



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2016 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode: 01.01.2016 - 31.12.2016

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: Idar Gjerde
Dato for fastsettelse av årsregnskapet: 15.05.2017

Grunnlag for avgivelse

År 2016: Årsregnskapet er elektronisk innlevert
År 2015: Tall er hentet fra elektronisk innlevert årsregnskap fra 2016

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, 06.11.2020



Resultatregnskap

Beløp i: NOK	Note	2016	2015
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	2	5 612 000	96 616 000
Annen driftsinntekt	3	4 500 000	157 000
Sum inntekter		10 112 000	96 772 000
Kostnader			
Lønnskostnad	4	15 335 000	57 436 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	10	92 176 000	64 762 000
Annen driftskostnad	4	12 384 000	24 139 000
Sum kostnader		119 895 000	146 337 000
Driftsresultat		-109 783 000	-49 565 000
Finansinntekter og finanskostnader			
Annen renteinntekt		-985 000	-2 039 000
Annen finansinntekt		3 350 000	3 724 000
Sum finansinntekter		2 365 000	1 685 000
Verdireduksjon andre finansielle instrumenter vurdert til virkelig ver			
Annen rentekostnad		-1 585 000	-3 216 000
Annen finanskostnad		5 120 000	6 717 000
Sum finanskostnader		3 535 000	3 502 000
Netto finans		-1 170 000	-1 817 000
Ordinært resultat før skattekostnad		-110 953 000	-51 382 000
Skattekostnad på ordinært resultat	8	88 000	1 687 000
Ordinært resultat etter skattekostnad		-111 041 000	-53 069 000
Årsresultat		-111 041 000	-53 069 000
Årsresultat etter minoritetsinteresser		-111 041 000	-53 069 000
Totalresultat		-111 041 000	-53 069 000



Resultatregnskap

Beløp i: NOK	Note	2016	2015
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Balanse

Beløp i: NOK	Note	2016	2015
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Skip, rigger, fly og lignende	10	67 618 000	175 601 000
Sum varige driftsmidler		67 618 000	175 601 000
Finansielle anleggsmidler			
Investering i annet foretak i samme konsern	11	65 000 000	65 000 000
Sum finansielle anleggsmidler		65 000 000	65 000 000
Sum anleggsmidler		132 618 000	240 601 000
Omløpsmidler			
Varer			
Sum varer		1 913 000	1 827 000
Fordringer			
Kundefordringer			10 224 000
Andre fordringer	6	2 775 000	4 746 000
Sum fordringer		2 775 000	14 970 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		50 155 000	90 441 000
Sum bankinnskudd, kontanter og lignende		50 155 000	90 441 000
Sum omløpsmidler		54 843 000	107 237 000
SUM EIENDELER		187 460 000	347 838 000

BALANSE - EGENKAPITAL OG GJELD

Egenkapital

Innskutt egenkapital



Balanse

Beløp i: NOK	Note	2016	2015
Selskapskapital	9, 12	100 000	100 000
Sum innskutt egenkapital		100 000	100 000
Opptjent egenkapital			
Annen egenkapital	9	70 597 000	181 638 000
Sum opptjent egenkapital		70 597 000	181 638 000
Sum egenkapital		70 697 000	181 738 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Langsiktig konserngjeld	5, 6	114 630 000	150 758 000
Sum annen langsiktig gjeld		114 630 000	150 758 000
Sum langsiktig gjeld		114 630 000	150 758 000
Kortsiktig gjeld			
Leverandørgjeld		365 000	5 867 000
Betalbar skatt	8	88 000	5 613 000
Annen kortsiktig gjeld		1 680 000	3 863 000
Sum kortsiktig gjeld		2 133 000	15 342 000
Sum gjeld		116 763 000	166 100 000
SUM EGENKAPITAL OG GJELD		187 460 000	347 838 000



Skattedirektoratet

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

FARSTAD INTERNATIONAL AS
Postboks 1301 sentrum
6001 ÅLESUND

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

- Vi viser til deres brev av 26. november 2014, samt tilleggsopplysninger i e-post, der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Farstad International AS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Farstad International AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

Farstad International AS er heleid av Farstad Shipping ASA gjennom Farstad Supply AS. Selskapet eier skip gjennom partrederiet International Offshore Services. Aktivitetene er konsentrert til markedene i Australia og Asia. Med bakgrunn i at selskapet og konsernet opererer i et internasjonalt marked, med internasjonale kunder og med internasjonale eksterne kredittinstitusjoner, er det ønskelig å kunne utarbeide årsregnskapet og årsberetningen på engelsk. Forretningsspråket til morselskapet i konsernet er engelsk. All kommunikasjon med kunder og kredittinstitusjoner foregår i hovedsak på engelsk. Med bakgrunn i dette søkes det om at årsregnskapet og årsberetningen utarbeides på engelsk.

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

Postadresse
Postboks 9200 Grønland
0134 Oslo

Besøksadresse: Sentralbord
Se www.skatteetaten.no 800 80 000
Org.nr: 996250318 Telefaks
E-post: skatteetaten.no/sendepost 22 17 08 60



"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til "*informative regnskaper for ulike grupper av regnskapsbrukere*". Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at selskapet er 100 % indirekte eiet av morselskapet i konsernet som benytter engelsk som forretningspråk. Videre er det vektlagt at selskapet driver virksomhet i en internasjonal bransje der alle vesentlige aktører behersker og benytter engelsk språk.

