



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2018 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 914 441 277
Organisasjonsform: Aksjeselskap
Foretaksnavn: DEEP SEA SUPPLY SHIPOWNING III AS
Forretningsadresse: Storgaten 4
4876 GRIMSTAD

Regnskapsår

Årsregnskapets periode: 01.01.2018 - 31.12.2018

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: Jostein Fjelland
Dato for fastsettelse av årsregnskapet: 28.06.2019

Grunnlag for avgivelse

År 2018: Årsregnskapet er elektronisk innlevert
År 2017: Tall er hentet fra elektronisk innlevert årsregnskap fra 2018

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, 03.11.2020



Resultatregnskap

Beløp i: USD	Note	2018	2017
RESULTATREGNSKAP			
Inntekter			
Freight revenue	9	16 690 000	13 682 000
Other operating income		0	0
Sum inntekter		16 690 000	13 682 000
Kostnader			
Avskrivning på varige driftsmidler og immaterielle eiendeler	2	8 002 000	7 539 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	2	5 755 000	-10 925 000
Operating expenses vessels	11	13 498 000	10 838 000
Other operating expenses	10	513 000	200 000
Sum kostnader		27 768 000	7 652 000
Driftsresultat		-11 078 000	6 030 000
Netto finans			
Nedskrivning av finansielle eiendeler	5	2 795 000	0
Annen rentekostnad		9 026 000	7 512 000
Annen finanskostnad		373 000	-194 000
Sum finanskostnader		12 194 000	7 318 000
Netto finans		-12 194 000	-7 318 000
Ordinært resultat før skattekostnad		-23 272 000	-1 288 000
Skattekostnad på ordinært resultat	8	142 000	122 000
Ordinært resultat etter skattekostnad		-23 414 000	-1 410 000
Årsresultat		-23 414 000	-1 410 000
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		-23 414 000	-1 410 000
Sum overføringer og disponeringer		-23 414 000	-1 410 000



Balanse

Beløp i: USD	Note	2018	2017
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Vessels and newbuilding contracts	2	157 961 000	169 304 000
Sum varige driftsmidler		157 961 000	169 304 000
Sum anleggsmidler		157 961 000	169 304 000
Omløpsmidler			
Varer			
Inventories	3	507 000	664 000
Sum varer		507 000	664 000
Fordringer			
Kundefordringer		2 733 000	3 042 000
Andre fordringer		764 000	52 000
Konsernfordringer	5	2 797 000	2 192 000
Sum fordringer		6 294 000	5 286 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		6 423 000	5 035 000
Sum bankinnskudd, kontanter og lignende		6 423 000	5 035 000
Sum omløpsmidler		13 224 000	10 985 000
SUM EIENDELER		171 185 000	180 289 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	6,7	2 918 000	2 918 000
Share premium	6	121 384 000	121 384 000



Balanse

Beløp i: USD	Note	2018	2017
Sum innskutt egenkapital		124 302 000	124 302 000
Opptjent egenkapital			
Annen egenkapital	6	-117 201 000	-93 787 000
Sum opptjent egenkapital		-117 201 000	-93 787 000
Sum egenkapital		7 101 000	30 515 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	4	0	134 046 000
Sum annen langsiktig gjeld		0	134 046 000
Sum langsiktig gjeld		0	134 046 000
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	4	142 080 000	5 596 000
Kortsiktig konserngjeld	5	19 203 000	7 768 000
Annen kortsiktig gjeld		2 801 000	2 366 000
Sum kortsiktig gjeld		164 084 000	15 730 000
Sum gjeld		164 084 000	149 776 000
SUM EGENKAPITAL OG GJELD		171 185 000	180 291 000



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 ankerhåndterings- 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

Postadresse
Postboks 9200 Grønland
0134 Oslo

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.



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





Directors' report 2018

Background and activities

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

The company is owned 100% by Deep Sea Supply 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 16.7 during 2018. Revenue is generated from chartering of vessels to third party clients.

Total operating expenses were MUSD 27.8 out of which MUSD 5.8 were impairment charges on vessels values.

Net loss for the year after tax was MUSD 23.4.

Equity

The company's total equity at the end of 2018 was MUSD 7.1.

Going concern

The financial statements are prepared on a going concern basis.

