, 2018, in which it was informed that Solship Invest 3 AS and its subsidiaries ("SI-3") had entered into an agreement with its major financial creditors to postpone instalment and interest payments until July 20th, 2018. SI-3 has today entered into an agreement with its financial creditors for the financial restructuring of SI-3 (the "Financial Restructuring"). The Financial Restructuring includes a deferral of scheduled instalments, interests and bareboat payments until December 31st, 2019 in a total amount of approximately USD 48 mill.

The Financial Restructuring also entails suspension of the majority of financial covenants in the same period. As part of the Financial Restructuring, SI-3 will be provided a loan from Sterna Finance Ltd. in the amount of USD 27 million, which shall be applied for general corporate purposes in SI-3. Completion of the Financial Restructuring grants SI-3 a sufficient runway to meet the current market challenges.

The Financial Restructuring is subject to customary conditions to be satisfied within August 31st, 2018.

The three AHTS vessels Sea Fox, Sea Vixen and Sea Stoat were delivered to the new owner in April 2018. The company has disposed the vessel Sea Jackal in June 2018.

For further information, see press releases via the homepage of the group: www.solstadfarstad.com



Directors' report 2017

Background and activities

Deep Sea Supply Shipowning I AS ("the Company") was established on 28th of October 2014.

The company is owned 96.7% by Deep Sea Supply AS and 3.3% by Deep Sea Supply Shipowning II AS.

The company is domiciled in Storgaten 4 Grimstad, Norway.

Financial status

Below is a summary of the financial position of the company.

Revenues and Profit

The Company's revenues were MUSD 4.5 during 2017. Revenue is generated from chartering of vessels to third party clients.

Total operating expenses were MUSD 43.39 out of which MUSD 25.15 were impairment charges on vessels values.

Net loss for the year after tax was MUSD 40.66.

Equity

The company's total equity at the end of 2017 was negative MUSD -26.38.

Going concern

The financial statements are prepared on a going concern basis.

On 27th March, the Company and other fellow group companies ("the Group") has entered into a standstill and deferral agreement with its lenders. Reference is made to the stock exchange announcement July 12th, 2018, in which it was informed that Solship invest 3 AS and its subsidiaries ("SI-3") had entered into an agreement with its major financial creditors to postpone instalment and interest payments until July 20th, 2018. SI-3 has today entered into an agreement with its financial creditors for the financial restructuring of SI-3 (the "Financial Restructuring"). The Financial Restructuring includes a deferral of scheduled instalments, interests and bareboat payments until December 31st, 2019 in a total amount of approximately USD 48 mill. The Financial Restructuring also entails suspension of the majority of financial covenants in the same period.

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Financial risk

Below, we will explain some key risk factors:

Assessment of the company's assets

The value of the vessels could change, due to long-term changes in the market (earnings) for this type of vessels, the cost of newbuilding of vessels etc. This may affect the fair value of the vessels which subsequently lead to further impairment of vessel values.

Market risk

The Company have and will have its fleet in the spot market which means uncertainty about future rate levels and thus the company's revenues and profits. The market was weak throughout 2017 and future development depends on the activity level for the oil companies.

Currency rate risk

One risk is the foreign exchange risk. The Company is exposed to that risk mainly due to the amounts to and from related parties. The main currencies that the Company is exposed to are Norwegian Kroner (NOK), British pounds (GBP) and Euro (EUR).

Interest rate risk

The Company is exposed to interest rate risk due to bank borrowings and cash at banks. The risk due to cash held at banks is immaterial as the Company does not intend to hold material liquid reserves in fixed deposits.

Liquidity risk

The Company monitors its risk to a shortage of funds by closely monitoring the projected cash flow from operations, financial expenses and investment expenditure. The Company maintains sufficient cash for its daily operations via short term cash deposits at banks.

Health, safety and environment

The company has no employees. The company does not pollute the environment.



Equality

The Board consists of men. The Board strives to gender equality.

Future outlook

During 2017 the Company saw a continued weakening of the global OSV markets. In Brazil, the situation remains difficult with reduced activity and foreign flagged vessels being blocked by vessels with local flag. No improvement in the market situation for OSVs is expected in the short to medium term. The contract coverage for 2017 for the Company is not satisfactory and the Company is currently pursuing several term opportunities, however the competition is fierce and rate levels are low.

