



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2018 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer: 992 047 380  
Organisasjonsform: Aksjeselskap  
Foretaksnavn: FARSTAD OFFSHORE AS  
Forretningsadresse: Skansekaia 4A  
6002 ÅLESUND

### 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: Idar Gjerde  
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, 02.11.2020



## Resultatregnskap

Beløp i: NOK	Note	2018	2017
<b>RESULTATREGNSKAP</b>			
<b>Inntekter</b>			
Salgsinntekt	2	-10 517 000	692 000
Annen driftsinntekt		3 058 000	6 861 000
<b>Sum inntekter</b>		<b>-14 918 000</b>	<b>15 107 000</b>
<b>Kostnader</b>			
Lønnskostnad		-91 000	-1 297 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	5		
Annen driftskostnad	7	349 000	1 220 000
<b>Sum kostnader</b>		<b>258 000</b>	<b>-77 000</b>
<b>Driftsresultat</b>		<b>-15 435 000</b>	<b>15 260 000</b>
<b>Finansinntekter og finanskostnader</b>			
Annen renteinntekt		1 657 000	-580 000
Annen finansinntekt		131 000	213 000
<b>Sum finansinntekter</b>		<b>1 789 000</b>	<b>-367 000</b>
Annen rentekostnad		2 740 000	
Annen finanskostnad		3 443 000	4 094 000
<b>Sum finanskostnader</b>		<b>6 182 000</b>	<b>4 094 000</b>
<b>Netto finans</b>		<b>-4 394 000</b>	<b>-4 461 000</b>
<b>Ordinært resultat før skattekostnad</b>		<b>-12 111 000</b>	<b>3 169 000</b>
Skattekostnad på ordinært resultat	3	1 322 000	1 522 000
<b>Ordinært resultat etter skattekostnad</b>		<b>-13 433 000</b>	<b>1 647 000</b>
<b>Årsresultat</b>		<b>-13 433 000</b>	<b>1 647 000</b>
<b>Årsresultat etter minoritetsinteresser</b>		<b>-13 433 000</b>	<b>1 647 000</b>
<b>Totalresultat</b>		<b>-13 433 000</b>	<b>1 647 000</b>
<b>Overføringer og disponeringer</b>			



## Resultatregnskap

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
Overføringer til/fra annen egenkapital		-13 433 000	1 647 000
<b>Sum overføringer og disponeringer</b>		<b>-13 433 000</b>	<b>1 647 000</b>



## Balanse

Beløp i: NOK	Note	2018	2017
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
Utsatt skattefordel	2		
<b>Varige driftsmidler</b>			
Skip, rigger, fly og lignende	5	20 920 000	21 157 000
<b>Sum varige driftsmidler</b>		<b>20 920 000</b>	<b>21 157 000</b>
<b>Sum anleggsmidler</b>		<b>20 920 000</b>	<b>21 157 000</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
Varer	9		
<b>Fordringer</b>			
Kundefordringer		82 672 000	146 860 000
Andre fordringer	6	38 816 000	6 646 000
<b>Sum fordringer</b>		<b>121 488 000</b>	<b>153 505 000</b>
<b>Bankinnskudd, kontanter og lignende</b>			
Bankinnskudd, kontanter og lignende	10	17 246 000	57 199 000
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>17 246 000</b>	<b>57 199 000</b>
<b>Sum omløpsmidler</b>		<b>138 734 000</b>	<b>210 704 000</b>
<b>SUM EIENDELER</b>		<b>159 654 000</b>	<b>231 861 000</b>
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Selskapskapital	4, 8	177 100 000	177 100 000
<b>Sum innskutt egenkapital</b>		<b>177 100 000</b>	<b>177 100 000</b>



## Balanse

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
<b>Opptjent egenkapital</b>			
Annen egenkapital	4, 8	-146 966 000	-133 532 000
<b>Sum opptjent egenkapital</b>		<b>-146 966 000</b>	<b>-133 532 000</b>
<b>Sum egenkapital</b>		<b>30 134 000</b>	<b>43 568 000</b>
<b>Gjeld</b>			
<b>Langsiktig gjeld</b>			
<b>Annen langsiktig gjeld</b>			
Konvertible lån	6	70 000 000	70 000 000
<b>Sum annen langsiktig gjeld</b>		<b>70 000 000</b>	<b>70 000 000</b>
<b>Sum langsiktig gjeld</b>		<b>70 000 000</b>	<b>70 000 000</b>
<b>Kortsiktig gjeld</b>			
Leverandørgjeld		995 000	801 000
Betalbar skatt	3		
Annen kortsiktig gjeld	6	58 525 000	117 493 000
<b>Sum kortsiktig gjeld</b>		<b>59 520 000</b>	<b>118 294 000</b>
<b>Sum gjeld</b>		<b>129 520 000</b>	<b>188 294 000</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>159 654 000</b>	<b>231 861 000</b>