However, for companies of Solstad Offshore ASA Group ("the Group"), financial situation is unsustainable as equity is negative and liquidity is under pressure. The Group and the Company, is in discussions with key creditors to achieve a global refinancing. The long-term viability of the Group's and Company's business is depending on a successful refinancing. The going concern assumption is based on the board's view that the efforts in this respect have a possibility of success. A solution is expected to involve a comprehensive restructuring of the balance sheet of the companies of the Group. The outcome of the discussions and the going concern assumption is nevertheless subject to material uncertainty. If the discussions are not successful, and in the event the Group and the Company 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.

In July 2018, a number of entities in the Solship Invest 3 AS Group entered into an agreement with their financial creditors for the deferral of scheduled instalments and bareboat payments until 31.12.2019 in a total amount of approximately MUSD 48. The financial restructuring also included a MUSD 27 loan from Sterna Finance Ltd to Solship Invest 3 AS Group ("SI3") which owns the Company. The loan agreement implies that Sternal Finance Ltd has an option to take over the shares of the holding company of SI3 into one option price of NOK 1. In March 2019, all of the relevant creditors but one also agreed to suspend interest payments until 20.06.2019. A unilateral suspension of principal and interest payment was implemented towards the dissenting creditor from the same time. Later in June 2019, the Group has reached an agreement with all secured creditors being part to the Suspension to an extension of the Suspension until the expiry of October 31st, 2019 as more time is required to find a sustainable solution to the financial situation of the SOFF group. Solstad Offshore ASA and the Company is experiencing continued support from its creditors and stakeholders in this process which is conducted in a co-operative manner with a view to find a consensus based overall solution. It is acknowledged by all involved parties that securing contracts and operating the business in its ordinary course is a key priority, and the parties are acting accordingly.

See notes 13, 14 to the financial statement for further information.



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

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 2018 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 due 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 Solstad Offshore ASA Group and the Company is currently in negotiations with the lenders to achieve a global refinancing, see more information above.

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

The general expectation for the oil price in 2018 was a steady and stable increase towards a more sustainable level. After an upward trend the first 9 months of the year, the Brent Crude oil price was reduced from USD 85 per barrel to USD 52 in fourth quarter. Despite this, a number of new projects have been sanctioned and E&P spending seems to increase in 2019 compared with 2018. Drilling activity in established basins, particularly in mid-water areas like the North Sea, has been leading the increased activity.

The demand for offshore vessels has increased, but the combination of reactivation of vessels from layup and vessels mobilizing between regions, were the main reasons why day rates showed only a modest increase compared to previous year. The number of vessels in layup was reduced during 2018.

Reactivations were mainly done based on firm contract awards and less on a speculative basis. Globally, several hundred vessels are still in layup, many of which have been laid up for a period of more than three years. Newbuilds were scarce in 2018, both in terms of new orders and deliveries from yards.



According to several research analysts, the offshore activity is expected to increase gradually. The increased drilling activity in the North Sea is expected to eventually also expand into other regions like the Mediterranean, West Africa and the Middle East. A recovery is not expected to come uniformly to all vessel types and in all regions at the same time. The winter months may still be challenging in the North Sea as rig and construction activity slows down. Structural changes in the industry that have resulted in greater efficiencies and therefore less demand for vessels will also be an important feature towards a more balanced market.

Other key markets like Brazil and Australia is lagging in the market recovery. Brazil has been an important source of vessel demand previously and the low recovery in the region impacts the global fleet of offshore vessels. Though no further reduction in demand is expected in 2019, only a limited increase is expected. For Australia a moderate uptick in vessel demand may be seen towards the end of 2019.

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 23.4 and proposed transferred to other equity.

Grimstad, 27th June 2019

Lars Peder Solstad
Chairman of the Board

Sven Stakkestad
Member of the board

Anders Hall Jomaas
Member of the board



Deep Sea Supply Shipowning III AS

INCOME STATEMENT

(Amounts in USD 1000)

	Note	2018	2017
Freight revenue	9	16,690	13,682
Other operating income			0
Total revenue		16,690	13,682
Operating expenses vessels	11	-13,498	-10,838
Depreciation	2	-8,002	-7,539
Impairment	2	-5,755	10,925
Other operating expenses	10	-513	-200
Total operating expenses		-27,768	-7,652
Operating profit/ loss		-11,078	6,030
Other interest expenses		-9,026	-7,512
Impairment financial assets	5	-2,795	0
Other financial expense		-373	194
Loss before tax		-23,272	-1,287
Income tax expense	8	-142	-122
Net loss for the year		-23,414	-1,410
<i>Appropriation of loss can be shown here:</i>			
Equity		-23,414	-1,410
Total transfer		-23,414	-1,410



Deep Sea Supply Shipowning III AS

BALANCE SHEET AT 31.12.

