



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2018 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 986 847 839
Organisasjonsform: Aksjeselskap
Foretaksnavn: DEEP SEA SUPPLY SHIPOWNING AS
Forretningsadresse: c/o Deep Sea Supply Management AS
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, 04.11.2020



Resultatregnskap

Beløp i: USD	Note	2018	2017
RESULTATREGNSKAP			
Inntekter			
Freight operating income	10	26 698 000	16 598 000
Other operating income		0	72 000
Sum inntekter		26 698 000	16 670 000
Kostnader			
Avskrivning på varige driftsmidler og immaterielle eiendeler	2	9 301 000	6 058 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	2	13 781 000	12 825 000
Operating expenses vessels	12	25 494 000	12 139 000
Other operating	11	895 000	2 314 000
Loss from sale of assets	2	3 271 000	0
Sum kostnader		52 742 000	33 336 000
Driftsresultat		-26 044 000	-16 666 000
Finansinntekter og finanskostnader			
Annen renteinntekt		1 219 000	1 045 000
Sum finansinntekter		1 219 000	1 045 000
Nedskrivning av finansielle eiendeler	5	11 387 000	0
Annen rentekostnad		10 599 000	4 884 000
Annen finanskostnad		106 000	-229 000
Sum finanskostnader		22 092 000	4 655 000
Netto finans		-20 873 000	-3 610 000
Ordinært resultat før skattekostnad		-46 917 000	-20 276 000
Skattekostnad på ordinært resultat	9	172 000	8 000
Ordinært resultat etter skattekostnad		-47 089 000	-20 284 000
Årsresultat		-47 089 000	-20 284 000
Overføringer og disponeringer			
Dividend		0	0
Other Equity		-47 088 000	-20 285 000



Resultatregnskap

Beløp i: USD	Note	2018	2017
Sum overføringer og disponeringer		-47 088 000	-20 285 000



Balanse

Beløp i: USD	Note	2018	2017
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Vessels and newbuildings contracts	2	178 888 000	203 730 000
Sum varige driftsmidler		178 888 000	203 730 000
Finansielle anleggsmidler			
Andre fordringer	6	2 705 000	6 417 000
Sum finansielle anleggsmidler		2 705 000	6 417 000
Sum anleggsmidler		181 593 000	210 147 000
Omløpsmidler			
Varer			
Varer	6	641 000	1 198 000
Sum varer		641 000	1 198 000
Fordringer			
Kundefordringer		12 486 000	1 783 000
Andre fordringer	6	4 240 000	3 604 000
Konsernfordringer	5	9 113 000	24 412 000
Sum fordringer		25 839 000	29 799 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		2 490 000	4 604 000
Sum bankinnskudd, kontanter og lignende		2 490 000	4 604 000
Sum omløpsmidler		28 970 000	35 601 000
SUM EIENDELER		210 563 000	245 748 000

BALANSE - EGENKAPITAL OG GJELD



Balanse

Beløp i: USD	Note	2018	2017
Egenkapital			
Innskutt egenkapital			
Share capital	7,8	6 536 000	6 536 000
Sum innskutt egenkapital		6 536 000	6 536 000
Opptjent egenkapital			
Annen egenkapital	7	-27 961 000	19 127 000
Sum opptjent egenkapital		-27 961 000	19 127 000
Sum egenkapital	7	-21 425 000	25 663 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	4	0	197 818 000
Sum annen langsiktig gjeld		0	197 818 000
Sum langsiktig gjeld		0	197 818 000
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	4	202 629 000	5 168 000
Kortsiktig konserngjeld	5	26 747 000	15 295 000
Annen kortsiktig gjeld		2 610 000	1 804 000
Sum kortsiktig gjeld		231 986 000	22 267 000
Sum gjeld		231 986 000	220 085 000
SUM EGENKAPITAL OG GJELD		210 561 000	245 748 000



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.