## PROFIT AND LOSS

FARSTAD OFFSHORE AS (NOK 1 000)

	Note	2018	2017
<b>Operating income:</b>			
Freight Income	2	-10 517	692
Other income		3 058	6 861
<b>Total operating Income</b>		<b>-7 459</b>	<b>7 553</b>
<b>Total income</b>		<b>-7 459</b>	<b>7 553</b>
<b>Operating expenses:</b>			
Crewing expenses vessels		-91	-1 297
Other operating expenses vessels		-6	988
Administration	7	355	232
<b>Total operating expenses</b>		<b>258</b>	<b>-77</b>
<b>Operating profit before depreciations (EBITDA)</b>		<b>-7 717</b>	<b>7 630</b>
<b>Operating result (EBIT)</b>		<b>-7 717</b>	<b>7 630</b>
<b>Financial items:</b>			
Financial income		131	213
Financial expenses		3 443	4 094
Realised agio (disagio)		1 657	-580
Unrealised agio (disagio)		2 740	0
<b>Net financial income and expenses</b>		<b>-4 394</b>	<b>-4 461</b>
<b>Tax and results:</b>			
Pre tax profit		-12 111	3 169
Tax	3	1 322	1 522
<b>Profit for the year</b>		<b>-13 433</b>	<b>1 647</b>
<b>Annual net profit</b>		<b>-13 433</b>	<b>1 647</b>
Allocated to other equity		-13 433	1 647
<b>Net brought forward</b>		<b>-13 433</b>	<b>1 647</b>

**BALANCE SHEET**

FARSTAD OFFSHORE AS (NOK 1 000)

	Note	2018	2017
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Vessels and other fixed assets	5	20 920	21 157
<b>Total fixed assets</b>		<b>20 920</b>	<b>21 157</b>
<b>CURRENT ASSETS</b>			
Account receivables, freight income		82 672	146 860
Other short-term receivables	6	38 816	6 646
Cash and cash equivalents	10	17 246	57 199
<b>Total current assets</b>		<b>138 734</b>	<b>210 704</b>
<b>Total assets</b>		<b>159 654</b>	<b>231 861</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	4, 8	177 100	177 100
Other equity	4, 8	-146 966	-133 532
<b>Total equity</b>		<b>30 134</b>	<b>43 568</b>
<b>NON-CURRENT LIABILITIES</b>			
Liabilities to parent company	6	70 000	70 000
<b>Total non-current liabilities</b>		<b>70 000</b>	<b>70 000</b>
<b>CURRENT DEBT</b>			
Accounts payable		995	801
Other current liabilities	6	58 525	117 493
<b>Total current liabilities</b>		<b>59 520</b>	<b>118 294</b>
<b>Total liabilities</b>		<b>129 520</b>	<b>188 294</b>
<b>Total equity and liabilities</b>		<b>159 654</b>	<b>231 861</b>

Aalesund, 28.06.2019  
The board of Farstad Offshore ASSven Stakkestad  
member of the boardLars Peder Solstad  
chairman of the boardAnders Hall Jomaas  
member of the board



FARSTAD OFFSHORE AS  
Postboks 1301  
6001 ÅLESUND

### Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Farstad Offshore AS, org. nr. 992 047 380

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 Offshore AS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Farstad Offshore 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 Offshore AS er heleid av Farstad Shipping ASA. Selskapet er et managementselskap for Subsea fartøyer. Aktivitetene er konsentrert til markedene i Nordvest-Europa og Brasil. 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 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:



*“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 spekulasjonsgjenvinster med basis i skjev 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 % eiet av et selskap som benytter engelsk som foretningsspråk. 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



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## THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

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### COMPANY STRUCTURE

FARSTAD OFFSHORE AS was established on 5 December 2007 in order to run shipping operations and other business associated with this. The company was established as part of marketing and contracting of vessels in the Farstad group. The company is a wholly owned subsidiary of Farstad Shipping AS and its head office is in Aalesund.