(Amounts in USD 1000)

ASSETS	Note	2018	2017
Vessels and newbuilding contracts	2	157,961	169,304
Total tangible assets		157,961	169,304
TOTAL FIXED ASSETS		157,961	169,304
Inventories	3	507	664
Trade receivables		2,733	3,042
Receivables group companies	5	2,797	2,192
Other receivables		764	52
Total receivables		6,801	5,950
Cash and bank deposits		6,423	5,035
TOTAL CURRENT ASSETS		13,224	10,986
TOTAL ASSETS		171,185	180,290

**Deep Sea Supply Shipowning III AS**

BALANCE SHEET AT 31.12.

(Amounts in USD 1000)

EQUITY AND LIABILITIES	Note	2018	2017
Share capital	6, 7	2,918	2,918
Share premium	6	121,384	121,384
Total paid-in equity		124,302	124,302
Other equity	6	-117,201	-93,787
Total retained earnings		-117,201	-93,787
TOTAL EQUITY	6	7,101	30,515
Liabilities to financial institutions	4	0	134,046
Total long term liabilities		0	134,046
Liabilities to financial institutions	4	142,080	5,596
Liabilities to group companies	5	19,203	7,768
Other short-term liabilities		2,801	2,366
Total short term liabilities		164,083	15,729
TOTAL LIABILITIES		164,083	149,775
TOTAL EQUITY AND LIABILITIES		171,185	180,290

Grimstad, June 27th 2019

Lars Peder Soistad
Chairman of the BoardSven Stakkestad
Member of the BoardAnders Hall Jomaas
Member of the Board



Cash flow statement

Deep Sea Supply Shipowning III AS

(Amounts in USD 000)

	2018	2017
Cash flow from operations		
Loss before taxes	-23,272	-1,287
Taxes paid in the period	-142	-122
Depreciation	8,002	7,539
Impairment on fixed assets	5,755	-10,925
Impairment financial assets	2,795	0
Change in inventory	157	-128
Change in trade debtors	-403	215
Change in other provisions	436	-262
Net cash flow from operations	-6,673	-4,970
Cash flow from investments		
Purchase of fixed assets	-2,413	-2,676
Proceed on loan receivable from related parties (short.t/long.t)	-3,400	4,940
Net cash flow from investments	-5,813	2,264
Cash flow from financing		
Proceeds on loan payables to group companies	11,435	2,797
Proceeds from other debt (short.t/long.t)	2,438	323
Net cash flow from financing	13,873	3,120
Net cash flow in the period	1,388	414
Cash and cash equivalents at the beginning of the period	<u>5,035</u>	<u>4,622</u>
Cash and cash equivalents at the end of the period	<u>6,423</u>	<u>5,036</u>
This consist of:		
Bank deposits etc.	6,423	5,036



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.



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
Deferred maintenance	5 Years
Vehicles	3 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 write down 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.



Trade receivables

Trade receivables 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 receivables 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 Receivables should be written down.

Other receivables, 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 write down is insignificant for accounting purposes this is, however, not carried out. Provisions for bad debts are valued the same way as for trade Receivables.

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, except for 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.



Note 2 Fixed assets

	Vessels and newbuilding contracts	
	2018	2017
Purchase cost 01.01.	277,453	274,778
Additions	2,413	2,676
Purchase cost 31.12.	279,866	277,453
Accumulated depreciation 31.12.	35,642	27,640
Accumulated impairment 31.12.	86,264	80,509
Net book value 31.12.	157,961	169,304
Depreciation in the year	8,002	7,539
Impairment in the year	5,755	-10,925

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 9.3 % and revenue, for vessels having firm contracts, it is based on the current contracts while for vessels without firm contracts, and for vessels where the firm contract expires during the period, it is based on historical data. For the first period it is expected that the day rates for the PSV segment will remain low. From 2023 to 2025 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 2025.