The Annual report gives a fair review of the developments and the performance of the business as well as the financial position of Company.

Allocation of profit

Loss after tax is MUSD 40.7 and proposed transferred to other equity.

Grimstad, 30th July 2018

Lars Peder Solstad
Chairman of the Board

Sven Stakkestad
Member of the Board

Anders Hall Jomaas
Member of the Board



Deep Sea Supply Shipowning I AS

INCOME STATEMENT

(Amounts in USD 1000)

	Note	2017	2016
Revenue	9	4 059	12 493
Other operating income		453	3 414
Total revenue		4 512	15 907
Operating expenses vessels	11	-7 719	-11 072
Depreciation	2	-8 601	-13 441
Impairment changes	2	-25 151	-42 243
Other operating expenses	10	-1 919	-513
Total operating expenses		-43 390	-67 269
Operating loss		-38 878	-51 362
Other financial expenses		165	-2 708
Write - down of financial assets		1 153	-6
(Other) interest income		667	228
(Other) interest expenses		-3 759	-3 890
Loss before tax		-40 652	-57 739
Income tax expense	8	-6	-3
Net loss for the year		-40 658	-57 742
<i>Appropriation of loss can be shown here</i>			
Dividend			
Equity		-40 658	-57 742
Total		-40 658	-57 742



Deep Sea Supply Shipowning I AS

BALANCE SHEET AT 31.12.

(Amounts in USD 1000)

ASSETS	Note	2017	2016
Vessels and newbuilding contracts	2	48 385	81 111
Total tangible assets		48 385	81 111
TOTAL FIXED ASSETS		48 385	81 111
Inventories	3	1 019	1 041
Trade receivables		0	537
Receivables group companies	5	15 841	22 865
Other receivables		460	604
Total receivables		17 320	25 047
Cash and bank deposits		425	1 524
TOTAL CURRENT ASSETS		17 745	26 572
TOTAL ASSETS		66 130	107 682



Deep Sea Supply Shipowning I AS

BALANCE SHEET AT 31.12.

(Amounts in USD 1000)

EQUITY AND LIABILITIES	Note	2017	2016
Share capital	6, 7	460	114
Share premium	6	117 393	114 295
Total paid-in equity		117 853	114 409
Other equity	6	-144 233	-103 575
Total retained earnings		-144 233	-103 575
TOTAL EQUITY		-26 380	10 834
Liabilities to financial institutions	4	86 453	89 881
Liabilities to group companies	5	4 046	3 729
Total long term liabilities		90 499	93 611
Liabilities to financial institutions	4	165	0
Other short-term liabilities		1 846	3 237
Total short term liabilities		2 011	3 237
TOTAL LIABILITIES		92 510	96 848
TOTAL EQUITY AND LIABILITIES		66 130	107 682

Grimstad, 30th July 2018

Lars Peder Solstad
Chairman of the Board

Sven Stakkestad
Member of the Board

Anders Hall Joraaas
Member of the Board



To the General Meeting of Deep Sea Supply Shipowning I AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Deep Sea Supply Shipowning I AS showing a loss of USD 40 658 000. The financial statements comprise the balance sheet as at 31 December 2017, the income statement and statement 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 accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows 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 as required by laws and regulations, and we have fulfilled our other ethical responsibilities 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

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on 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 the Board of Directors for the Financial Statements

The Board of Directors (management) is responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap



Independent Auditor's Report - Deep Sea Supply Shipowning I AS

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. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

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 accepted in Norway, including 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 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 laws, regulations, and auditing standards and practices generally accepted 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. We 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.

(2)



Independent Auditor's Report - Deep Sea Supply Shipowning I AS

We communicate with the Board of Directors 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 the proposal for the coverage of the loss 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 produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Other Matters

The Company's financial statements have been submitted after the expiry of the statutory time limit for preparation of financial statements.

This audit report replaces our previous audit report as of 1 July 2018, which was issued at the statutory deadline for holding the annual shareholders meeting. Complete annual financial statements and Board of Directors report were at this point in time not submitted by the Board of Directors.

Arendal, 7 August 2018
Pricewaterhousecoopers AS

Svein A Andresen
State Authorised Public Accountant