



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2019 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer: 979 213 336  
Organisasjonsform: Aksjeselskap  
Foretaksnavn: FARSTAD INTERNATIONAL AS  
Forretningsadresse: Skansekaia 4A  
6002 ÅLESUND

### Regnskapsår

Årsregnskapets periode: 01.01.2019 - 31.12.2019

### 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: Leif Henning Stave  
Dato for fastsettelse av årsregnskapet: 19.08.2020

### Grunnlag for avgivelse

År 2019: Årsregnskapet er elektronisk innlevert  
År 2018: Tall er hentet fra elektronisk innlevert årsregnskap fra 2019

*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, 26.10.2021



## Resultatregnskap

Beløp i: NOK	Note	2019	2018
<b>RESULTATREGNSKAP</b>			
<b>Inntekter</b>			
Freight Income	2		
Other income			625 000
Profit/loss on sale of fixed assets	3		
<b>Sum inntekter</b>			<b>625 000</b>
<b>Kostnader</b>			
Crewing expenses vessels		818 000	2 728 000
Depreciation and impairment	9		37 855 000
Other operating expenses vessels		1 766 000	3 006 000
Administration	2	1 611 000	1 572 000
<b>Sum kostnader</b>		<b>4 195 000</b>	<b>45 161 000</b>
<b>Driftsresultat</b>		<b>-12 584 000</b>	<b>-58 524 000</b>
<b>Finansinntekter og finanskostnader</b>			
Annen renteinntekt		-2 000	68 000
Financial income		5 830 000	4 954 000
<b>Sum finansinntekter</b>		<b>5 828 000</b>	<b>5 021 000</b>
Annen rentekostnad		155 000	-742 000
Financial expenses		2 978 000	2 866 000
<b>Sum finanskostnader</b>		<b>3 132 000</b>	<b>2 124 000</b>
<b>Netto finans</b>		<b>2 696 000</b>	<b>2 898 000</b>
<b>Ordinært resultat før skattekostnad</b>		<b>-1 499 000</b>	<b>-41 639 000</b>
Tax	8	1 138 000	1 568 000
<b>Ordinært resultat etter skattekostnad</b>		<b>-2 637 000</b>	<b>-43 208 000</b>
<b>Årsresultat</b>		<b>-2 637 000</b>	<b>-43 208 000</b>
<b>Årsresultat etter minoritetsinteresser</b>		<b>-2 637 000</b>	<b>-43 208 000</b>
<b>Totalresultat</b>		<b>-2 637 000</b>	<b>-43 208 000</b>



## Resultatregnskap

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2019</b>	<b>2018</b>
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### Balanse

Beløp i: NOK	Note	2019	2018
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
<b>Varige driftsmidler</b>			
Vessels and other fixed assets	9	13 143 000	13 143 000
<b>Sum varige driftsmidler</b>		<b>13 143 000</b>	<b>13 143 000</b>
<b>Finansielle anleggsmidler</b>			
Investering i annet foretak i samme konsern	10	111 000 000	111 000 000
<b>Sum finansielle anleggsmidler</b>		<b>111 000 000</b>	<b>111 000 000</b>
<b>Sum anleggsmidler</b>		<b>124 143 000</b>	<b>124 143 000</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
<b>Sum varer</b>		<b>444 000</b>	<b>505 000</b>
<b>Fordringer</b>			
Other short-term receivables	10	5 268 000	4 483 000
<b>Sum fordringer</b>		<b>5 268 000</b>	<b>4 483 000</b>
<b>Bankinnskudd, kontanter og lignende</b>			
Cash and cash equivalents		151 000	90 000
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>151 000</b>	<b>90 000</b>
<b>Sum omløpsmidler</b>		<b>5 863 000</b>	<b>5 078 000</b>
<b>SUM EIENDELER</b>		<b>130 006 000</b>	<b>129 221 000</b>
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Share capital	6, 7	100 000	100 000



### Balanse

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2019</b>	<b>2018</b>
Overkurs	6	50 809 000	50 809 000
<b>Sum innskutt egenkapital</b>		<b>50 909 000</b>	<b>50 909 000</b>
<b>Opptjent egenkapital</b>			
Other equity	6	1 322 000	3 960 000
<b>Sum opptjent egenkapital</b>		<b>1 322 000</b>	<b>3 960 000</b>
<b>Sum egenkapital</b>	11, 12	<b>52 231 000</b>	<b>54 868 000</b>
<b>Gjeld</b>			
<b>Langsiktig gjeld</b>			
<b>Annen langsiktig gjeld</b>			
Langsiktig konserngjeld	3, 4, 5		
<b>Sum langsiktig gjeld</b>		<b>0</b>	<b>0</b>
<b>Kortsiktig gjeld</b>			
Current portion of interest-bearing debt	3, 4, 5	64 525 000	63 560 000
Tax payable	8	1 138 000	855 000
Other current liabilities	10	12 112 000	9 938 000
<b>Sum kortsiktig gjeld</b>		<b>77 775 000</b>	<b>74 353 000</b>
<b>Sum gjeld</b>		<b>77 775 000</b>	<b>74 353 000</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>130 006 000</b>	<b>129 221 000</b>



Statsautoriserte revisorer  
Ernst & Young AS

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Medlemmer av Den norske revisorforening

## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Farstad International AS

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Farstad International AS, which comprise the balance sheet as at 31 December 2019, the income statement, 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 2019 and its financial performance and 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 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.

#### Material uncertainty related to going concern

The financial statements and the Board of Director's report indicates that the Company incurred a net loss of MNOK 2,6 during the year ended 31 December 2019. The Company is a part of the Solstad Offshore ASA Group ("the Group") which is currently undergoing a restructuring process. On 8 May 2020, the Group signed a Restructuring Implementation Agreement ("RIA") to strengthen its financial position. In the event the RIA is not implemented, and in the event the Company should be forced to realize its assets, no assurance can be given that these will not be realized at a significantly lower value than their carrying value, as value in use is higher than estimates sales values. These circumstances along with other matters as set forth in note 11 and the Board of Director's report, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### 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) are 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 on the other information obtained prior to the date of the auditor's report, 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 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.

