



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2017 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 992 035 870
Organisasjonsform: Aksjeselskap
Foretaksnavn: DEEPOCEAN SHIPPING II AS
Forretningsadresse: Karmsundgata 74
5529 HAUGESUND

Regnskapsår

Årsregnskapets periode: 01.01.2017 - 31.12.2017

Konsern

Morselskap i konsern: Nei

Regnskapsregler

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

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Øyvind Apeland
Dato for fastsettelse av årsregnskapet: 30.07.2018

Grunnlag for avgivelse

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

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

Brønnøysundregistrene, 10.10.2019



Resultatregnskap

Beløp i: NOK	Note	2017	2016
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt			9 993 943
Annen driftsinntekt		100	
Sum inntekter		100	9 993 943
Kostnader			
Varekostnad		9 625 482	35 951 639
Avskrivning på varige driftsmidler og immaterielle eiendeler		43 260 242	54 993 957
Annen driftskostnad		102 422	91 769
Sum kostnader		52 988 146	91 037 365
Driftsresultat		-52 988 046	-81 043 422
Finansinntekter og finanskostnader			
Renteinntekt fra foretak i samme konsern			178 679
Annen renteinntekt		-25	
Annen finansinntekt		7 084	18 933
Sum finansinntekter		7 059	197 612
Annen rentekostnad			3 413
Annen finanskostnad		-45 220	754 928
Sum finanskostnader		-45 220	758 341
Netto finans		52 279	-560 729
Ordinært resultat før skattekostnad		-52 935 767	-81 604 151
Skattekostnad på ordinært resultat		-9 759	-25 025
Ordinært resultat etter skattekostnad		-52 926 008	-81 579 126
Årsresultat		-52 926 008	-81 579 126
Årsresultat etter minoritetsinteresser		-52 926 008	-81 579 126
Totalresultat		-52 926 008	-81 579 126



Resultatregnskap

Beløp i: NOK	Note	2017	2016
Overføringer og disponeringer			
Utbytte			40 234 922
Overføringer til/fra annen egenkapital		-52 926 008	-121 814 048
Sum overføringer og disponeringer		-52 926 008	-81 579 126



Balanse

Beløp i: NOK	Note	2017	2016
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Skip, rigger, fly og lignende		145 462 597	188 722 839
Sum varige driftsmidler		145 462 597	188 722 839
Sum anleggsmidler		145 462 597	188 722 839
Omløpsmidler			
Varer			
Sum varer		2 102 940	2 102 940
Fordringer			
Kundefordringer			
Andre fordringer		786 675	486 126
Sum fordringer		786 675	486 126
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		162 113	527 504
Sum bankinnskudd, kontanter og lignende		162 113	527 504
Sum omløpsmidler		3 051 728	3 116 570
SUM EIENDELER		148 514 325	191 839 408
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital		10 000 000	10 000 000
Sum innskutt egenkapital		10 000 000	10 000 000
Opptjent egenkapital			



Balanse

Beløp i: NOK	Note	2017	2016
Annen egenkapital		111 047 331	163 973 339
Sum opptjent egenkapital		111 047 331	163 973 339
Sum egenkapital		121 047 331	173 973 339
Gjeld			
Langsiktig gjeld			
Utsatt skatt		702 241	915 966
Sum avsetninger for forpliktelser		702 241	915 966
Annen langsiktig gjeld			
Sum langsiktig gjeld		702 241	915 966
Kortsiktig gjeld			
Leverandørgjeld		26 560 787	15 938 727
Betalbar skatt		203 966	251 673
Annen kortsiktig gjeld			759 703
Sum kortsiktig gjeld		26 764 753	16 950 103
Sum gjeld		27 466 994	17 866 070
SUM EGENKAPITAL OG GJELD		148 514 325	191 839 408



Skattedirektoratet

MOTTATT
11 JAN. 2016

Saksbehandler Torstein Kinden Helleland	Deres dato 05.01.2016	Vår dato 07.01.2016
Telefon 22078139	Deres referanse Øyvind Apeland	Vår referanse 2012/430841

DEEPOCEAN NORWAY AS
Postboks 2144
5504 HAUGESUND

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk

— Vi viser til deres brev av 5. januar 2016 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for følgende selskaper;