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Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer





Directors' report 2018

Background and activities

Deep Sea Supply Shipowning AS ("the Company") was established on 4th of April 2004.

On 28th June 2018 the Company was sold by Deep Sea Supply Management As to another Group company, 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 26.7 during 2018. Revenue is generated from chartering of vessels to third party clients.

Total operating expenses were MUSD 52.7 out of which MUSD 13.8 were impairment charges on vessels values.

Net loss for the year after tax was MUSD 47.1.

Equity

The company's total equity at the end of 2018 was negative MUSD 21.4.

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 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.

See notes 14,15 to the financial statement for further information.



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.

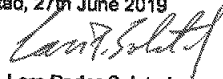
Other key markets like Brazil and Australia is lagging in the market recovery. Brazil has been an important source of vessel demand previously and the low recovery in the region impacts the global fleet of offshore vessels. Though no further reduction in demand is expected in 2019, only a limited increase 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 MUS\$ 47.1 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 AS

INCOME STATEMENT

(Amounts in USD 1000)

	Note	2018	2017
Freight revenues	10	26,698	16,598
Other operating income		0	72
Total revenue		26,698	16,670
Operating expenses vessels	12	-25,494	-12,139
Depreciation	2	-9,301	-6,058
Impairment	2	-13,781	-12,825
Other operating expenses	11	-895	-2,314
Loss from sale of assets	2	-3,271	0
Total operating expenses		-52,742	-33,337
Operating loss		-26,044	-16,667
(Other) interest income		1,219	1,045
(Other) interest expenses		-10,599	-4,884
Impairment financial assets	5	-11,387	0
Other financial income (expense)		-106	229
Loss before tax		-46,916	-20,277
Income tax expense	9	-172	-8
Net loss for the year		-47,088	-20,285
<i>Appropriation of profit can be shown here:</i>			
Dividend		0	0
Other equity		-47,088	-20,285
Total transfers		-47,088	-18,215



Deep Sea Supply Shipowning AS

BALANCE SHEET AT 31.12.

(Amounts in USD 1000)

ASSETS	Note	2018	2017
Vessels and newbuildings contracts	2	178,888	203,730
Total tangible assets		178,888	203,730
Other receivables	6	2,705	6,417
Total financial fixed assets		2,705	6,417
TOTAL NON-CURRENT ASSETS		181,593	210,148
Inventories	3	641	1,198
Trade receivables		12,486	1,783
Receivables from group companies	5	9,113	24,412
Other receivables	6	4,240	3,604
Total receivables		25,839	29,799
Cash and bank deposits		2,490	4,604
TOTAL CURRENT ASSETS		28,969	35,601
TOTAL ASSETS		210,562	245,748



Deep Sea Supply Shipowning AS

BALANCE SHEET AT 31.12.

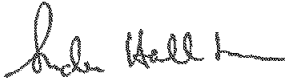
(Amounts in USD 1000)

EQUITY AND LIABILITIES	Note	2018	2017
Share capital	7, 8	6,536	6,536
Total paid-in equity		6,536	6,536
Other equity	7	-27,961	19,127
Total retained earnings		-27,961	19,127
TOTAL EQUITY	7	-21,424	25,663
Liabilities to financial institutions	4	0	197,818
Total long term liabilities		0	197,818
Liabilities to financial institutions	4	202,629	5,168
Liabilities to group companies	5	26,747	15,295
Other short-term liabilities		2,610	1,804
Total short term liabilities		231,986	22,267
TOTAL LIABILITIES		231,986	220,085
TOTAL EQUITY AND LIABILITIES		210,562	245,748