Oslo, 19 August 2020  
ERNST & YOUNG AS

*The auditor's report is signed electronically*

Asbjørn Rødal  
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)



**Skattedirektoratet**

Saksbehandler Geir Johannessen	Deres dato 26.11.2014	Vår dato 16.12.2014
Telefon 22 07 73 25/22 66 11 14	Deres referanse Vivian Larsgård- Ingebrigtsen	Vår referanse 2014/882574

FARSTAD INTERNATIONAL AS  
Postboks 1301 sentrum  
6001 ÅLESUND

**Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Farstad International AS, org.nr. 979 213 336**

- 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 International AS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Farstad International 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 International AS er heleid av Farstad Shipping ASA gjennom Farstad Supply AS. Selskapet eier skip gjennom partrederiet International Offshore Services. Aktivitetene er konsentrert til markedene i Australia og Asia. 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 i konsernet 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 ... 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:

Postadresse  
Postboks 9200 Grønland  
0134 Oslo

Besøksadresse:  
Se [www.skatteetaten.no](http://www.skatteetaten.no)  
Org.nr: 996250318  
E-post: [skatteetaten.no/sendepost](mailto:skatteetaten.no/sendepost)

Sentralbord  
800 80 000  
Telefaks  
22 17 08 60



*”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 selskapet er 100 % indirekte eiet av morselskapet i konsernet som benytter engelsk som forretningspråk. Videre er det vektlagt at selskapet driver virksomhet i en internasjonal bransje der alle vesentlige aktører behersker og benytter engelsk språk.

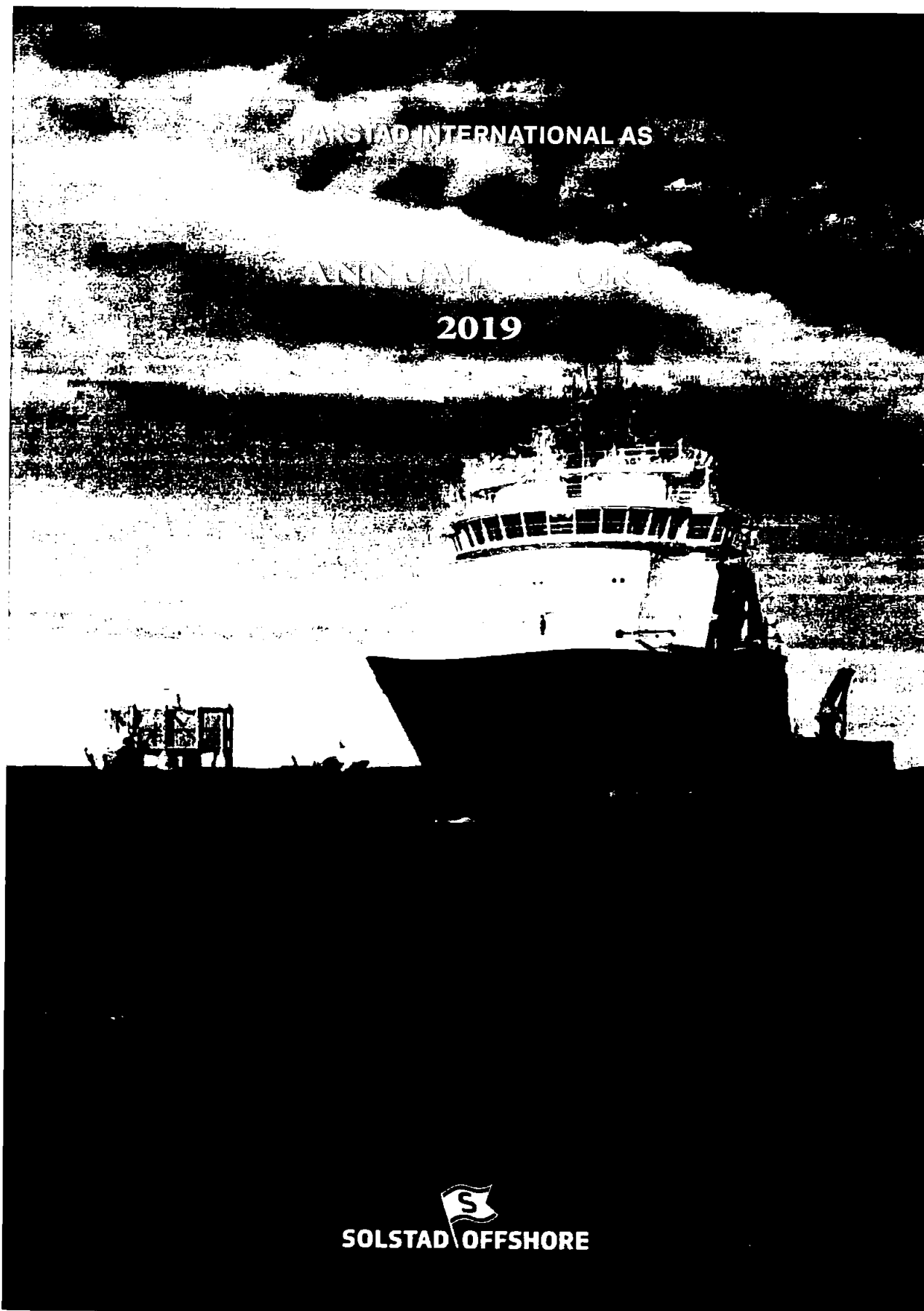
Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad  
Seniorrådgiver  
Rettsavdelingen, foretaksskatt  
Skattedirektoratet

Geir Johannessen

*Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer*





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## THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

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### COMPANY STRUCTURE

Farstad International AS was established 10.09.1997 with purpose to invest in ship-owning companies within the offshore oil and gas industry. The company is a wholly owned subsidiary of Farstad Supply AS and its head office is in Aalesund.