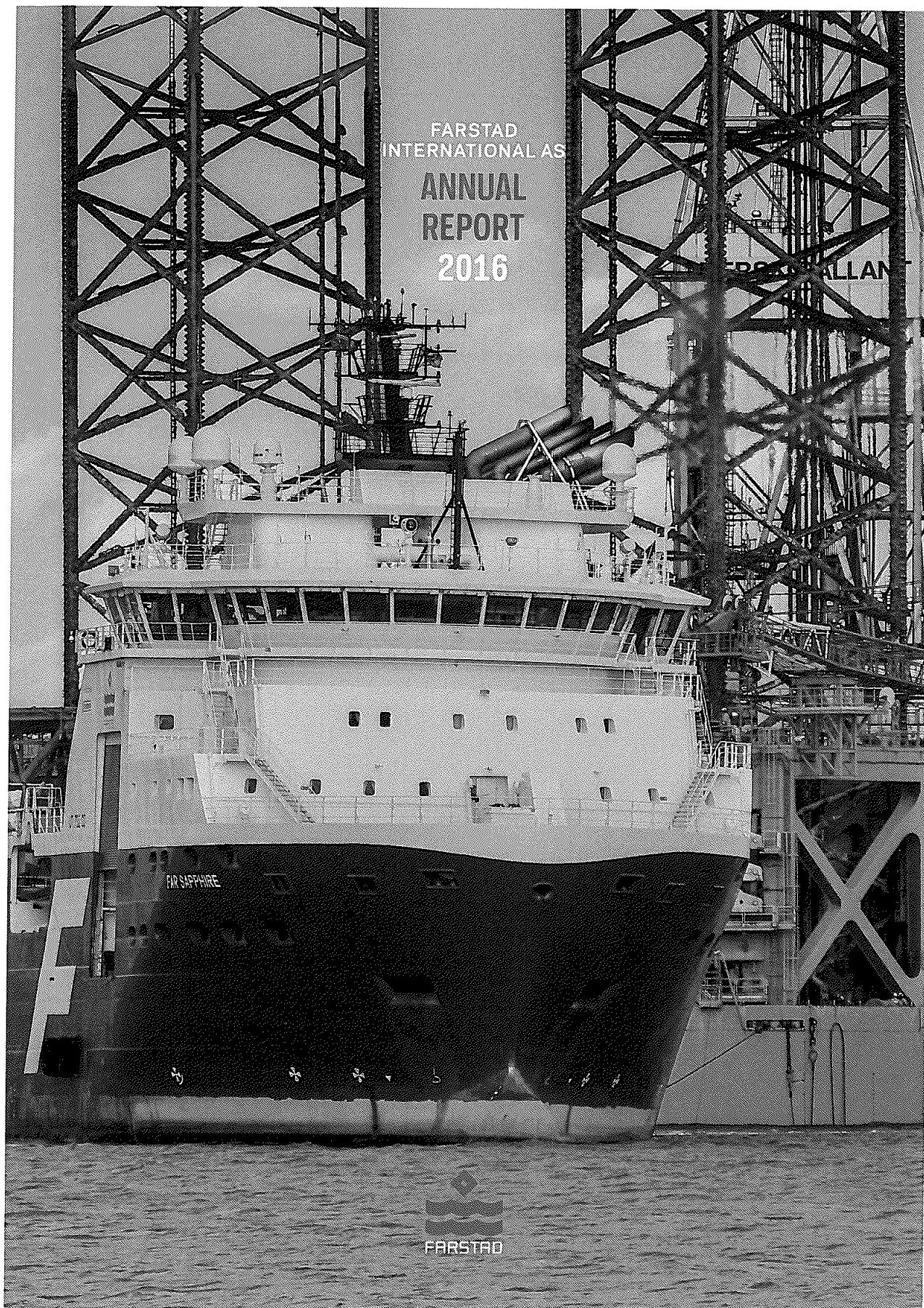
Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
Seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Geir Johannessen

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer





THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

COMPANY STRUCTUR

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

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

ADMINISTRATION

The Company has no employees. Farstad Shipping ASA takes care of the administrative day to day business in IOS. Farstad Shipping ASA also take care of the management of ships operating in the Mediterranean/Atlantic Area, - and the 100% Farstad owned company, Farstad Shipping (Indian Pacific) Pty Ltd (FSIP), Melbourne, Australia is taking care of management of ships operating in the rest of the world. At year end 2016 all IOS vessels were managed by FSIP.

THE FLEET

IOS owns by the end of 2016 two vessels: two Anchor Handling Tug Supply vessels (AHTS).

Lady Grace (PSV 2001, UT 755, 2,936 DWT) was sold 21 January. The sale resulted in a book loss of NOK 49 million in the 4th quarter 2015 recognised as impairment of the vessel's book value.

THE MARKET

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

Market-wise, 2016 represented another challenging year for the offshore industry. The average price for Brent crude in 2016 was approximately USD 44 per barrel, USD 10 lower than the previous year. The oil price recovered somewhat in the third quarter following Russia and Opec agreeing on stabilising the supply of oil. Late November Opec members agreed to reduce production by 1.2 mmbbl per day starting January 2017. Consequently, the Brent price increased and traded slightly below USD 55 per barrel. For the past two years, US shale production has been in decline. However, efficiency improvements combined with cost reductions have picked-up, and the shale segment should benefit from investments and recover sooner than the offshore segment.

The volatile oil prices, the reduced activity, cost reduction programmes with our customers combined with oversupply of offshore service vessels have resulted in unsustainable economic conditions for our industry. All regions and markets have experienced pressure on rate levels and this has resulted in an increasing number of offshore service vessels being laid-up.

Future prospects

The combination of the current oil price levels and corresponding reduced activity offshore suggest that the activity for our industry will remain low in 2017. Even though there are some positive signs of increased activities, due to the unbalanced supply and demand of tonnage, it will take time before the overcapacity in the market is absorbed. Consequently, short term we can expect that the fierce competition will result in continuous low rate



levels and a high portion of the global offshore service fleet being in lay-up. Longer term, the company's strategy is based on oil and gas being important energy carriers for decades ahead, with the demand for energy increasing in line with population growth and higher standard of living. Development of new oil and gas fields offshore will still be important in order to meet future demands.

HEALTH, WORKING ENVIRONMENT AND SAFETY

It is the goal for the whole Farstad Shipping ASA group within health, environment and safety to carry out our operations without damages to people, environment and materials. The Group works actively on several levels to make employees aware of this goal.

Lost time injuries and unwanted events.

Two of the measuring indicators used by the Farstad Shipping ASA, the owning company group are the lost time injury frequency (LTIF) and total recordable case frequency (TRCF). Both frequencies are measured as the number of injuries per one million working hours, measured 24 hours a day so that recreational injuries are included. At the end of 2016 the LTIF was 0.16 compared to 0.50 in 2015. The TRCF frequency was 1.63 compared to 2.50 in 2015. Both measures are at historically encouraging low levels. In a time where the industry is facing multiple challenges, our crew and employees continue to deliver safe and environmentally friendly operations. None of the Group's vessels were in contact with offshore installations in 2016.

The outer environment

The Farstad Shipping ASA Group's goal of zero damages to people, environment and equipment is the basis for a conscious effort to reduce our impact on the outer environment.

In close collaboration with designers, shipyards and equipment suppliers we make use of the at any time best available technological solutions in order to build and operate vessels with minimal risk of releasing environmentally hazardous substances into air and water.