Note 3 Inventories

	2018	2017
Bunkers	442	599
Spare parts	65	65
Total	507	664

Note 4 Borrowings

Falling due between	2018	2017
0 -1 year	142,568	5,596
1 - 2 years	0	5,596
2 - 5 years	0	129,150
Total	142,568	140,342
Amortized cost	-488	-700
Total	142,080	139,642



In February 2013 the company entered into a loan facility agreement for the total amount of MUSD 164. The purpose of the loan is financing of the construction of the company's newbuild vessels.

As a part of restructuring the company achieved refinancing for its long - term bank borrowings 21th of June 2017.

The original loan covenants for the group are temporarily suspended and the minimum liquidity covenant temporary reduced to USD 12,5 until 31.12.2019.

The Solship Invest 3 Silo is in compliance with the reduced covenant as per 31.12.2018.

The long-term liabilities have in accordance with IFRS been classified as current liabilities as per 31 December 2018 due to a waiver period of less than 12 months (ends 31 December 2019). In addition the restructuring agreement requires that the Company has a new refinancing in place before 31 December 2019.

	2018	2017
Liabilities secured by mortgage	142,080	139,642
<i>Balance sheet value of assets placed as security:</i>		
	2018	2017
Vessels	157,961	169,304
Total	157,961	169,304

Note 5 Balance with group companies, etc.

	Short term receivables	
	2018	2017
Group companies	2,797	2,192
Total	2,797	2,192

	Short term liabilities	
	2018	2017
Group companies	19,203	7,768
Total	19,203	7,768

An amount of KUSD2,795 (2017: Nil) has been recognised as an impairment of receivables from group companies.

Transactions with related parties, etc.

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

<u>Revenue transactions</u>	2018	2017
Interest income	200	215
Total Revenue transactions	200	215

<u>Cost transactions</u>	2018	2017
Management fees	-1,720	-1,356
Interest expense	-495	-427
Total cost transactions	-2,215	-1,783



Note 6 Shareholders' equity

Equity changes in the year	Share capital	Share premium	Other equity	Total
Equity 01.01.	2,918	121,384	-93,787	30,515
Loss for the year	0	0	-23,414	-23,414
Equity 31.12.	2,918	121,384	-117,201	7,101

Note 7 Share capital and shareholder information

The share capital consists of 30 shares, each with a nominal value of NOK 819 412,33.

All shares issued are fully paid in.

Deep Sea Supply Shipowning III AS is owned 100 % by Deep Sea Supply AS.

Deep Sea Supply 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.

Tax payable based on net financial items is kNOK 5 337.

Note 9 Freight revenue vessels

Geographical distribution	2018	2017
North Sea	12,322	6,846
Mediterranean	3,691	0
Russia	677	0
Mediterranean	0	6,835
Total	16,690	13,682

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 2018.

No loans/securities have been granted to the general manager, Board Chairman or other related parties.



Expensed audit fee

	2018	2017
Statutory audit (incl. technical assistance with financial statements)	14	23
Other assurance services	0	1
Tax advisory fee (incl. technical assistance with tax return)	6	3
Total audit fees	20	27

Note 11 Operating expenses vessels

	2018	2017
Crew expenses	7,205	5,782
Insurance	3,895	2,081
Repairs and maintenance, lubrication oil, stores, supplies and miscellaneous	1,550	990
Administration expenses	848	1,984
Total	13,498	10,838

Note 12 Parent company

Deep Sea Supply Shipowning III AS is 100 % owned by Deep Sea Supply AS. The parent company is owned by Solship Invest 3 AS, based in Norway.

The address of the ultimate parent company, Solstad Offshore ASA is Nesavegen 39, 4280 Skudeneshavn, Karmøy in Rogaland.

Solstad Offshore ASA is listed on Oslo Børs.

The consolidated financial statements can be obtained by contacting Deep Sea Supply Management AS or via the homepage of the group: www.solstad.com

Note 13 Going concern

The financial statements are prepared on a going concern basis.

However, for companies of Solstad Offshore ASA Group ("the Group"), financial situation is unsustainable as equity is negative and liquidity is under pressure. The Group and the Company, is in discussions with key creditors to achieve a global refinancing. The long-term viability of the Group's and Company's business and hence the Company's is depending on a successful refinancing.