In June 2017 Farstad Shipping ASA merged with a Solstad company and changed name to Farstad Shipping AS and became a subsidiary of the listed company Solstad Farstad ASA, which changed name to Solstad Offshore ASA 1<sup>st</sup> of October 2018. The ultimo parent company is Solstad Offshore ASA (the Group).

Farstad International AS and Farstad Supply AS own 50% each of P/R International Offshore Services ANS (IOS), Aalesund. IOS purpose is vessel ownership and operation with its owned and chartered vessels, - and maritime services to the offshore oil and gas industry.

### ADMINISTRATION

The Company has no employees. Solstad Shipping AS takes care of the administrative day to day business in IOS. Solstad Shipping AS (the Group) also take care of the management of ships operating in the Mediterranean/Atlantic Area, and the 100% Farstad owned company, Solstad Farstad Pty Ltd, Perth, Australia is taking care of management of ships operating in the rest of the world. At year end 2019 all IOS vessels were managed by Solstad Farstad Pty Ltd, Perth.

### FINANCIAL

#### Financial statement

Other income for 2019 was zero compared to operating income of NOK 0.625 million in 2018. Operating result was for 2019 a loss of NOK 4.2 million compared to a loss of NOK 44.5 million in 2018. In 2019 there were no impairment, compared to NOK 35,8 million in 2018. The company has an equity ratio of 40% in 2019 compared to 43% in 2018, and a challenging liquidity situation. The reduction in operating income, operating cost and equity ratio reflects the challenging market situation

The annual accounts show a loss of NOK 2.6 million. The Board has approved the total loss to be transferred to other equity.

#### Cashflow

Holdings of cash and cash equivalents were increased from NOK 0.09 million in 2018 to NOK 0,151million in 2019. The cash and cash equivalents reflect the low activity in this company.

### FINANCIAL RISK

#### Currency risk:

The company is largely exposed to currency risk, as a considerable percentage of its income is in foreign currency. Foreign currency loans and forward contracts/options are used to reduce the currency risk associated with cash flows in foreign currencies.

#### Interest risk:

The short-term interest risk is limited since only a part of the long-term interest - bearing debt is subject to rates of 31 December 2019.

**Credit risk:**

The group is exposed towards accounts receivable losses but had no losses for 2019.

**THE FLEET**

IOS owns by the end of 2019 two vessels: two Anchor Handling Tug Supply vessels (AHTS).

**THE MARKET**

At year end both vessels were in lay-up. All vessels are laid up in Galang, Indonesia.

The general expectation for the oil price in 2019 was a steady and stable increase towards a higher level, however the prices continued to be volatile throughout the year but stabilized around USD 60-65/bbl towards the end of the year. In the first months of 2020 the oil price continued at the same levels but at the end of first quarter 2020 there has been a sharp decline in the oil price. The combination of OPEC and Russia overflowing the market with oil and the substantially reduced demand for oil and oil products following economic "shutdowns" in many countries due to the outbreak of COVID-19 has resulted in a market in serious imbalance. This led to a dramatic fall in oil prices and also significant fall in the indexes on stock markets globally. The global pandemic is assumed to affect the macroeconomics in the coming years and is expected to, along with the increased uncertainty about future oil price, impact the Groups activity going forward.

The total number of vessels and vessels in layup was more or less unchanged in 2019. Day rates showed a modest increase and utilization improved slightly. Reactivations were mainly done based on firm contract awards and less on a speculative basis. Globally, vessels are still in layup, many of which have been laid up for a period of more than three years. Newbuilds were scarce in 2019, both in terms of new orders and deliveries from yards.

The world fleet of AHTS larger than 15,000 bhp was at year-end 235 vessels, whereof 60 vessels (26%) in layup. There were 1,026 PSVs with a capacity of more than 3,000 dwt, whereof 209 vessels (20%) in lay-up. In total there were 4 AHTS larger than 15,000 bhp under construction, and 96 PSVs larger than 3,000 dwt under construction.

There are 24 larger CSVs under construction at shipyards in Europe, USA, Asia and the Middle East. Total fleet of CSVs at the end of 2019 was 401 vessels, whereof 44 vessels in layup (the vessel category includes both installation vessels and inspection, maintenance and repair (IMR) vessels with 70t+ cranes).

**HEALTH, WORKING ENVIRONMENT AND SAFETY**

Farstad International's goal is to operate without damages to people, environment and materials. The Group works actively on several levels to make employees aware of this goal. Both the Group's main Board and the boards of the subsidiaries are focusing on this and discuss the development in health, environment and safety in all their meetings.

The Solstad Group operates in accordance with international regulations and standards and is certified to ISM, ISO 14001:2015, ISO 9001:2015, ISO 45001:2018, MLC (Maritime Labour Convention) and ISPS (International Ship and Port Facility Security). Furthermore ISO 50001:2018 (Energy Management) is implemented and a certification will be done during 2020. The crews are trained according to the Group's procedures and approved pursuant to the requirements of the STCW 10 (Seafarers Training, Certification and Watchkeeping Code). Internal audits are carried out on all ships and offices on an annual basis.

A vital part in order to understand and improve safety is to focus on preventative measures to avoid injuries and operational accidents or interruptions. In 2019, approximately 35,000 HSE reports were recorded and processed at different levels in the organization. Conclusions from analysis are used as basis for further preventative measures to avoid future accidents.

Overall, the Group had three work-related lost-time injuries that provide a H-factor (number of injures per 1 million hours worked) of 0.21 for 2019 (0.56 in 2018). The goal of no lost-time injuries is maintained for 2020, and the Group focuses on the evaluation, facilitation, planning and preventative work to avoid all kinds of personnel related injuries and incidents with adverse effect on the environment. A key achievement in 2019 was



the implementation of the safety behaviour and culture program "Solstad Incident Free Operations" (SIFO). The Group has a program for sorting and reporting of all waste, and the program covers both ship and onshore organizations.

The working environment, onshore as well as on board the ships, is considered satisfactory. Sick leave for the Group was 5,3% in 2019, down from 5,6% in 2020. The Group has focus on diversity and strives to create equal opportunities for all employees, regardless of their ethnic background, nationality, descent, colour, language, religion, lifestyle or gender. The Group will select and appoint the most suitable person for a position based on their attitude, skills and qualifications.