FINANCIAL STATEMENT

Operating income for 2016 was NOK 10.1 million including loss from sale of vessels NOK 0.5 million (NOK 96.8 million in 2015). Operating result were NOK -109.8 million in 2016 (NOK -49.6 million in 2015,) after an impairment of NOK 83.5 million (NOK 44.5 million in 2015). The company has an equity ratio of 37.7% (52.2% in 2015). The reduction in operating income, operating cost and equity ratio reflects the challenging market situation.

The annual accounts show a loss of NOK 111 million. The Board has approved the total loss to be transferred to other equity.

EVENTS AFTER YEAR END

Restructuring of the Farstad Shipping ASA Group

On 6 February 2017, Farstad Shipping ASA group announced that Aker Capital AS, a wholly owned subsidiary of Aker ASA, Hemen Holding Limited ("Hemen") (a company indirectly controlled by trusts established by Mr. John Fredriksen for the benefit of his immediate family), as well as Farstad Shipping's senior lenders, bondholders, and F-Shipline AS (a subsidiary of Ocean Yield ASA), had entered into an agreement (the "Restructuring Agreement") for a fully-funded financial restructuring of Farstad Shipping ASA group (the "Farstad Restructuring"). On 2 March 2017 the Farstad Restructuring was approved by the majority of the bondholders in both bonds and on 3 March 2017 the Farstad Restructuring was approved by the general meeting.

The Farstad Restructuring consists of the following elements:

- (i) Farstad Shipping group's creditors converted debt claims to equity (the "Conversion of debt") Farstad Shipping's senior lenders, bondholders and F-Shipline AS have completed a capital increase for conversion of debt as



- a) Farstad Shipping ASA assumed debt owing by its subsidiaries to certain senior lenders in the amount of NOK 940 million and the senior lenders have converted NOK 940 million into 752 million new shares in Farstad Shipping ASA at a price of NOK 1.25 per share.
- b) The senior lenders released Farstad Shipping group's subsidiaries of their obligation to pay NOK 332 million in future interest in exchange for a NOK 271 million claim against Farstad Shipping ASA (equalling the net present value of such future interest payments), and the NOK 271 million claim was converted into 774,285,714 new shares of Farstad Shipping ASA at a share price of NOK 0.35.
- c) The outstanding bond debt in FAR03 and FAR04 with a total outstanding amount of NOK 1,407 million, representing a principal of NOK 1,400 million plus interest in the amount of NOK 7 million, was converted into 1,125,516,355 new shares of Farstad Shipping ASA at share price NOK 1.25.
- d) F-Shiplease AS have released Farstad Supply AS of its obligation to pay NOK 70 million of the "amortisation" element and NOK 109 million of the "interest" element of its two bare-boat leasing agreements with F-Shiplease, in exchange for a NOK 161 million claim against Farstad Shipping ASA (equalling the sum of the NOK 70 million "amortisation" element and the net present value of the "interest" element being NOK 91 million). The NOK 70 million "amortisation" element of the claim was converted into 56 million new shares of Farstad Shipping ASA at a price of NOK 1.25 per share, whereas the NOK 91 million "interest" element of the claim was converted into 259,595,760 new shares of Farstad Shipping ASA at a share price of NOK 0.35.
- (ii) Farstad Shipping ASA have issued NOK 650 million of new equity fully underwritten by Aker and Hemen (the "Equity Issue").

The Equity Issue, which was fully underwritten by Aker and Hemen on a 50:50 basis, consists of a NOK 400 million in share issue to Hemen and Aker and NOK 50 million in share issue to Tyrholm & Farstad Invest AS (an affiliate of Farstad Shipping ASA group's main shareholder) ("Private Placement 1"), a NOK 150 million in share issue to Farstad Shipping's bondholders ("Private Placement 2") and a NOK 50 million repair issue to existing Farstad Shipping ASA shareholders and Bondholders who were not allocated shares in Private Placement 2 (the "Repair Issue"). The Repair Issue was subscribed for NOK 29 million by Farstad Shipping's shareholders and bondholders, the remaining was subscribed by Aker and Hemen on a 50:50 basis. The subscription price in the Equity Issues were NOK 0.35 per share.

Share capital as per 31 December 2016 had a value of NOK 39 million, at a nominal price of NOK 1.00 per share. In 1Q 2017 the company's share capital was reduced with NOK 37 million from NOK 39 million to NOK 2 million by reducing the nominal value of the shares with NOK 0.95 per share from NOK 1.00 to NOK 0.05. The reduced share capital of NOK 37 million has been allocated to retained earnings. Following the equity issues that was completed by 23 March, the nominal share capital has been increased to approximately NOK 243 million.

- (iii) The existing financing agreements of Farstad Shipping group was amended (the "Farstad Amended Financing Terms").

The terms and conditions of the existing financing agreements for Farstad Shipping ASA (except for financing agreements with Westpac and BNDES) were amended and harmonised, including by adding the following features:

- a) The amortisation profile of the loans (after adjustment for the amounts converted to equity) was reduced to 10% of the original profile from 1 January 2017 until 31 December 2021. Commencing in Q1 2022 the balance of amortising senior debt will become amortising in linear instalments of 20% per year, whereas senior loans with a bullet repayment profile will receive an extraordinary repayment of 4% in Q2 2019. The final maturity date for all loans (with maturity date prior to the new maturity date) will be extended to Q4 2023;
- b) A cash sweep mechanism has been introduced;
- c) In addition to certain financial covenants, restrictions has been introduced with respect to Farstad Shipping ASA's ability to pay dividends, incur new debt, carry out equity issues and make capital expenditures;



- d) Minimum value clause at 100% across the group's fleet (but suspended throughout 2019);
- e) Removal of current ownership covenants;
- f) Pre-approval of sale of older vessels at prices below secured debt using agreed mechanisms.

The Farstad Amended Financing Terms ensures that Farstad Shipping ASA is no longer in breach with its financial covenants and long term debt classified as current liabilities has been reclassified as non-current liabilities. Total NOK 8,174 million are reclassified from current to Non-current liabilities following the Farstad Shipping ASA Restructuring.

Business combination

Furthermore to the announcement 6 February 2017, the parties to the Restructuring Agreement, together with Soff Invest AS and Ivan II AS (jointly the "Solstad Family Companies") and Tyrholm & Farstad AS, have agreed to work for a combination of Solstad Offshore ASA ("Solstad Offshore"), Farstad Shipping ASA and Deep Sea Supply Plc ("Deep Sea Supply") following completion of the Farstad Restructuring, creating a world class OSV company (the "Combination").