DeepOcean Norway AS	org. nr. 896 696 262
DeepOcean AS	org. nr. 980 722 805
DeepOcean Management AS	org. nr. 987 538 880
DeepOcean Maritime AS	org. nr. 948 230 798
Deep Ocean Shipping AS	org. nr. 979 456 107
DeepOcean Shipping II AS	org. nr. 992 035 870
DeepOcean Shipping III AS	org. nr. 977 289 483
DeepOcean Shipping IV AS	org. nr. 976 854 020
DeepOcean Shipping V AS	org. nr. 914 883 164
DeepOcean Shipping VI AS	org. nr. 914 937 590
Northwest Maritime AS	org. nr. 966 250 380
DeepOcean 1 UK Ltd (norsk NUF)	org. nr. 997 914 775

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

DeepOcean Norway AS (tidligere DeepOcean Group Holding AS) er nå det norske morselskapet i DeepOcean gruppen og 100 % datterselskap av konsernspissen DeepOcean Group Holding BV. DeepOcean Group Holding BV er 100 % eid av amerikanske obligasjonsfond. Konsernet fikk i vedtak av 15. august 2012 tillatelse til å benytte engelsk språk. Konsernet er et integrert oljeservicekonsern som driver internasjonal virksomhet innen områdene Subsea Services, Subsea Trenching and Protection. Konsernet driver innen en bransje hvor engelsk benyttes i

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

Sentralbord
800 80 000
Telefaks
22 17 08 60



all kommunikasjon med forretningsforbindelser. Det interne arbeidsspråket i selskapene er også engelsk og all intern rapportering skjer på dette språket. Alle selskapene har styreleder og/eller styremedlemmer som ikke er norskspråklige. 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 selskapet er 100 % eid av amerikanske obligasjonsfond. Konsernet er tidligere innvilget dispensasjon. Det vesentlige av virksomheten foregår i utlandet. Selskapets arbeidsspråk er engelsk og all kommunikasjon skjer på engelsk. Videre er det vektlagt at selskapet driver virksomhet i en internasjonal bransje der alle 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





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DeepOcean Shipping II AS
992 035 870
ANNUAL REPORT
2017

DEEPOCEAN



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DeepOcean Shipping II AS

Income statement			
Note	2017	2016	
Operating revenues and expenses			
3,7	Sales revenues	100	9 993 943
	Gross operating revenues	100	9 993 943
3	Project costs	9 625 482	35 951 639
1	Ordinary depreciation	43 260 242	54 993 957
1	Write-down fixed assets	0	0
3,8	Other operating costs	102 426	91 826
	Operating expenses	52 988 150	91 037 422
	Operating result	-52 988 050	-81 043 479
Finance income and expenses			
3	Interest income from group companies	0	178 679
	Interest income	7 059	18 933
9	Net foreign exchange gain/loss	45 224	-754 871
	Other interest expenses	0	-3 413
	Net financial items	52 283	-560 672
	Profit/(loss) before tax	-52 935 767	-81 604 151
6	Tax	-9 759	-25 025
	Net profit/(loss)	-52 926 008	-81 579 126
	Transfer from paid in capital	-52 926 008	148 039 979
	Transfer to uncovered loss		-26 225 931
	Additional dividend		-40 234 922
4	Allocations	-52 926 008	81 579 126



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DeepOcean Shipping II AS

Balance Sheet

Note	ASSETS	31.12.2017	31.12.2016
	Fixed assets		
1	Vessels	145 462 597	188 722 839
	Total tangible fixed assets	145 462 597	188 722 839
	Financial fixed assets		
	Total fixed assets	145 462 597	188 722 839
	Current assets		
12	Inventories	2 102 940	2 102 940
	Total inventories	2 102 940	2 102 940
	Receivables		
	Accounts receivables	0	0
3	Receivables from group companies	0	0
	Other current assets	786 675	486 126
	Total receivables	786 675	486 126
10	Bank and cash	162 113	527 504
	Total current assets	3 051 728	3 116 570
	TOTAL ASSETS	148 514 325	191 839 408



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Note	EQUITY AND LIABILITIES	31.12.2017	31.12.2016
	Equity		
5	Share capital	10 000 000	10 000 000
	Other paid-in capital	111 047 331	163 973 339
	Total paid-in-capital	121 047 331	173 973 339
	Total retained earnings	0	0
4	Total equity	121 047 331	173 973 339
	Liabilities		
	Non-current liabilities		
6	Deferred tax	702 241	915 966
	Total non-current liabilities	702 241	915 966
	Current liabilities		
	Accounts payable	532 509	4 655 585
6	Tax payable	203 966	251 673
3	Liabilities to group companies	26 028 277	11 283 142
	Other current liabilities	0	759 703
	Total current liabilities	26 764 753	16 950 103
	Total liabilities	27 466 994	17 866 070
	TOTAL EQUITY AND LIABILITIES	148 514 325	191 839 408

Haugesund, 30. July 2018

Ottar Mæland
Chairman of the Board

John Baxter
Board Member
Managing Director

Kjetil Ramstad
Board Member



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DeepOcean Shipping II AS

Accounting principles

The Financial Statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles for Small Companies.