## **MARKET OUTLOOK**

When entering 2020, there were expectations of a gradually higher activity level in 2020 compared to 2019. That was based on an oil-price at a stable, high level and the E&P budgets published by the oil companies. During March 2020 the oil prices suddenly dropped significantly because of the Covid-19 pandemic and the "trade-war" between certain oil producing countries. Consequently, most oil companies announced a revision of their activity plans for 2020, leading to a significant reduction in their activity with immediate effect.

It is now a great uncertainty how the markets will develop. There are reasons to believe that the activity in general will be reduced, but short-term activity linked to oil & gas production will be less affected than activity linked to exploration and maintenance.

Within the renewable energy sectors, the activity continues to grow. Not only in Europe, but also in other areas, and particularly Asia.

## **RESTRUCTURING IMPLEMENTATION AGREEMENT**

Solstad Offshore ASA and its subsidiaries have since Q3 2018 worked with their creditors towards a consensual financial restructuring. On 8 May 2020 the Group signed a Restructuring Implementation Agreement (the "RIA") for a restructuring of the Solstad Offshore ASA Group. The key features of the Restructuring are:

- Debt to equity conversion of approximately NOK 10.9 billion
- New fleet loan maturing after 4 years
- Financing of additional liquidity
- Industrial shareholders to retain ownership of up to 33.34%
- Streamlining of corporate structure

The RIA has been entered into with a majority of the Restructuring's key stakeholders, including all of its secured finance providers except for three financial providers in the Solship Invest 3 AS and Farstad Shipping AS silos.

The RIA reconfirms the key elements of the Restructuring as described in the Solstad Offshore press release dated 31 March 2020. For further information and details please see note 28 in the annual report for 2019 from Solstad Offshore ASA and note 12.

Long term liabilities recognized in Farstad Shipping AS sub-group have accordance with IFRS been reclassified to current liabilities as of 31 December 2019. The reclassification is based on standstill agreements of debt service with the banks where the covenant waiver period is less than 12 months. The waiver periods end March 31, 2020, subsequently prolonged to May 8, 2020, and further until the Restructuring is implemented.

Due to this long-term liability in Farstad International AS of NOK 65 million have been reclassified to current liabilities as of 31 December 2019.



#### GOING CONCERN

The Board confirms that the assumption of going concern is present, and that the 2019 financial statements, pursuant to section 3-3a of the Norwegian accounting act, have been prepared based on the assumption of a going concern. However, the company's and the Group's financial situation is unsustainable as equity is negative and liquidity is under pressure. The long-term viability of the company's and the Group's business depends on the Group finding a solution to its financial situation. On 8 May 2020, the Group entered into a Restructuring Implementation Agreement to strengthen its financial situation, and the going concern assumption is based on the board's view that the Restructuring Implementation Agreement has a reasonable prospect of being implemented. If the Restructuring Implementation Agreement is not implemented, and in the event the Group should be forced to realize its assets, there is a risk that these will be realized at a significantly lower value than their carrying amount, as value in use is higher than estimated sales values for several of the vessels.

Based on the information above the Board of Directors would like to emphasize that there is material uncertainty related to the going concern assumption for the Farstad Shipping AS sub-group.

Aalesund, 31 December 2019

19 August 2020

The Board of Directors of Farstad International AS

Kjetil Ramstad  
Member of the Board

Lars Peder Solstad  
Chairman of the Board

Eivind Kvilhaug  
Member of the Board



## PROFIT AND LOSS

FARSTAD INTERNATIONAL AS (NOK 1 000)

	Note	2019	2018
<b>Operating income:</b>			
Other income		0	625
<b>Total income</b>		<b>0</b>	<b>625</b>
<b>Operating expenses:</b>			
Crewing expenses vessels		818	2 728
Other operating expenses vessels		1 766	3 006
Administration	2	1 611	1 572
<b>Total operating expenses</b>		<b>4 195</b>	<b>7 306</b>
<b>Operating profit before depreciations (EBITDA)</b>		<b>-4 195</b>	<b>-6 681</b>
Depreciation and impairment	9	0	37 855
<b>Operating result (EBIT)</b>		<b>-4 195</b>	<b>-44 537</b>
<b>Financial items:</b>			
Financial income		5 830	4 954
Financial expenses		2 978	2 866
Realised agio (disagio)		-2	68
Unrealised agio (disagio)		-155	742
<b>Net financial income and expenses</b>		<b>-2 696</b>	<b>-2 898</b>
<b>Tax and results:</b>			
Pre tax profit		-1 499	-41 639
Tax	8	1 138	1 568
<b>Profit for the year</b>		<b>-2 637</b>	<b>-43 208</b>

**BALANCE SHEET**

FARSTAD INTERNATIONAL AS (NOK 1 000)

	Note	2019	2018
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Vessels and other fixed assets	9	13 143	13 143
Loans to group companies	10	111 000	111 000
<b>Total fixed assets</b>		<b>124 143</b>	<b>124 143</b>
<b>CURRENT ASSETS</b>			
Inventories		444	505
Other short-term receivables	10	5 268	4 483
Cash and cash equivalents		151	90
<b>Total current assets</b>		<b>5 863</b>	<b>5 078</b>
<b>Total assets</b>		<b>130 006</b>	<b>129 221</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	6, 7	100	100
Share premium reserve	6	50 809	50 809
Other equity	6	1 322	3 960
<b>Total equity</b>	<b>11, 12</b>	<b>52 231</b>	<b>54 868</b>
<b>CURRENT DEBT</b>			
Tax payable	8	1 138	855
Other current liabilities	10	12 112	9 938
Current portion of interest-bearing debt	3, 4, 5	64 525	63 560
<b>Total current liabilities</b>		<b>77 775</b>	<b>74 353</b>
<b>Total equity and liabilities</b>		<b>130 006</b>	<b>129 221</b>