The combination is proposed to be structured as follows:

- (i) Deep Sea Supply and Farstad Shipping ASA will merge into and be established as individual subsidiaries under Solstad Offshore, with shareholders of Deep Sea Supply and Farstad Shipping receiving shares in Solstad Offshore as consideration (the "Mergers").

Under the Mergers, Farstad Shipping ASA will merge with a newly incorporated subsidiary of Solstad Offshore and Farstad's former shareholders will receive shares in Solstad Offshore as merger consideration. The exchange ratio in the Solstad Offshore / Farstad merger will be 0.35:12.50 Farstad shares per Solstad Offshore share.

Contemporaneously with the Solstad Offshore / Farstad Shipping ASA merger, Deep Sea Supply will combine with Solstad Offshore in a merger or merger-like transaction whereby all of Deep Sea Supply's assets, rights and obligations will ultimately be transferred to a subsidiary of Solstad Offshore against consideration in the form of Solstad Offshore shares. The amount of Solstad Offshore consideration shares issued will be based on an agreed exchange ratio of 1.32:12.50 Deep Sea Supply shares per Solstad Offshore share.

- (ii) The existing financing agreements of Solstad Offshore and Deep Sea Supply will be sought amended and harmonised with the Farstad Amended Financing Terms.

- (iii) In connection with the Combination, Solstad Offshore will complete a NOK 200 million private placement directed towards Hemen at a subscription price of NOK 12.50 per share. The proceeds from the private placement will be passed on by Solstad Offshore to the part of the new group comprising the former Deep Sea Supply operations.

- (iv) Aker will convert its NOK 250 million convertible loan to Solstad Offshore in exchange for shares, such convertible loan having originally been granted to Solstad Offshore in 2016 together with a NOK 250 million equity investment by Aker in Solstad Offshore.

- (v) Solstad Offshore's dual share class structure will be collapsed, and all Class A and Class B shares will be converted to common shares on a 1:1 basis.

The transaction elements listed above are interdependent and will become effective simultaneously upon completion of the Combination. A merger plan between Farstad Shipping ASA (acquired) and Solship Invest 2 AS (acquiring), with shares in Solstad Offshore ASA, was approved by the boards of directors in the respective companies 24 of March.

However, the Combination is not completed and it is subject to, among other things, agreement on final transaction documentation, competition authority approvals and relevant corporate resolutions.



The senior lenders in Farstad Shipping ASA group have undertaken to vote in favour of and otherwise support the Combination. Further, the senior lenders have undertaken a lockup obligation preventing them from selling their shares in Farstad Shipping ASA until such time as the Combination is finally approved or until 30 September 2017, unless otherwise agreed with Aker and Hemen.

Based on the financial restructuring of Farstad Shipping ASA group, as well as the proposed business combination with Solstad Offshore and Deep Sea Supply, the board believes that the embedded financial risk in Farstad, has been reduced substantially. Longer term, both the company and the OSV industry as a whole is dependent upon improving market terms to return to sustainable earnings and debt servicing capacity.

GOING CONCERN

The Board confirms that the 2016 financial statements, pursuant to section 3-3a of the Norwegian accounting act, have been prepared based on the assumption of a going concern. Based on the financial restructuring of the Farstad Shipping ASA Group that was completed during Q1 2017, the board confirms that this assumption is appropriate.

Ålesund, 31 December 2016

15 May 2017

The Board of Directors of Farstad International AS

Karl-Johan Bakken
Chairman of the board

Olav Haugland
Member of the board


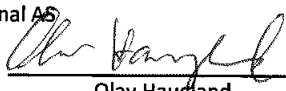


PROFIT AND LOSS			
FARSTAD INTERNATIONAL AS (NOK 1 000)			
	Note	2016	2015
Operating income:			
Freight Income	2	5 612	96 616
Other income		4 005	157
Total operating Income		9 618	96 772
Profit/loss on sale of fixed assets	3	494	0
Total income		10 112	96 772
Operating expenses:			
Crewing expenses vessels	4	15 335	57 436
Other operating expenses vessels		6 353	15 283
Administration	4	6 031	8 857
Total operating expenses		27 719	81 576
Operating profit before depreciations (EBITDA)		-17 607	15 197
Depreciation and impairment	10	92 176	64 762
Operating result (EBIT)		-109 783	-49 565
Financial items:			
Financial income		3 350	3 724
Financial expenses		5 120	6 717
Realised agio (disagio)		-985	-2 039
Unrealised agio (disagio)		1 585	3 216
Net financial income and expenses		1 170	1 817
Tax and results:			
Pre tax profit		-110 953	-51 382
Tax	8	88	1 687
Profit for the year		-111 041	-53 069



BALANCE SHEET			
FARSTAD INTERNATIONAL AS (NOK 1 000)			
	Note	2016	2015
ASSETS			
FIXED ASSETS			
Vessels and other fixed assets	10	67 618	175 601
Loans to group companies	11	65 000	65 000
Total fixed assets		132 618	240 601
CURRENT ASSETS			
Account receivables, freight income		0	10 224
Inventories		1 913	1 827
Other short-term receivables	6	2 775	4 746
Cash and cash equivalents		50 155	90 441
Total current assets		54 843	107 237
Total assets		187 460	347 838
EQUITY AND LIABILITIES			
EQUITY			
Share capital	9, 12	100	100
Retained earnings	9	70 597	181 638
Total equity		70 697	181 738
NON-CURRENT LIABILITIES			
Interest-bearing mortgage debt	5, 6	114 630	150 758
Total non-current liabilities		114 630	150 758
CURRENT LIABILITIES			
Accounts payable		365	5 867
Tax payable	8	88	5 613
Other current liabilities		1 680	3 863
Total current liabilities		2 133	15 342
Total liabilities		116 763	166 100
Total equity and liabilities		187 460	347 838