Grimstad 27th June, 2019


Lars Peder Solstad
Chairman of the Board


Sven Stakkestad
Member of the Board


Anders Hall Jomaas
Member of the Board



Cash flow statement
Deep Sea Supply Shipowning AS

	2018	2017
Cash flow from operations		
Loss before tax	-46,916	-20,277
Taxes paid in the period	-172	-8
Loss sale of fixed asset	3,271	0
Depreciation	9,301	6,058
Impairment of fixed assets	13,781	12,825
Impairment financial assets	11,387	0
Change in inventory	557	-810
Change in trade debtors and other receivables	-7,626	1,043
Change in other provisions	806	674
Net cash flow from operations	<u>-15,611</u>	<u>-495</u>
Cash flow from investments		
Proceeds from sale of fixed assets	2,828	0
Purchase of fixed assets	-4,338	-212,033
Proceeds loans receivable on group companies	3,912	0
Proceeds on other loan receivables (short./long.t)	0	-1,871
Net cash flow from investments	<u>2,402</u>	<u>-213,904</u>
Cash flow from financing		
Proceeds debt group companies	11,452	40,983
Payments of borrowings	-357	177,490
Payment dividend	0	-8,000
Net cash flow from financing	<u>11,095</u>	<u>210,473</u>
Net cash flow in the period	<u>-2,114</u>	<u>-3,926</u>
Cash and cash equivalents at the beginning of the period	<u>4,604</u>	<u>8,529</u>
Cash and cash equivalents at the end of the period	<u><u>2,490</u></u>	<u><u>4,604</u></u>
This consist of:		
Bank deposits	2,490	4,604



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

Inventories

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



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 equipment	
	2018	2017
Purchase cost 01.01.	324,295	112,262
Additions	4,336	212,033
Disposals	-6,097	0
Purchase cost 31.12.	322,534	324,295
Accumulated depreciation 31.12.	101,260	91,959
Accumulated impairment 31.12.	42,387	28,607
Net book value 31.12.	178,888	203,730
Depreciation in the year	9,301	6,058
Impairment in the year	13,781	12,825

In 2018 the Company has disposed vessel Sea Badger. Net proceeds from disposal amounted to MUS\$ 2.8

In 2017, the company has bought the vessel Sea Badger from Deep Sea Supply Cyprus Ltd, the vessels Sea Angler and Sea Witch from Deep Sea Supply PSV Ltd, the vessels Sea Tortuga, Sea Tantalus, Sea Titus, Sea Triumph and Sea Falcon from Deep Sea Supply PSV II Ltd, the vessel Sea Flyer from Deep Sea Supply III Ltd, and the vessels Sea Swan and Sea Swift from Deep Sea Supply PSV IV Ltd

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, 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 2023 to 2025 a gradual increase of revenue is assumed to a level which corresponds to the average rates for the past 7-10 years. It is expected that the markets are normalised within 2025

Note 3 Inventories

	2018	2017
Bunkers	609	1,166
Spare parts	32	32
Total	641	1,198



Note 4 Borrowings

	2018	2017
Falling due between		
0 - 1 year	203,308	5,168
1 - 2 years	0	5,168
2 - 5 years	0	192,965
Nominal value loan	203,308	203,301
Borrowing cost amortisation	-679	-315
Total	202,629	202,986

On 8th of June 2017 Deep Sea Supply Shipowning AS, Deep Sea Supply Shipowning I, Deep Sea Supply Labuan and Deep Sea Supply Labuan II Limited entered into a Senior Secured Term Loan Facility agreement with ABN Amro Bank N.V, Nordea Bank AB, Swedbank AB and DnB Bank ASA. The purpose of the new facility is replacement of the existing facility from February 2013. Maturity date for the new loan facility is December 31st 2021.

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.