The Company has been given consent by the Norwegian Tax Directorate to prepare financial statements in English language.

DeepOcean Shipping II AS is a subsidiary of DeepOcean AS with Tricer HoldCo S.C.A as the ultimate parent.

Foreign currency

Monetary items are translated using the exchange rates at the balance sheet date.

Sales revenue

Sales revenues are recognized upon delivery. Revenue from services are recognized upon performance.

Balance sheet classification

Fixed assets are comprised of assets intended for long term ownership and use. Fixed assets are recorded in the balance sheet and depreciated over the estimated useful economic life. Fixed assets are written down to recoverable amount when decreases in value are expected to be permanent.

Current assets and liabilities are comprised of items receivable/due within one year and items related to the inventory cycle. Current assets are valued at the lower of cost and market.

Receivables

Accounts receivables and other receivables are recorded in the balance sheet at nominal value less a provision for doubtful accounts. Provision for doubtful accounts is determined on the basis of an assessment of individual receivables.

Taxes

The income tax expense is comprised of both tax payable for the period, and changes in deferred tax. Deferred tax is determined on the basis of existing temporary differences between accounting net income and tax net income, including year-end loss carry-forwards, calculated at nominal tax rate. Temporary differences, both positive and negative, which will or are likely to reverse in the same period, are recorded as a net amount.

The disclosure of deferred tax benefits on net tax reducing differences which have not been eliminated, and carry forward losses, is based on estimated future earnings. Deferred tax and tax benefits which may be shown in the balance sheet are presented net.



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DeepOcean Shipping II AS

Notes to the financial statements

Note 1 Fixed Assets

Fixed Assets	Deep Endeavour		Total
	Vessel	Docking	
Purchase cost 01.01	529 912 940	56 237 867	586 150 807
Additions	0	0	0
Disposals			0
Purchase cost 31.12	529 912 940	56 237 867	586 150 807
Accumulated depreciation and write off			
01.01	-356 482 578	-40 945 390	-397 427 969
Write off this year			0
Depreciation this year	-29 624 103	-13 636 139	-43 260 242
Accumulated depreciation and write off			
31.12	-386 106 682	-54 581 529	-440 688 211
Book value 31.12	143 806 258	1 656 338	145 462 597
Depreciation this year	-29 624 103	-13 636 139	-43 260 242
Write off this year	0	0	0

Economic useful life

Vessel

5 - 20 years

Docking and other

3-5 years

Depreciation plan

Linear

In the reporting period there were indications that the carrying amount of the vessel might exceed the estimated recoverable amount (the higher of its value in use and fair value less costs to sell), the possible existence of an impairment loss was investigated.

Two independent valuations of the Company's vessel were performed by external experts to determine the fair value of the vessel at the reporting date. The average of the appraised values was 22 mill USD, which has been used as basis for the fair value of the vessel per 31.12.2017.

The estimated recoverable value based on external appraisals of Deep Endeavour is higher than the book value and no impairment has been expensed in profit and loss.

Note 2 Assets and liabilities

The Company has no long-term liabilities later than 5 years.

All assets in the subsidiaries in DeepOcean Group are pledged as security for the external debt. Further reference is made to note 14 for more details regarding Group financing.



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DeepOcean Shipping II AS

Notes to the financial statements

Note 3 Transactions and balances with group companies

Related party transactions:

The Company entered into transactions with group companies, as summarised below.

Expenses	2017	2016
Personnel charges	4 662 994	7 515 365
Management fee	340 360	957 681
Other costs	208 454	1 528 728
Total	5 211 807	10 001 774

Financial items	2017	2016
Interest income	0	178 679
Net financial items	-	178 679

Balance sheet	2017	2016
Group contributions to/from group companies	0	0
Short term Receivables group companies	0	0
Short term Payables group companies	-26 028 277	-11 283 142
Total	-26 028 277	-11 283 141

Repayment plans for Intercompany loans are signed.