Ålesund, 15.05.2017
The board of Farstad International AS

 Karl Johan Bakken Chairman of the board	 Olav Haugland Member of the board/General Manager
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CASH FLOW STATEMENT		
FARSTAD INTERNATIONAL AS (NOK 1 000)		
	2016	2015
Cash flow from operational activities		
Profit before income taxes	(110 953)	(51 382)
Taxes paid in the period	(5 613)	(2 738)
(Gain)/loss on sale of fixed assets	(494)	-
Ordinary depreciations	8 676	20 262
Impairments	83 500	44 500
Changes in inventories	(84)	(638)
Changes in trade debtors	10 224	13 980
Changes in trade creditors	(5 502)	4 744
Differences in expenses pensions and payments in/out of the pension schen	-	(252)
Unrealised foreign exchange (gain)/loss	(1 585)	(3 216)
Change in other provisions	(174)	(2 040)
Net cash flow from operating activities A	(22 005)	23 222
Cash flow from investment activities		
Sale of fixed assets (sales price)	20 314	-
Investments on fixed assets	(3 731)	(10 603)
Long term receivable group companies	-	-
Net cash flow from investment activities B	16 583	(10 603)
Cash flow from finance activities		
Proceeds from long term loans	-	160 000
Repayment of debt	(34 864)	(120 265)
Rentekostnader langsiktig gjeld		
Payments to partners		
Net cash flow from finance activities C	(34 864)	39 735
Exchange gains/ (losses) on cash and cash equivalents		
Net change in liquidity over the year A + B + C	(40 286)	52 354
Cash and cash equivalents at 01.01	90 441	38 087
Cash and cash equivalents at 31.12	50 155	90 441



NOTES TO THE ACCOUNTS (NOK 1 000)

FARSTAD INTERNATIONAL AS

NOTE 1: ACCOUNTING PRINCIPLES

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

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

Estimates

Areas that involve judgment or complexity, or areas where assumptions and estimates are significant for the company, are residual values for vessels, the useful life of vessels, impairment of vessels, tax, the capitalisation and depreciation of accrued maintenance, accident compensation and losses on receivables

Financial instruments

Profit and loss items are recognised at the transaction date's exchange rate or the forward exchange rate where items are hedged against exchange rates. Current assets and current liabilities are recognised at the balance sheet date's exchange rate, and currency gains and losses due to exchange rate changes are recognised through profit or loss. Hedging instruments that qualify for hedge accounting according to NGAAP are not recognised in financial statements. Ineffective part of hedging, and hedging that do not qualify for hedge accounting, are recognised in the financial statements. The following exchange rates applied on the balance sheet date: USD 8.8090, GBP 13.0720 and AUD 6.4471.

Costs and income recognition

The company's vessels are mainly leased on time charters (TC). The TC contracts comprise payment for factors such as crew hire. Income from the lease of vessels is recognised on a straight-line basis during the lease period. The lease period starts on the date the vessel is made available to the leaser, and terminates on the agreed date for return of the vessel. Crew hire and payments to cover other operating expenses are reported as income according to the straight-line method for the duration of the agreement. Income and costs associated with charter parties are recognised in the accounts on the basis of the number of days the contract lasts for and after the end of the accounting period. Interest income is recorded as interest accrues.

Current assets

The value of trade receivables and other short term receivables are face value reduced by expected future losses.

Classification and evaluation of the balance sheet

Current assets and short term liabilities includes items which is due for payment within one year after time of acquisition. Other items classified are fixed assets/long term liabilities. Current assets are evaluated to the lowest of acquisition cost and actual value. Short term liabilities are posted with nominal amount at first time recognition. Fixed assets are evaluated to acquisition cost, less depreciation and amortization. If indication of impairment are identified, impairment test are performed for fixed assets, and impairment is done to the highest of market value and value in use. Long term debt is posted with nominal amount at time of establishment.

Sale of vessels

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

Depreciations of vessels and other fixed assets

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

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

Impairment of fixed assets

The booked values of vessels and other fixed assets are reviewed for impairment when events or changes in circumstances indicate that booked value may not be recoverable. If any such indications exist and where the booked value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount which, for fixed assets, is the greater of the net selling price and value in use. As an approach to net selling price for the vessels, the value estimates obtained from three independent Norwegian shipbrokers are used. The brokers' estimates assume the vessels are without any charter contracts, available for immediate sale on the market and there being a willing seller and a willing buyer. Due to the declining market and higher uncertainty in the broker's estimates, the company is careful to rely only on the values estimated by the brokers in the impairment test. Because of this, value in use have been estimated for all vessels by calculating net present value of estimated future cash flows using weighted average cost of capital as discounting rate.

Maintenance costs

Ordinary repairs and maintenance are recognised in the profit and loss account. The cost of dockings, periodic maintenance, and larger modifications of vessels are recognised on the balance sheet and recognised as expenses on a straight-line basis over the period up to the next periodic maintenance/docking, normally every 30 months. The costs are recognised via depreciation. Upon delivery of new vessels, a portion of the cost of the vessel is valued as deferred maintenance. If a vessel is sold, the capitalized deferred maintenance is deducted from the profit.

Taxes

The tax charge in the income statement includes both payable taxes for the period and changes in deferred tax. Deferred tax is calculated at relevant tax rates on the basis of the temporary differences existing between accounting and tax values, and any carryforward losses for tax purposes at year-end. Tax enhancing or tax reducing temporary differences, which are reversed or may be reversed in the same period, have been eliminated. The disclosure of deferred tax benefits on net tax reducing differences which have not been eliminated, and carryforward losses, is based on estimated future earnings. Deferred tax and tax benefits which may be shown in the balance sheet are presented net.

Tax reduction on group contributions given and tax on group contribution received, booked as a reduction of cost price or taken directly to equity, are booked directly against tax in the balance sheet (offset against payable taxes if the group contribution has affected payable taxes, and offset against deferred taxes if the group contribution has affected deferred taxes).



NOTES TO THE ACCOUNTS (NOK 1 000)

FARSTAD INTERNATIONAL AS

Cash flow statement

The company uses the indirect model when presenting its cash flow statement. The statement's line for cash and cash equivalents includes bank deposits, other deposits and marketable securities.

Pensions

IOS is hiring all crew and crew related duties from other companies within the Farstad Shipping ASA Group. In connection with this all crew related expenses are charged to the company, including pension expenses.

The company has according to NRS 6 Pension costs declared the option to use IAS 19 for the recognition of the defined benefit plan. The current service cost and net interest income/costs are recognised immediately. The service cost is recognised in the vessels crew cost and administration cost in the income statement. Changes in estimates, both in assets and liabilities are recognised through retained earnings.

Events after the balance sheet date

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

NOTE 2 FREIGHT INCOME

Freight income by product	2016	2015
Anchor Handling Vessels (AHTS)	5 612	67 272
Platform Supply Vessel (PSV)	-	29 344
Total freight income	5 612	96 616
Australia/Asia	5 612	96 616

NOTE 3 GAIN/LOSS ON SALE OF FIXED ASSETS

Vessel Lady Grace (PSV, built 2001) was sold in 2016, giving a profit of NOK 494 (IOS NOK 988). No sale in 2015.