Kjetil Ramstad  
member of the boardAalesund, 19.08.2020  
The board of Farstad International ASLars Peder Solstad  
chairman of the boardEivind Kvilhaug  
member of the board



## CASH FLOW STATEMENT

FARSTAD INTERNATIONAL AS (NOK 1 000)

	2019	2018
<b>Cash flow from operations:</b>		
Profit/loss before income taxes	(1 499)	(41 639)
Taxes paid in the period	(855)	(713)
(Gain)/loss on sale of fixed assets	-	-
Ordinary depreciations	-	1 988
Impairments	-	35 867
Changes in inventories	61	335
Changes in trade debtors	-	-
Changes in trade creditors	-	(240)
Unrealised foreign exchange (gain)/loss	155	(742)
Change in other provisions	2 199	3 572
<b>Net cash flow from operating</b>	<b>61</b>	<b>(1 572)</b>
<b>Cash flow from investments:</b>		
Sale of fixed assets (sales price)	-	-
Investments on fixed assets	-	-
Loan to subsidiary	-	(8 500)
<b>Net cash flow from investment</b>	<b>-</b>	<b>(8 500)</b>
<b>Cash flow from financing:</b>		
Proceeds from long term loans	-	-
Repayment of long-term debt	-	(824)
<b>Net cash flow from finance</b>	<b>-</b>	<b>(824)</b>
<b>Net change in cash and cash equivalents</b>	<b>61</b>	<b>(10 896)</b>
Cash and cash equivalents at 01.01	90	10 986
<b>Cash and cash equivalents at 31.12</b>	<b>151</b>	<b>90</b>



## NOTES TO THE ACCOUNTS (NOK 1 000)

FARSTAD INTERNATIONAL AS

### NOTE 1: ACCOUNTING PRINCIPLES

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

The company owns 50% of P/R International Offshore Services ANS (IOS). IOS is incorporated using the proportional consolidated method.

#### Estimates

Areas that involve judgement or complexity, or areas where assumptions and estimates are significant to the annual accounts are residual values for vessels, the useful life of vessels, impairment of vessels, 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. Current assets and current liabilities are recognised at the balance sheet date's exchange rate, and currency gains and losses due to changes in the exchange rates, are recognised through profit or loss. Hedging instruments such as forward contracts is recognised in the annual accounts as they are not considered as hedging instruments. The hedging instrument is valued at market value according to section 5-8 Financial instruments and commodities derivatives in the Norwegian Accounting Act. IOS has none hedging instruments. The following exchange rates applied on the balance sheet date: USD 8.7803, GBP 11.5936, EUR 9.8638, AUD 6.1668 and BRL 2.198.

#### Costs and income recognition

The group's 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 the contract lasts. Interest income is recorded as interest accrues.

#### Pension

IOS is hiring all crew and crew related duties from other companies within the Solstad Offshore 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.

#### Sale of vessels

Gains from the sale of vessels are recognised as operating income since the sale of vessels is deemed part of the company's ordinary activities. Income from sales of vessels is recognised through profit or loss upon delivery to the new owner.

#### Depreciations of vessels and other fixed assets

The vessels are decomposed into vessel and deferred maintenance. Vessels are included in the balance sheet at their cost price with deductions of the year's and previous years' ordinary depreciation. The vessels are depreciated on a straight-line basis over defined period of use of 20 years, taking into account an estimated residual value of the vessels upon expiry of their period of use. Residual values are reviewed on an annual basis. These residual values are based on a best estimate of what we believe the vessels can be sold for when they are 20 years old. The depreciation of vessels in the fleet older than 20 years old are reassessed based on the estimated residual value.

Depreciation of other fixed assets is calculated on a straight-line basis over estimated useful life.

#### Impairment of fixed assets

The booked values of vessels and other 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 where 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 vessels, the value estimates obtained from two independent Norwegian shipbrokers are used. The brokers' estimates assume the vessels are without any charter contracts, available for immediate sale on the market and there being a willing seller and a willing buyer. Due to the declining market and higher uncertainty in the broker's estimates, the company is careful to rely only on the values estimated by the brokers in the impairment test. Because of this, value in use have been estimated for all vessels by calculating net present value of estimated future cash flows using weighted average cost of capital as discounting rate.

#### Maintenance costs

Ordinary repairs and maintenance are recognised in the profit and loss account. The cost of dockings and periodic maintenance on vessels are recognised in the balance sheet and recognised as expenses on a straight-line basis over the period up to the next periodic maintenance/docking, normally every 60 months. The costs are recognised through depreciation. Upon delivery of new vessels, a portion of the cost of the vessel is valued as deferred maintenance. If a vessel is sold, the capitalized deferred maintenance is deducted from the profit.

#### Taxes

Deferred tax is calculated using the liability method at 22% of all temporary differences between the taxable value of assets and liabilities and their booked amounts at the end of the accounting year. Any temporary differences that may increase or decrease tax are offset and recorded as a net figure.

Deferred tax is calculated for assets and liabilities for which future realization will lead to tax payable.



## NOTES TO THE ACCOUNTS (NOK 1 000)

FARSTAD INTERNATIONAL AS

### 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.

### Subsequent events

New information on the company's positions at the balance sheet date is taken into account in the annual financial statements. Events after the balance sheet date that do not affect the company's position at the balance sheet date, but will affect the company's position in the future, are stated if significant.

### NOTE 2 SALARIES, NUMBER OF EMPLOYEES AND MANAGEMENT AGREEMENTS WITH CLOSELY RELATED PARTIES

Farstad International AS has no employees, - thus no wages or directors fee have been paid in 2019. The company is not obligated to have mandatory pension agreement.

Farstad International AS share of the management of the vessels in IOS, handled by Solstad Shipping AS and SolstadFarstad Pty. Ltd according to management agreements was NOK 1 417 (in 2018 NOK 1 435). In addition the company pays a corporate fee of NOK 41 (NOK 41 in 2018) to Solstad Shipping AS.

#### Expensed audit fee

	2019	2018
Statutory audit	20	16
Tax advisory fee	-	23
<b>Total audit fees</b>	<b>20</b>	<b>39</b>

VAT is not included in the audit fee.