Note 4 Equity

	Share Capital	Other paid in capital	Uncovered loss	Total
Change in equity				
Equity 01.01	10 000 000	163 973 339	0	173 973 339
				0
Profit (loss) this year	0	-52 926 008		-52 926 008
Additional dividend			0	0
Equity 31.12	10 000 000	111 047 331	0	121 047 331

Note 5 Share Capital and shareholder information

The Share Capital of NOK 10.000.000 comprises 10.000 shares with par value NOK 1.000 each. All shares have equal rights.

Shareholders	Shares	Total	Share
DeepOcean AS	10 000	10 000	100 %



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DeepOcean Shipping II AS

Notes to the financial statements

Note 6 Taxes

The company entered the Norwegian Tonnage Tax Regime 1 January 2007, and will be taxed according to the Taxation legislation §8-10. This implies that the company is taxed for financial gains and calculated gain when entering the Tonnage Tax arrangement.

	2017	2016
Financial income	7 084	197 565
Taxable foreign exchange gains	820	-121 406
Income increase for high equity	369 025	614 174
Calculated deductible interests	0	-541
Total financial income (loss)	376 929	689 792
Interest expenses restrictions		
Net taxable income	376 929	689 792
Financial loss carry forward 1.Jan	-14 480 245	-15 170 037
Financial income (loss) current year	376 929	689 792
Financial loss carry forward 31.Dec	-14 103 317	-14 480 245
Calculated deferred tax/ deferred tax asset	3 384 796	3 475 259
Deferred tax asset not recorded	-3 384 796	-3 475 259
Deferred tax / deferred tax asset	0	0
Gain and loss account 1.1.	3 816 527	4 770 659
Current year taxable income (20%)	-763 305	-954 132
Gain and loss account 31.12.	3 053 221	3 816 527
Payable taxes, long term nominal tax rate	702 241	915 966
Current year payable taxes:	2017	2016
Taxable financial income current year	0	0
Current year taxable income from gain and loss account (20%)	763 305	954 132
Basis payable taxes	763 305	954 132
Payable taxes	190 826	238 533
Current year tonnage tax	13 140	13 140
Tax provision regarding previous years	-	-
Payable taxes in balance sheet	203 966	251 673
Tax expense		
Payable tax on financial income and gain and loss account	190 826	238 533
Tonnage tax	13 140	13 140
Change in taxes prior year		
Change in long-term payable taxes	-213 726	-276 698
Total tax expense	-9 759	-25 025

Note 7 Sales revenues

Segments	2017	2016
Time charter vessels	100	9 993 943
Total	100	9 993 943
Geographical segments		
Brazil	100	9 993 943
Total	100	9 993 943



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DeepOcean Shipping II AS

Notes to the financial statements

Note 8 Payroll expenses, employees, remuneration, loans to employees, etc.

Auditor	2017	2016
Allocation of auditor fee:		
Statutory audit excl VAT	61 000	66 000
Other assurance services excl VAT	33 000	16 500
Total fee auditor excl VAT	94 000	82 500

The Company has no employees and therefore no pension schemes to meet the requirements of the law on compulsory occupational pension.

There have been no salary or considerations to a general manager, board members or other related parties. No loans/securities have been granted to the general manager, board members or other related parties.

Note 9 Specification of financial income and expenses

Foreign exchange gains and losses	2017	2016
Foreign exchange gains	100 742	484 155
Foreign exchange losses	-55 518	-1 239 026
Net financial gains and losses	45 224	-754 871

Note 10 Restricted cash

The Company has no restricted cash as of 31.12.17.

Note 11 Group information

DeepOcean Shipping II AS is a subsidiary of DeepOcean AS with Tricer HoldCo S.C.A as its ultimate shareholder. Tricer HoldCo S.C.A is having its statutory seat in Luxembourg, and is registered with the Registre de Commerce et des Sociétés under number B210246.

Note 12 Inventories

Inventories consist of fuel to be consumed in the rendering of services. Fuel is measured at the lower of costs and net realizable value. The cost is based on the First-in-First-out (FIFO) principle.

	2017	2016
Fuel on own vessels	2 102 940	2 102 940



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DeepOcean Shipping II AS

Notes to the financial statements

Note 13 Financial risk management

Overview

The Group's activities expose it to a variety of financial risks, which can be categorised as market risk, credit risk and liquidity risk. Whereas market risk includes foreign exchange risks and interest rate risks. Management policies have been established to identify, analyse and monitor these risks, and to set appropriate risk limits and controls. Financial risk management is carried out in accordance with the Group Risk Management policy approved by the Executive Management. The written principles and policies are reviewed periodically to reflect changes in market conditions, the activities of the business and laws and regulations affecting our business.