NOTE 4 SALARIES, NUMBER OF EMPLOYEES AND MANAGEMENT AGREEMENTS WITH CLOSELY RELATED PARTIES

Farstad International AS has no employees, - thus no wages or directors fee have been paid in 2016. The company is not obligated to have mandatory pension agreement.

Expensed audit fee

	2016	2015
Statutory audit	15	19
Tax advisory fee	-	-
Total audit fees	15	19

VAT is not included in the audit fee.

NOTE 5 MORTGAGES

Farstad International AS portion of mortgage P/R International Offshore Services ANS (IOS). The vessels owned by IOS are long term financed by mortgage . from DnB Bank ASA.

Loans in foreign currencies has been booked at exchange rates by 31.12.16. The company's portion of the balance of loan portfolio at year end in IOS was NOK 85 227 and AUD 4 895.

Estimated balances of current loans in five years if agreed amortisation plan is being followed are NOK 0. Due date for the mortgage loans in DnB Bank ASA is Q2 2020.

Arrangement fees are capitalized and will be charged to the P&L during the loan period.



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

NOTE 6 MORTGAGES AND GUARANTEE LIABILITIES

Liabilities secured by mortgage	2016	2015
The company's share of interestbearing mortgage debt (gross)	115 697	152 145
The company's share of accrued interest on mortgage debt	774	1 022
Total secured mortgage debt	116 471	153 167

Balance sheet value of assets in IOS placed as security:	2016	2015
Vessels book value	67 618	175 601

Also, additional guarantee is provided through Insurance settlements.

Per 31 December, the company is in breach with all financial covenants for all loans. The Farstad Shipping ASA Group has through the standstill agreement, with senior lenders and F-shiplease obtained waivers for all financial covenants until the standstill period ends no later than 30 June 2017. The Farstad Shipping ASA Group signed 6 February 2017 a term sheet with senior lenders, substantial part of its bondholders, F-shiplease, Aker and Hemen, that will give a fully financed restructuring of the Group. On 3 March 2017 the Farstad restructuring was approved by the General meeting in Farstad Shipping ASA. See note 13 for more information. In accordance with Norwegian Accounting principles interest bearing mortgage debt is classified as long term loans as the company is not in breach with its loan obligation when submitting the annual return.

NOTE 7 SOLIDARY OBLIGATION

The company has a solidary obligation for IOS's total debt. The solidary obligation not included in Farstad International AS balance by 31.12.	2016	2015
	116 673	160 488

NOTE 8 TAXES

Calculation of deferred tax/deferred tax benefit

	2016	2015
Temporary differences		
Fixed assets		
Other temporary differences		
Net temporary differences	-	-
Tax losses carried forward	-92 255	39 704
Basis for deferred tax	-92 255	39 704

Deferred tax	-22 141	9 926
Deferred tax benefit not shown in the balance sheet	22 141	-9 926
Deferred tax in the balance sheet	-	-

Basis for income tax expense, changes in deferred tax and tax payable	2016	2015
Result before taxes	-110 953	-51 382
Permanent differences	58 402	14 516
Basis for the tax expense for the year	-52 551	-36 866
Change in temporary differences		
Basis for payable taxes in the income statement	-52 551	-36 866
Change in tax losses carried forward	52 551	36 866
+/- Group contributions received/given	-	-
Taxable income (basis for payable taxes in the balance sheet)	-	-

Components of the income tax expense	2016	2015
Withholding tax	88	1 687
Change in deferred tax	-	-
Tax expense	88	1 687
Payable taxes in the balance sheet		
Payable tax abroad	88	5 613
Payable tax in the balance sheet	88	5 613

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

Farstad International AS left the basic tonnage tax scheme as of 30 June 2016 with taxable effect as per 1 January 2016 to the ordinary taxation scheme. As a result of the change of taxation scheme, the numbers for 2015 has been altered to reflect these changes in the note above.



NOTES TO THE ACCOUNTS (NOK 1 000)

FARSTAD INTERNATIONAL AS

NOTE 9 EQUITY

Equity changes in the year	Share capital	Other equity *)	Total
Equity 01.01.	100	181 638	181 738
Passed on changes in estimates	-	-	-
Loss for the year	-	-111 041	-111 041
Equity 31.12.	100	70 597	70 697

*) Included in other equity as of 31.12.2016 is a negative revaluation reserve of NOK -180 775 (NOK -63 009 as of 31.12.2015) related to an accumulated loss in Partrederiet International Offshore Services ANS.

NOTE 10 VESSELS AND OTHER FIXED ASSETS

	Directly owned vessels	Total fixed assets
Purchase cost pr. 01.01.	332 832	332 832
Additions	-	-
Disposals	69 309	69 309
Purchase cost at pr. 31.12.	263 523	263 523
Accumulated depreciation and impairment 01.01.	165 332	165 332
Depreciation charge for the year	4 887	4 887
Impairment	83 500	83 500
Disposals	52 718	52 718
Accumulated depreciation and impairment pr 31.12.	201 001	201 001
Recognized value deferred maintenance at 31. December 2016	5 096	5 096
Net book value at 31.12.16	67 618	67 618
Change in recognized value deferred maintenance	2 016	2 016
Net book value pr 01.01.	8 101	5 405
Additions	3 731	9 627
Disposals	2 947	-
Depreciation charge for the year	3 789	6 931
Net book value pr 31.12.	5 096	8 101

Depreciation of vessels and other fixed assets

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

Deferred maintenance is capitalized and depreciated normally on a straight-line basis over the period up to next planned deferred maintenance/docking, normally over 30 months.

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

Impairment

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

The recoverable amount for each vessel is based on a value in use calculation from cash flow before financial items and tax. The cash flow calculations have been discounted with an average cost of capital after tax(WACC) in the range between 8.24% and 16.08%, depending on vessel owner's nationality. The cash flow per vessel is calculated until vessel reaches an age of 30 years.

For vessels on firm contracts it is assumed that the vessels are employed on charter parties up until expiry of the firm contracts, and that rate and utilisation levels thereafter are changed to expected market levels. Options have not been assigned any added value in the value in use calculations.

The estimated cash flows per vessel is based on two 5 year forecast scenarios, where one scenario expects the market to start recovering in 2019 and be fully recovered in 2021. The second scenario start recovering in 2018 to be fully recovered in 2020, at rate levels as it was in 2013-2014. The first scenario is weighted 25% and the second scenario is weighted 75% based on the management expectations of outcome for each scenario.