### NOTE 3 MORTGAGES

Solstad Offshore ASA has in a press release dated 8th May 2020 announced that a Restructuring Implementation Agreement (the "RIA") has been signed for a restructuring of the Group. The key features of the Restructuring are:

- Debt to equity conversion of approximately NOK 10,9 billion

The RIA has been entered into with a majority of the Restructuring's key stakeholders, including all of its secured finance providers.

The Group's balance sheet and liquidity will be notably strengthened. Debt in an amount equivalent to approximately 10,9 billion (based on fixed foreign exchange rates) will be converted into equity. The debt converted to equity consists of secured debt, leasing obligations, bond obligations and other unsecured debt. All debt converted to equity will have the same conversion rate.

The Group's fleet will be refocused, and 37 vessels of the older and less sophisticated vessels are envisaged to be sold or scrapped over a period of time. The long-term business of the Group will be based on a core fleet of approximately 90 vessels.

The Group's financial and company structure will be simplified. Apart from certain ring-fenced structures, surviving secured debt of the Company will be included in a fleet loan maturing after four years. The fleet loan will be made available in NOK and USD.

The closing of the Restructuring is expected to take place in July 2020, however the RIA has a long stop date which can be extended to 8 November 2020 if more time is required.

Loans in foreign currencies has been booked at exchange rates by 31.12.19. The company's portion of the balance of loan portfolio at year end in IOS was NOK 48 418 (NOK 48 409 in 2018) and AUD 2 781 (AUD 2 780).

The arrangement fees are presented as net amount together with the debt and is expensed over the expected term of the loan.

Net repayments and exchange adjustment of debt amounted to minus NOK 103 in 2019 (NOK 1 750 in 2018).

	2019	2018
Share of interest bearing debt	65 562	65 459
Interest bearing current assets and loan to group companies	37 500	37 500
<b>Net interest bearing debt</b>	<b>28 062</b>	<b>27 959</b>
<b>Capitalized arrangement fee</b>	<b>107</b>	<b>427</b>
<b>Capitalized interest relief from restructuring 2017</b>	<b>930</b>	<b>1 473</b>

The long-term debt are distributed in 74% (74 % in 2018) in NOK and 28% (28%) in AUD.

The interest-bearing debt has a floating interest rate. The interest rate is calculated using the market rate (NIBOR/LIBOR), plus a fixed margin charged by the banks.

Installment schedule:	< 3 months;	3 - 12 months	1 - 4 years	> 4 years	Total:
Share of repayment schedule for existing de	0	0	0	65 562	65 562
<b>TOTAL</b>	-	-	-	<b>65 562</b>	<b>65 562</b>



## NOTES TO THE ACCOUNTS (NOK 1 000)

FARSTAD INTERNATIONAL AS

## NOTE 4 MORTGAGES AND GUARANTEE LIABILITIES

	2019	2018
<b>Liabilities secured by mortgage</b>		
The company's share of interestbearing mortgage debt (gross)	65 562	65 459
The company's share of accrued interest on mortgage debt	2 426	336
<b>Total secured mortgage debt</b>	<b>67 988</b>	<b>65 795</b>
<b>Balance sheet value of assets placed as security:</b>		
Vessels' book values	13 143	13 143
<b>Total</b>	<b>13 143</b>	<b>13 143</b>

Also, additional guarantee is provided through insurance settlements.

## NOTE 5 SOLIDARY OBLIGATION

	2019	2018
The company has a solidary obligation for IOS's total debt.		
The solidary obligation not included in Farstad International AS balance by 31.12. is amounting	77 674	73 447

## NOTE 6 EQUITY

Equity changes in the year	Share capital	Share Premium Reserve	Other equity *)	Total
Equity 01.01.	100	50 809	3 959	54 868
Passed on changes in estimates	-	-	-	-
Loss for the year	-	-	-2 637	-2 637
<b>Equity 31.12.</b>	<b>100</b>	<b>50 809</b>	<b>1 322</b>	<b>52 231</b>

\*) Included in other equity as of 31.12.2019 is a negative revaluation reserve of NOK -255 900 (NOK -250 900 as of 31.12.2018) related to an accumulated loss in Partrederiet International Offshore Services ANS.

## NOTE 7 SHARE CAPITAL

The share capital of TNOK 100 consists of 100 shares with nominal value of NOK 1.001. All shares are owned by Farstad Supply AS, Ålesund.

The ultimate parent company Solstad Offshore ASA has its registered offices in Nesavegen 39, 4280 Skudeneshavn, where the consolidated accounts including this company can be obtained.

## NOTE 8 TAXES

Calculation of deferred tax/deferred tax benefit	2019	2018
<b>Temporary differences</b>		
Fixed assets	-	-
Other temporary differences	-	-
<b>Net temporary differences</b>	<b>-</b>	<b>-</b>
<b>Tax losses carried forward</b>	<b>-156 568</b>	<b>-62 922</b>
<b>Basis for deferred tax</b>	<b>-156 568</b>	<b>-62 922</b>
Deferred tax	-36 011	-14 472
Deferred tax benefit not shown in the balance sheet	36 011	14 472
<b>Deferred tax in the balance sheet</b>	<b>-</b>	<b>-</b>
<b>Basis for income tax expense, changes in deferred tax and tax payable</b>	<b>2019</b>	<b>2018</b>
<b>Basis for payable taxes in the income statement</b>		
Taxable financial result	5 175	3 719
Interest deduction limitation rule	-	-
<b>Taxable profit</b>	<b>5 175</b>	<b>3 719</b>
<b>Components of the income tax expense</b>	<b>2019</b>	<b>2018</b>
Corporate Taxes payable from 2017	-	713
Corporate Taxes accrued	1 138	855
Change in deferred tax	-	-
<b>Tax expense</b>	<b>1 138</b>	<b>1 568</b>
<b>Payable taxes in the balance sheet</b>		
Payable tax abroad	1 138	855
<b>Payable tax in the balance sheet</b>	<b>1 138</b>	<b>855</b>

The reason deferred tax benefit are not reflected in the balance sheet is that it is doubtful that future taxable profits will be sufficient to utilize the tax benefit.