The going concern assumption is based on the board's view that the efforts in this respect have a possibility of success. A solution is expected to involve a comprehensive restructuring of the balance sheet of the companies of the Group. The outcome of the discussions and the going concern assumption is nevertheless subject to material uncertainty. If the discussions are not successful, and in the event the Group and the Company 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.



Note 14 Events after the balance sheet date

In July 2018, a number of entities in the Solship Invest 3 AS Group entered into an agreement with their financial creditors for the deferral of scheduled instalments and bareboat payments until 31.12.2019 in a total amount of approximately MUSD 48.

The financial restructuring also included a MUSD 27 loan from Sterna Finance Ltd to Solship Invest 3 AS Group ("SI3") which owns the Company. The loan agreement implies that Sterna Finance Ltd has an option to take over the shares of the holding company of SI3 into one option price of NOK 1.

In March 2019, all of the relevant creditors but one also agreed to suspend interest payments until 20.06.2019. A unilateral suspension of principal and interest payment was implemented towards the dissenting creditor from the same time. Later in June 2019, the Group has reached an agreement with all secured creditors being part to the Suspension to an extension of the Suspension until the expiry of October 31st, 2019 as more time is required to find a sustainable solution to the financial situation of the SOFF group.

Solstad Offshore ASA and the Company is experiencing continued support from its creditors and stakeholders in this process which is conducted in a co-operative manner with a view to find a consensus based overall solution. It is acknowledged by all involved parties that securing contracts and operating the business in its ordinary course is a key priority, and the parties are acting accordingly.



Building a better
working world

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
Medlemmer av Den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Deep Sea Supply Shipowning III AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Deep Sea Supply Shipowning III AS, which comprise the balance sheet as at 31 December 2018, the income statement, and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2018 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

We draw attention to note 13 in the financial statements and the Board of Director's report. The company is a part of the group Solstad Offshore ASA which is currently negotiating a refinancing agreement with its lenders, and for a large part of the group's and company's liabilities the lenders have agreed to a temporary standstill period until 31 October 2019. The going concern assumption is dependent on a successful refinancing. There is a risk that the group and the company will not reach an agreement with the lenders, 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. These events or conditions, along with other matters as set forth in note 13 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 (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, 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.

Independent auditor's report - Deep Sea Supply Shipowning III AS

A member firm of Ernst & Young Global Limited

Pernico Dokumenttjekk: ZOCUD-HSF40-8HJK6-06ED8-4VZX-3E05E



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, 28 June 2019
ERNST & YOUNG AS

The auditor's report is signed electronically

Asbjørn Rødal
State Authorised Public Accountant (Norway)

Penneo Dokumentnrøkket: ZOCUD-HSF40-8HJK6-06ED8-4Y5ZX-3E05E



PENNEO

Signaturene i dette dokumentet er juridisk bindende. Dokument signert med "Penneo"™ - sikker digital signatur.
De signerende parter sin identitet er registrert, og er listet nedenfor.

"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

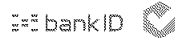
Asbjørn Rødal

Statsautorisert revisor

Serienummer: 9578-5999-4-4255051

IP: 145.62.xxx.xxx

2019-06-28 13:47:14Z



Penneo Dokumentnøkkel: ZOCUD-HSF40-8HJK6-06ED8-4Y5ZX-3E0FE

Dokumentet er signert digitalt, med **Penneo.com**. Alle digitale signatur-data i dokumentet er sikret og validert av den datamaskin-utregnede hash-verdien av det opprinnelige dokument. Dokumentet er låst og tids-stemplet med et sertifikat fra en betrodd tredjepart. All kryptografisk bevis er integrert i denne PDF, for fremtidig validering (hvis nødvendig).

Hvordan bekrefter at dette dokumentet er originalen?

Dokumentet er beskyttet av ett Adobe CDS sertifikat. Når du åpner dokumentet i

Adobe Reader, skal du kunne se at dokumentet er sertifisert av **Penneo e-signature service** <penneo@penneo.com>. Dette garanterer at innholdet i dokumentet ikke har blitt endret.

Det er lett å kontrollere de kryptografiske beviser som er lokalisert inne i dokumentet, med Penneo validator - <https://penneo.com/validate>