Total impairment as per 31.12.16 was NOK 83 500(NOK 44 500 per 31.12.2015).

Sold vessels

PSV Lady Grace was sold in January 2016 with profit of NOK 494 (NOK 989 in IOS).



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

NOTE 11 BALANCE WITH GROUP COMPANIES, ETC.

	2016	2015
Other current liability		
P/R International Offshore Services ANS	-	-
Other current asset		
Farstad Shipping ASA	684	681
Long term receivables		
Farstad Shipping ASA*	65 000	65 000
Total	65 000	65 000

*Long term receivables to Farstad Shipping ASA NOK has these interest conditions: 3 months NIBOR + 3,00 % margin.

NOTE 12 SHARE CAPITAL

The share capital of TNOK 100 consists of 100 shares with nominal value of NOK 1. All shares are owned by Farstad Supply AS, Ålesund.

The parent company Farstad Supply AS has its registered offices in Skansekaia 4A, 6002 Ålesund, where the consolidated accounts including this company can be obtained.

NOTE 13 EVENTS AFTER YEAR END

Closing of the restructuring

On 06 February 2017, Farstad Shipping ASA group announced that Aker Capital AS, a wholly owned subsidiary of Aker ASA, Hemen Holding Limited ("Hemen") (a company indirectly controlled by trusts established by Mr. John Fredriksen for the benefit of his immediate family), as well as Farstad Shipping's senior lenders, bondholders, and F-Shiplease AS (a subsidiary of Ocean Yield ASA), have entered into an agreement (the "Restructuring Agreement") for a fully-funded financial restructuring of Farstad Shipping ASA group (the "Farstad Restructuring"). On 2 March 2017 the Farstad Restructuring was approved by the majority of the bondholders in both bonds and on 3 March 2017 the Farstad Restructuring was approved by the general meeting.

Farstad Restructuring consist of the following elements:

- (i) Farstad Shipping group's creditors converted debt claims to equity (the "Conversion of debt")

Farstad Shipping group's senior lenders, bondholders and F-Shiplease AS have completed a capital increase for conversion of debt as follows:

- a) Farstad Shipping ASA assumed debt owing by its subsidiaries to certain senior lenders in the amount of NOK 940 million and the senior lenders have converted NOK 940 million into 752,000,000 new shares in Farstad Shipping ASA at a price of NOK 1.25 per share.
- b) The senior lenders released Farstad Shipping group's subsidiaries of their obligation to pay NOK 332 million in future interest in exchange for a NOK 271 million claim against Farstad Shipping ASA (equaling the net present value of such future interest payments), and the NOK 271 million claim is converted into 774,285,714 new shares of Farstad Shipping ASA at a share price of NOK 0.35.
- c) The outstanding bond debt in FAR03 and FAR04 with a total outstanding amount of NOK 1,407 million, representing a principal of NOK 1,400 million plus interest in the amount of NOK 7 million, is converted into 1,125,516,355 new shares of Farstad Shipping ASA at share price NOK 1.25.
- d) F-Shiplease AS have released Farstad Supply AS of its obligation to pay NOK 70 million of the "amortisation" element and NOK 109 million of the "interest" element of its two bare-boat leasing agreements with F-Shiplease, in exchange for a NOK 161, million claim against Farstad Shipping ASA (equaling the sum of the NOK 70,000,000 "amortisation" element and the net present value of the "interest" element being NOK 91). The NOK 70 million "amortisation" element of the claim is converted into 56,000,000 new shares of Farstad Shipping ASA at a price of NOK 1.25 per share, whereas the NOK 91 million "interest" element of the claim is converted into 259,595,760 new shares of Farstad Shipping ASA at a share price of NOK 0.35.

- (ii) Farstad Shipping ASA have issued NOK 650 million of new equity fully underwritten by Aker and Hemen (the "Equity Issue")

The Equity Issue, which was fully underwritten by Aker and Hemen on a 50:50 basis, consists of a NOK 400 million in share issue to Hemen and Aker and NOK 50 million in share issue to Tyrholm & Farstad Invest AS (an affiliate of Farstad Shipping ASA group's main shareholder) ("Private Placement 1"), a NOK 150 million share in issue to Farstad Shipping's bondholders ("Private Placement 2") and a NOK 50 million repair issue to existing Farstad Shipping ASA shareholders and bondholders who were not allocated shares in Private Placement 2 (the "Repair Issue"). The Repair issue was only subscribed for NOK 29 million by Farstad Shipping's shareholders and bondholders, the remaining was subscribed by Aker and Hemen on a 50:50 basis. The subscription price in the Equity Issue was NOK 0.35 per share.

- (iii) The existing financing agreements of Farstad Shipping ASA is amended (the "Farstad Amended Financing Terms")

The terms and conditions of the existing financing agreements for Farstad Shipping ASA (except for financing agreements with Westpac and BNDES) is amended and harmonised, including by adding the following features:

- a) The amortisation profile of the loans (after adjustment for the amounts converted to equity) is reduced to 10% of the original profile from 01 January 2017 until 31 December 2021. Commencing in Q1 2022 the balance of amortising senior debt will become amortising in linear instalments of 20% per year, whereas senior loans with a bullet repayment profile will receive an extraordinary repayment of 4% in Q2 2019. The final maturity date for all loans (with maturity date prior to the new maturity date) will be extended to Q4 2023;



NOTES TO THE ACCOUNTS (NOK 1 000)

FARSTAD INTERNATIONAL AS

- b) A cash sweep mechanism will be introduced;
- c) In addition to certain financial covenants, restrictions will be introduced with respect to Farstad Shipping ASA's ability to pay dividends, incur new debt, carry out equity issues and make capital expenditures;
- d) Minimum value clause at 100% across the group's fleet (but suspended throughout 2019);
- e) Removal of current ownership covenants;
- f) Pre-approval of sale of older vessels at prices below secure debt using agreed mechanisms.

The Farstad Amended Financing Terms ensures that Farstad Shipping ASA is no longer in breach with its financial covenants and long term debt classified as current liabilities is reclassified as non-current liabilities. Total NOK 8,174 million is reclassified from current to Non-current liabilities after the Farstad Shipping ASA Restructuring.