The Company has chosen to exit the Norwegian Tonnage Tax Regime with effect from January 1, 2017. Amended tax returns for 2017 and 2018 have been filed. The exit lead to an accumulated tax loss carry forward of NOK 156 million. Final assessment of amended tax returns is yet to be received.

Loss carry forward is included fully as basis for deferred tax asset. Deferred tax asset is not recognized as it is not likely the the Company will be in a tax paying position in the near future.



**NOTES TO THE ACCOUNTS (NOK 1 000)**

FARSTAD INTERNATIONAL AS

**NOTE 9 VESSELS AND OTHER FIXED ASSETS**

	Directly owned Vessels 2019	Directly owned Vessels 2018
Purchase cost pr. 01.01.	263 522	263 522
Additions	-	-
Disposals sale	-	-
<b>Purchase cost pr. 31.12.</b>	<b>263 522</b>	<b>263 522</b>
Accumulated depreciation and impairment 01.01	250 379	213 755
Depreciation in the year	-	757
Disposals sale	-	-
Impairment	-	35 867
<b>Accumulated depreciation and impairment 31.12.</b>	<b>250 379</b>	<b>250 379</b>
Recognized value deferred maintenance	-	-
<b>Net book value at 31.12.</b>	<b>13 143</b>	<b>13 143</b>
<b>Change in recognized value deferred maintenance</b>	<b>2019</b>	<b>2018</b>
Net book value pr. 01.01	-	1 232
Additions	-	-
Disposals	-	-
Depreciation in the year	-	1 232
<b>Net book value pr. 31.12</b>	<b>-</b>	<b>-</b>

**Depreciation of vessels and other fixed assets**

The vessels are decomposed in vessel and deferred maintenance. The vessels are depreciated over defined period of use on a best estimated of what we believe the vessels can be sold for when they are 20 years old. Changes in depreciation on the basis of the annual reviewing of residual values are spread over the remaining period of use.

Deferred maintenance is capitalized and depreciated normally on a straight-line basis over the period up to next planned deferred maintenance/docking, normally over 60 months.

Fixture and fittings, vehicles and office machinery etc are depreciated linearly over 3-5 years.

**Impairment**

Due to the current market conditions, as well as uncertainty related to vessels future earnings, the company has performed individual impairment tests of all vessels. Impairments have been performed where the recoverable amount is lower than the recognized value for the vessels/assets.

The recoverable amount for each vessel is based on a value in use calculation from cash flow before financial items and tax. The cash flow calculations have been discounted with an average cost of capital after tax (WACC) for the Solstad Offshore group of 9.0% (9.3% in 2018). The cash flow per vessel is calculated until vessel reaches an age of 30 years.

For vessels having firm contracts, revenue is based on the current contracts. For vessels without firm contracts, and for vessels where the firm contract expires during the period, revenue is based on historical data. For the first period it is expected that the day rates for the PSV- and AHTS segment will remain low. From 2024 to 2026 it is assumed a gradual increase of revenue to a level which correspond to the average rates for the past 7-10 years. It is expected that the markets are normalized within 2024.

Total impairment as per 31.12.2019 was zero compared to NOK 35 867 in 31.12.18

**NOTE 10 BALANCE WITH GROUP COMPANIES, ETC.**

<b>Other current liability</b>	<b>2019</b>	<b>2018</b>
Solstad Shipping AS	-	51
SolstadFarstad Pty. Ltd.	-	-
<b>Total</b>	<b>-</b>	<b>51</b>
<b>Other short-term receivables</b>		
Farstad Shipping AS	4 951	2 563
<b>Total</b>	<b>4 951</b>	<b>2 563</b>
<b>Long term loan to group companies</b>	<b>2019</b>	<b>2018</b>
Farstad Shipping AS *)	101 000	101 000
Share of loan to Farstad Supply AS **)	10 000	10 000
<b>Total</b>	<b>111 000</b>	<b>111 000</b>

\*) Interest 3 months NIBOR + 3.00 % margin.

\*\*) Interest 3 months NIBOR + 3.75 % margin.



**NOTES TO THE ACCOUNTS (NOK 1 000)**  
FARSTAD INTERNATIONAL AS

**NOTE 11 GOING CONCERN**

The annual accounts are prepared on the assumption of a going concern. However, the Company's and the Group's financial situation is unsustainable as equity is negative and liquidity is under pressure. The long-term viability of the Company and the group's business depends on the Company finding a solution to its financial situation. On 8 May 2020, the Company entered into a Restructuring Implementation Agreement to strengthen its financial situation (see section 7 above), and the going concern assumption is based on the board's view that the Restructuring Implementation Agreement has a reasonable prospect of being implemented. If the Restructuring Implementation Agreement is not implemented, and in the event the Group should be forced to realize its assets, there is a risk that these will be realized at a significantly lower value than their carrying amount, as value in use is higher than estimated sales values for several of the vessels. Based on the information above the Board of Directors would like to emphasize that there is material uncertainty related to the going concern assumption.