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

### MANAGEMENT

The company has no employees. The company is managed by Solstad Shipping AS in accordance with a signed management agreement. The company's Board of Directors has three members.

### THE FLEET

The company do not own or charter any vessels anymore. The activity performed is chartering of vessels on behalf of other companies in the Farstad Group. The income is mainly management fees from this chartering activity.

### FINANCIAL

#### Financial statement

Operating income for 2018 was NOK negative with 7.5 million in 2018 compared to NOK 7.6 million in 2017, mainly management fees for 2017 and mob/Demob fee from Charters in 2018. The considerable reduction is related to internal transfer of contracts from this company to other companies in the group. The operating result was NOK negative with NOK 7,7 million in 2018 compared to NOK 7.6 million in 2017. The company has an equity ratio of 19,33% (18,79% in 2017). The liquidity situation for the company is good.

The company's annual accounts show a loss of NOK 13,4 million. The Board has approved the total profit to be transferred to Other Equity.

### THE MARKET

The oil price has increased during 2018 with Brent oil at USD 85 per barrel as a peak in October and USD 54,14 per barrel at year-end, and the yearly average price higher than in 2017. As a result of cost reductions and higher oil prices, the major oil companies have achieved positive cash-flow effects. In most parts of the world the steady decline in drilling and offshore activity came to a halt.

The oversupply of vessels continued to be an issue. However, the total number of OSVs of certain capacities mentioned below is nearly unchanged during the last 12 months. There is also uncertainty whether the vessels on order or under construction will ever be delivered from the yards. A significant portion of the vessels in layup has been idle for two years or more, and many are now out of class.

There are about 29 larger CSVs under construction at shipyards in Europe, USA, Asia and the Middle East. Total fleet of CSVs at the end of 2018 was 394 vessels, whereof 35 in layup (the vessel category includes both installation vessels and inspection, maintenance and repair (IMR) vessels).



## FINANCIAL RISK

### Currency risk:

The company is exposed to currency risk, as a some of its income is in foreign currency.

### Credit risk:

The Company is exposed to potential losses associated with accounts receivable. There was no loss on receivables in 2018.

### Market risk

The group has chosen to concentrate its activity mainly in three markets; APAC, Brazil and North-Western Europe. The activity in all the group's main markets has been characterised by the low oil price and the oil companies' reduction in activities and costs. The market risk in our industry is thus higher than it has been for years, and no early improvement is expected in any of the company's main markets.

## MARKET OUTLOOK

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 important feature towards a more balanced market. This could particularly affect the AHTS 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 slow 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.

Within the subsea segment, IMR work has shown a moderate increase. However, structural changes in how IMR work scopes are carried out have resulted in greater efficiencies. For construction work, the high level of development plans submitted over the past 18 months are starting to translate into demand for vessels. For mid-water North Sea, this is expected to result in more vessels being utilized in 2019.

The renewables sector has become important clients for the subsea fleet. As the activity within oil & gas markets increases, the pool of clients, work roles and opportunities for the subsea fleet is expected to grow.

## GOING CONCERN

The Board confirms that the assumption of going concern is present, and that the 2017 financial statements, pursuant to section 3-3a of the Norwegian accounting act, have been prepared based on the assumption of a going concern. However, the Shipping sub-group's financial situation is unsustainable as equity is negative and liquidity is under pressure. The long-term viability of the Company's and the sub-group's business depends on the sub-group finding a solution to its financial situation. 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 for the sub-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 sub-group should be forced to realize its assets, there is a risk that these will be realized at a significantly lower value than their carrying amount, as value in use is higher than estimated sales values for several of the vessels. Based on the above the Board is of the opinion that there is significant uncertainty related to the going concern assumption for the Farstad Shipping AS sub-group.



It was agreed on the 19 December 2018 that interest and amortisations on most financial debt in Farstad Shipping AS sub-Group would be temporarily suspended and deferred until 20.06.2019.

Long term liabilities recognized in Farstad Shipping AS sub-group of NOK 7,292 million have been reclassified to current liabilities as of 31 December 2018. The reclassification is based on standstill agreements of debt service with the banks where the covenant waiver period is less than 12 months. The waiver period end in June 2019.

The sub-group is in negotiations with its key creditors and other stakeholders, and the going concern assumption is based on the board's view that the sub-group's efforts in this respect have a possibility of success. A solution is expected to involve a comprehensive restructuring of the sub-group's balance sheet.