Farstad Shipping ASA's share capital as per 31 December 2016 had a value of NOK 39 million, at a nominal price of NOK 1.00 per share. In 1Q 2017 Farstad Shipping ASA's share capital is reduced with NOK 37 million from NOK 39 million to NOK 2 million by reducing the nominal value of the shares with NOK 0.95 per share from NOK 1.00 to NOK 0.05. The reduced share capital of NOK 37 million is allocated to retained earnings.

Part of the debt conversions to equity in Farstad Shipping ASA, a nominal value of total NOK 2 417 million were converted to equity at the conversion price of NOK 1.25 per share. The fair value of the debt conversions to equity is measured to only NOK 0.35 per shares. Therefore, NOK 0.05 per share is recognised as share capital, NOK 0.30 per share is recognised as additional paid-in capital and NOK 0.90 per share is recognised over the income statement and ends up in retained earnings. This gives the total amount of NOK 97 million in share capital, NOK 580 million in paid in capital and total amount of NOK 1 740 in income statement in Q1 2017.

For the rest of the debt conversions to equity, a nominal value of total NOK 362 million, the conversion price per share is NOK 0.35. NOK 0.05 per share is recognised as share capital and NOK 0.30 per share is recognised as additional paid-in capital, total amount of NOK 52 million in share capital and NOK 310 million in paid in capital in Q1 2017.

For the F-Shiplease lease agreements, a part of the lease payments will be deferred from Q1 2017 and until Q4 2021. Commencing in Q1 2022, the lease payments will revert to the original levels and in addition, all deferred payments will become repayable in linear instalments of 20% per year, with a bullet repayment of deferred payments in Q4 2023. The maturity dates of the leases remain unchanged, being March and June 2025, and a new cash sweep mechanism is introduced in the leases. All the changes to the leases agreements results in a reclassification of the leases from financial lease to operational lease. Non-current assets is derecognised with NOK 1,095 million, current liabilities is derecognised with NOK 48,9 million and non-current liabilities are derecognised with NOK 1,015 million. Even after the amendments of the lease agreements, the agreements are considered as onerous contracts, with an expected negative net present value of NOK 84 million for both lease agreements, recognised in the income statement in 1Q 2017.

All equity issues was completed 23 March.

The Farstad Shipping ASA's pro-forma statement of financial position as of 31 December 2016 adjusted for the effects of the Farstad Restructuring is as per below:

(In NOK million)	As of 31 December 2016	Effect of restructuring	Adjusted for restructuring effects
Assets			
Non-Current Assets	11 808,40	-665,1	11 143,30
Current Assets	1 358,80	585	1 943,80
Assets classified as held for sale	370,5		370,5
Total Assets	13 537,70	-80,1	13 457,60
Equity and Liabilities			
Share capital	39	204,2	243,2
Additional paid-in capital	198,4	1 412,40	1 610,80
Retained earnings	749,2	1 497,90	2 247,10
Equity	986,6	3 114,40	4 101,00
Non-current liabilities	1 695,70	6 401,60	8 097,30
Current liabilities	10 855,40	-9 596,10	1 259,30
Total Equity and Liabilities	13 537,70	-80,1	13 457,60



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

Business Combination

Furthermore to the announcement 6 February 2017, the parties to the Restructuring Agreement, together with Soff Invest AS and Ivan II AS (jointly the "Solstad Family Companies") and Tyrholm & Farstad AS, have agreed to work for a combination of Solstad Offshore ASA ("Solstad Offshore"), Farstad Shipping ASA and Deep Sea Supply Plc ("Deep Sea Supply") following completion of the Farstad Restructuring, creating a world class OSV company (the "Combination").

The combination is proposed to be structured as follows:

- (i) Deep Sea Supply and Farstad Shipping will merge into and be established as individual subsidiaries under Solstad Offshore, with shareholders of Deep Sea Supply and Farstad Shipping receiving shares in Solstad Offshore as consideration (the "Mergers").

Under the Mergers, Farstad Shipping will merge with a newly incorporated subsidiary of Solstad Offshore and Farstad Shipping's former shareholders will receive shares in Solstad Offshore as merger consideration. The exchange ratio in the Solstad Offshore / Farstad merger will be 0.35:12.50 Farstad shares per Solstad Offshore share.

Contemporaneously with the Solstad Offshore / Farstad Shipping merger, Deep Sea Supply will combine with Solstad Offshore in a merger or merger-like transaction whereby all of Deep Sea Supply's assets, rights and obligations will ultimately be transferred to a subsidiary of Solstad Offshore against consideration in the form of Solstad Offshore shares. The amount of Solstad Offshore consideration shares issued will be based on an agreed exchange ratio of 1.32:12.50 Deep Sea Supply shares per Solstad Offshore share.

- (ii) The existing financing agreements of Solstad Offshore and Deep Sea Supply will be sought amended and harmonised with the Farstad Amended Financing Terms.
- (iii) In connection with the Combination, Solstad Offshore will complete a NOK 200 million private placement directed towards Hemen at a subscription price of NOK 12.50 per share. The proceeds from the private placement will be passed on by Solstad Offshore to the part of the new group comprising the former Deep Sea Supply operations.
- (iv) Aker will convert its NOK 250 million convertible loan to Solstad Offshore in exchange for shares, such convertible loan having originally been granted to Solstad Offshore in 2016 together with a NOK 250 million equity investment by Aker in Solstad Offshore.
- (v) Solstad Offshore's dual share class structure will be collapsed, and all Class A and Class B shares will be converted to common shares on a 1:1 basis.

The transaction elements listed above are interdependent and will become effective simultaneously upon completion of the Combination. A merger plan between Farstad Shipping ASA (acquired) and Solship Invest 2 AS (acquiring), with shares in Solstad Offshore ASA, was approved by the boards of directors in the respective companies 24 of March. However, the Combination is not completed and it is subject to, among other things, agreement on final transaction documentation, competition authority approvals and relevant corporate resolutions.

The senior lenders in Farstad Shipping ASA group have undertaken to vote in favour of and otherwise support the Combination. Further, the senior lenders have undertaken a lockup obligation preventing them from selling their shares in Farstad Shipping ASA until such time as the Combination is finally approved or until 30 September 2017, unless otherwise agreed with Aker and Hemen.



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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Farstad International AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Farstad International AS, which comprise the balance sheet as at 31 December 2016, 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 2016 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 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.

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) is 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



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includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

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

Alesund, 15 May 2017
ERNST & YOUNG AS

Ivar-Andre Norvik
State Authorised Public Accountant (Norway)

Independent auditor's report - Farstad International AS

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