**NOTE 12 SUBSEQUENT EVENTS**

**Restructuring Implementation Agreement**

Solstad Offshore ASA (the "Company") and its subsidiaries ("SOFF" or the "Group") have since Q3 2018 worked with their creditors towards a consensual financial restructuring. On 8 May 2020 the Company signed a Restructuring Implementation Agreement (the "RIA") for a restructuring of the Group (the "Restructuring"). The key features of the Restructuring are:

- Debt to equity conversion of approximately NOK 10.9 billion
- New fleet loan maturing after 4 years
- Financing of additional liquidity
- Industrial shareholders to retain ownership of up to 33.34%
- Streamlining of corporate structure

The RIA has been entered into with a majority of the Restructuring's key stakeholders, including all of its secured finance providers except for three financial providers in the Solship Invest 3 AS and Farstad Shipping AS silos (the "Senior Finance Parties")

The RIA reconfirms the key elements of the Restructuring as described in the notice dated 31 March 2020:

1. The Group's balance sheet and liquidity will be notably strengthened.
2. Debt in an amount equivalent to approximately 10.9 billion (based on fixed foreign exchange rates) will be converted into equity. The debt converted to equity consists of secured debt, leasing obligations, bond obligations and other unsecured debt. All debt converted to equity will have the same conversion rate.
3. The Group's fleet will be refocused, and 37 vessels of the older and less sophisticated vessels are envisaged to be sold or scrapped over a period of time. The long-term business of the Group will be based on a core fleet of approximately 90 vessels.
4. The Group's financial and company structure will be simplified. Apart from certain ring-fenced structures, surviving secured debt of the Company will be included in a fleet loan maturing after four years. The fleet loan will be made available in NOK and USD. At prevailing foreign exchange rates, the consolidated surviving debt of the Group will be in an amount equivalent to approximately NOK 9,058 million and USD 886 million. A part of the new fleet loan in an amount equivalent to approximately NOK 0.9 billion, will be secured by the non-core vessels that are likely to be sold or scrapped with in a limited period of time following completion of the Restructuring. The net proceeds from such sales will be used to repay the relevant part of the fleet loan, and any remaining amount will subsequently be converted into equity at the same conversion rate as the debt being converted into equity at completion of the restructuring.
5. The SOFF 04 bonds will receive a fee of NOK 50 million financed by new equity, and the residual claim will be converted to equity in the Company. A bondholder meeting to resolve the Restructuring will be convened as soon as possible.
6. The bond holders in Solship Invest 1 AS will be repaid an amount equal to Solship Invest 1 AS' corporate cash (which amounts to approximately NOK 26 million). The residual claim will be converted to equity in the Company. A bond holder meeting to resolve the Restructuring will be convened as soon as possible.
7. The leasing agreements for five vessels owned by subsidiaries of SFL Corp Ltd. have been terminated. The relevant lessors will receive a fee of NOK 10 million, and the residual claim will be converted into shares in the Company.
8. The leasing agreements for two vessels owned by a subsidiary of Ocean Yield ASA, F-Shiplease AS will be replaced by new lease agreements on amended terms. Claims under the existing lease agreements will be converted into shares in the Company. The charter rate payable under the new lease agreements shall be a reference rate equal to the average per vessel EBITDA in a pool of seven similar vessels. F-Shiplease AS will carry all upside/downside from the operation of its vessels during the charter period.
9. Upon completion of the restructuring, the existing shares will represent 0.4%, and the converted debt will represent at least 64-75% of the Company's shares.
10. Existing industrial shareholders including Lars Peder Solstad and companies controlled by him ("LPS") will continue to support the Company, and will be offered to subscribe for shares so as to retain an ownership of up to 1/3 of the shares in the Company upon completion of the restructuring. The industrial shareholders will also be offered to subscribe for a convertible loan in the Company which will be converted into shares in so far as necessary for them to maintain their shareholding following the conversion of the part of the new fleet loan that will be converted into equity upon the sale or scrapping of the Group's non-core vessels (cf. item 4 above). The remaining shareholders will be offered to subscribe for shares so as to retain a total ownership of up to 2%. The Chairman of the Board Mr. Harald Espedal will be offered to subscribe for shares representing 0.9% of the shares in the Company. Fausken Invest AS, a company controlled by board member Frank O. Reite, will enter into a put/call agreement with Aker for shares with a subscription amount of NOK 1 million. The shares to be subscribed by the industrial shareholders and Harald Espedal will be subject to a three year lock up period. The total subscription amount for the shares and convertible loan to be issued in consideration for cash (to represent up to approximately 36% of the shares of Company upon completion of the restructuring) will be up to approximately NOK 72.5 million.
11. LPS will be granted warrants through an incentive program, to achieve up to a 10% share of the Company (based on the shares outstanding, and including LPS' shares, in the Company at completion of the Restructuring).



**NOTES TO THE ACCOUNTS (NOK 1 000)**

FARSTAD INTERNATIONAL AS

**NOTE 12 SUBSEQUENT EVENTS - cont.**

The effectiveness of the RIA is conditional on credit committee approvals with the Senior Finance Parties, to be obtained within 29 May 2020 or such later date that may be agreed with the Company.

The implementation of the Restructuring is further subject to the approval of the general meeting of the Company and relevant bondholders' meetings, agreement on long form documentation with relevant stakeholders and related customary condition precedent documentation.

The closing of the Restructuring is expected to take place in July 2020, however the RIA has a long stop date which can be extended to 8 November 2020 if more time is required.

Some creditors in subsidiaries of Farstad Shipping AS and Solship Invest 3 AS have not yet acceded to the RIA. The inclusion in the restructuring of these companies and their debtors in the Group remains subject to further negotiations between the stakeholders. The Company expects that the Restructuring can be consummated in all material respect even if these creditors ultimately decide not to accede to the RIA.

All liabilities towards the financial creditors will be subject to standstill provisions in the period leading up to the closing of the Restructuring. Until the Restructuring is implemented, the Group continues its unilateral standstill towards certain creditors. In the bondholder meetings to be held in May, the bondholders will be asked to waive the current defaults in SOFF 04 and the Solship Invest 1AS bond loan as were advised in the notice by the Company 31 March 2020.

**Other subsequent events**

There is a potential risk connected to the impact of COVID - 19 virus and the effect this will have on the global market where the Group is operating. This might affect the Group's financial performance as a consequence of both internal and external factors that could present possible challenges in the period of time. The Group has so far been able to continue normal operations of its vessels even if crew changes has become difficult due to COVID-19. There is an increased risk in the sector of delays in execution of offshore projects as a result of COVID -19. It could be expected that both COVID19 and the oil price development will have a negative effect on the Group. Currently there are limited information available to provide clear data for calculating any estimates on financial exposure. The Group will continuously monitor financial exposure, taking measure to mitigate the risks and ensure timely recognition of all relevant estimates in financial reporting.