	2017	2016
Liabilities secured by mortgage	202,629	202,986
<i>Balance sheet value of assets placed as security:</i>		
Vessels	178,888	203,730
Total	178,888	203,730



Note 5 Balances and transactions with group companies

	Short term receivables	
	2018	2017
Group companies	9,113	24,412
Total	9,113	24,412

	Short term liabilities	
	2018	2017
Group companies	-26,747	-15,295
Total	-26,747	-15,295

An amount of kUSD11,387 (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
T/C, BB charter hire	10,512	0
Interest income	1,096	897
Total Revenue transactions	11,608	897

<u>Cost transactions</u>	2018	2017
Management fees	-2,058	-1,629
T/C, BB charter hire	-1,014	-4,819
Commission	-161	0
Vessel operating expenses recharges	-10,766	0
Interest expense	-679	-661
Total cost transactions	-14,678	-7,109

Intercompany balances are charged with an interest of Libor + 2 % margin.

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

Note 6 CIRR deposit/loan

During the year ended 31 December 2008 the Group has applied for two Commercial Interest Reference Rate (CIRR) loan from the Norwegian Export Credit Agency. The amount of the loans was NOK 132 mill (USD 19 mill) and NOK 216 mill (USD 31 mill). The duration of the loans is 12 years and the cash proceeds from the loans have been deposited in a fixed deposit account with a Norwegian bank at a higher interest rate than the one of the loans. The agreed period of the deposits is identical with the one of the loans. The loans and the interest thereof will be repaid from that account and the difference has been recognized as deferred gain and will be amortized over the period of the life of the asset.



As of 31.12.2018 the deferred gain is USD 194 (2017: USD 322).

The loan is denominated in NOK and subject to currency fluctuations against the USD.

The bank deposit account for the CIRR loan is USD 6 043 (2017: USD 9 949) and is in the balance sheet classified a current asset at an amount of USD 3 338 and as a non - current asset at an amount of USD 2 705.

Note 7 Shareholders' equity

Equity changes in the year	Share capital	Other equity	Total
Equity 01.01	6,536	19,127	25,663
Loss for the year	0	-47,088	-47,088
Equity 31.12.	6,536	-27,961	-21,425

Note 8 Share capital and shareholder information

The share capital consists of 250,1 million shares, each with a nominal value of NOK 0,2 each.

All shares issued are fully paid in.

The company is 100 % owned by Deep Sea Supply AS. Deep Sea Supply AS located in Storgaten 4, 4876 Grimstad, Norway.

Note 9 Taxes

The company entered into the Norwegian shipping tax system as of 1.1.2007.

The company does not pay tonnage tax because of the size of the vessels.

Based on net taxable loss from finance the company has a loss carried forward as of 31.12.18 of kNOK 73 409.

Note 10 Freight revenue vessels

Geographical distribution	2018	2017
North Sea	11,884	10,910
Black Sea	0	0
Africa	0	0
Asia	-32	198
Australia	11,458	3,854
Mediterranean	3,156	1,648
Baltic Sea	231	0
North South America	0	-12
Total	26,698	16,598



Note 11 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)	16	15
Tax advisory fee (incl. technical assistance with tax return)	7	7
Other assurance services	0	3
Total audit fees	23	21

Note 12 Operating expenses vessels

	2018	2017
Hire of vessels	678	4,819
Crew expenses	13,184	4,492
Insurance	527	510
Repairs and maintenance, lubrication oil, stores, supplies and miscellaneous	9,965	1,543
Administration expenses	1,139	776
	25,494	12,139

Note 13 Parent company

Deep Sea Supply Shipowning 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, 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 14 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.

As at 31 December 2018 the Company has negative equity.

Note 15 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 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.



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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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Deep Sea Supply Shipowning 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 14 in the financial statements and the Board of Director's report, which indicates that the Company incurred a net loss of USD 47 088 thousand during the accounting year 2018 and, as of that date, the Company's current liabilities exceeded its total assets by USD 21 424 thousand. Further, as at 31 December 2018 the Company's equity is negative with USD 21 424 thousand. 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 14 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, 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, and the going concern

Independent auditor's report - Deep Sea Supply Shipowning AS

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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, 28 June 2019
ERNST & YOUNG AS

The auditor's report is signed electronically

Asbjørn Rødal
State Authorised Public Accountant (Norway)

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