Market risk - Foreign exchange risk

The Company operates internationally and conducts its business in multiple currencies, and is primarily exposed to foreign exchange risks with respect to the US Dollar (USD), British Pound (GBP) and Euro (EUR).

Management has evaluated the foreign exchange risks of the Company against its functional currency US Dollars (USD). Cash inflows and outflows of the Company are offset if they are denominated in the same currency. This means that revenue generated in a particular currency typically balances out costs in the same currency, even if the revenues arise from a different transaction than that in which the costs are incurred. As a result, only the unmatched amounts are subject to foreign exchange risk.

Market risk - Interest rate risk profile

The Company's interest rate risk arises primarily from the Intercompany loans; refer to note 3 for details of the loans. The Company has no intercompany loans per 31.12.2017, and the interest rate risk is low.

Credit risk

Credit risk arises primarily from cash and cash equivalents held at financial institutions, and to a certain extent, from trade receivables.

Cash balances are only held with large recognised financial institutions.

The Companies vessel has been coldstacked full year 2017, and has no trade receivables. The credit risk is therefore very low.

Liquidity risk

The Group's approach to managing liquidity is to ensure that there are sufficient funds to meet the financial obligations when they fall due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

To ensure it is sufficient cash to meet expected operational expenses, including the servicing of financial obligations the Group continuously monitor the actual and future cash flow requirements taking into account the maturity profiles of financial assets and liabilities and the rolling forecast of the Group's liquidity reserve, which comprises cash and cash equivalents and an undrawn credit facility.



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DeepOcean Shipping II AS

Notes to the financial statements

Note 14 Group financing

On 27 February 2013 DeepOcean Group secured a Credit Facility. Subsequently on 6 November 2013 and 16 December 2016 an amendment to this Credit Facility was signed to better fit with our business activities. The amended Credit Facility of EUR 155 million, consists of a EUR 80.0 million revolving loan facility (the 'Facility A'), a EUR 45.0 million ancillary facility for performance guarantees (the 'Facility C'), and a EUR 30.0 million term loan facility (the 'Facility B'). The purpose of the Credit Facility is to finance our working capital, a part of our capital expenditures and for general corporate purposes. In addition, there is an option to exercise a EUR 20.0 million accordion facility to the Facility A.

As of 10 January 2017 the contractual terms of the Group's Credit Facility have been revised and the main changes are summarized as follows: a) Amortization profile amended with reduced amortizations until end of February 2018 b) Maturity of Credit Facility is extended to February 2021.

The Company is a subsidiary in DeepOcean Group and is impacted by the Group's financing and intercompany loans and borrowings.

The Company is also an obligor in the Credit Facility arrangement and all assets are pledged.

Note 15 Going Concern

The Financial statements have been prepared on the basis of historical cost, except for financial instruments (including derivative instruments) at fair value through profit or loss, which are stated at fair value. Income and expenses are accounted for on an accrual basis.

The Company is a subsidiary in DeepOcean Group and is impacted by the Group's financing and intercompany loans and borrowings.

The Company is also an obligor in the Credit Facility arrangement and all assets are pledged.

The financial statements have been prepared on a going concern basis. Based on our current forecast, the leverage covenant, for which the Group has obtained a covenant holiday until 1 July 2018, may not be met as from 30 September 2018. Additionally, the equity and liquidity covenant may not be met as from 31 December 2018. These conditions indicate the existence of a material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. To reduce the risk of covenant breach, the Group will remain focused on stringent cash management and further cost reductions. In addition, discussions will continue throughout 2018 with the Group's lenders and shareholders regarding the Group's outlook, additional funding and required changes of financial covenants. Management is confident that the outcome of these discussions will be positive. Based on the above, management believes it is appropriate to prepare the financial statements using the going concern assumption.



To the General Meeting of DeepOcean Shipping II AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of DeepOcean Shipping II AS showing a loss of NOK 52 926 008. The financial statements comprise the balance sheet as at 31 December 2017, the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2017, and its financial performance for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 15 in the financial statements, which indicates that the group which the Company is part of may not meet certain financial covenants. As stated in Note 15, these events or conditions, 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.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including 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. The

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Independent Auditor's Report - DeepOcean Shipping II AS

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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Independent Auditor's Report - DeepOcean Shipping II AS

Report on Other Legal and Regulatory Requirements

Opinion on Registration and Documentation

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

Other Matters

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

Stavanger, 31 July 2018
PricewaterhouseCoopers AS

Tom Notland
State Authorised Public Accountant