Aalesund, 31 December 2018

28 June 2019

**The Board of Directors of Farstad Offshore AS**

Sven Stakkestad  
Member of the Board

Lars Peder Solstad  
Chairman of the Board

Anders Hall Jomaas  
Member of the Board



## PROFIT AND LOSS

FARSTAD OFFSHORE AS (NOK 1 000)


	Note	2018	2017
<b>Operating income:</b>			
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<b>Operating result (EBIT)</b>		<b>-7 717</b>	<b>7 630</b>
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Tax	3	1 322	1 522
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<b>Annual net profit</b>		<b>-13 433</b>	<b>1 647</b>
Allocated to other equity		-13 433	1 647
<b>Net brought forward</b>		<b>-13 433</b>	<b>1 647</b>





## BALANCE SHEET

## FARSTAD OFFSHORE AS (NOK 1 000)

	Note	2018	2017
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Vessels and other fixed assets	5	20 920	21 157
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Cash and cash equivalents	10	17 246	57 199
<b>Total current assets</b>		<b>138 734</b>	<b>210 704</b>
<b>Total assets</b>		<b>159 654</b>	<b>231 861</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	4, 8	177 100	177 100
Other equity	4, 8	-146 966	-133 532
<b>Total equity</b>		<b>30 134</b>	<b>43 568</b>
<b>NON-CURRENT LIABILITIES</b>			
Liabilities to parent company	6	70 000	70 000
<b>Total non-current liabilities</b>		<b>70 000</b>	<b>70 000</b>
<b>CURRENT DEBT</b>			
Accounts payable		995	801
Other current liabilities	6	58 525	117 493
<b>Total current liabilities</b>		<b>59 520</b>	<b>118 294</b>
<b>Total liabilities</b>		<b>129 520</b>	<b>188 294</b>
<b>Total equity and liabilities</b>		<b>159 654</b>	<b>231 861</b>

  
Sven Stakkestad  
member of the board

Aalesund, 28.06.2019  
The board of Farstad Offshore AS  
  
Lars Peder Solstad  
chairman of the board

  
Anders Hall Jomaas  
member of the board



## CASH FLOW STATEMENT

FARSTAD OFFSHORE AS (NOK 1 000)

	2018	2017
<b>Cash flow from operations</b>		
Profit before income taxes	-12.112	3.169
Taxes paid in the period	-1.652	-2.781
Gain/loss from sale of fixed assets	-	-
Depreciation	-	-
Impairment of fixed assets	-	-
Change in inventory	-	-
Change in trade debtors	64.188	-106.355
Change in trade creditors	194	-11.875
Change in other provisions	-90.808	139.260
<b>Net cash flow from operations</b>	<b>-40.190</b>	<b>21.418</b>
<b>Cash flow from investments</b>		
Proceeds from sale of fixed assets	237	3.187
Purchase of fixed assets	-	-
<b>Net cash flow from investments</b>	<b>237</b>	<b>3.187</b>
<b>Cash flow from financing</b>		
Proceeds from long term loans	-	-
Repayment of long term debt parent company	-	-30.000
<b>Net cash flow from financing</b>	<b>-</b>	<b>-30.000</b>
Net change in cash and cash equivalents	-39.953	-5.395
Cash and cash equivalents at the beginning of the period	57.199	62.594
<b>Cash and cash equivalents at the end of the period</b>	<b>17.246</b>	<b>57.199</b>



## NOTES TO THE ACCOUNTS (NOK 1 000) FARSTAD OFFSHORE AS

### NOTE 1 ACCOUNTING PRINCIPLES

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

#### Estimates

Areas that involve judgement or complexity, or areas where assumptions and estimates are significant to the annual accounts are impairment of fixed assets, tax, average settlements and loss on receivables.

#### Costs and income recognition

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

#### Sale of fixed assets

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

#### Impairment of fixed assets

The booked values of 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 if 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 fixed asset the value estimates obtained from sales of same type of assets in the same market are used as basis.

#### Maintenance costs on leased vessels

Ordinary repairs and maintenance are recognised in the profit and loss account. The cost of dockings, periodic maintenance, and larger modifications of leased 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 60 months. The costs are recognised via depreciation.

#### Taxes

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated as 23 percent of temporary differences and the tax effect of tax losses carried forward. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilized. Taxes payable and deferred taxes are recognised directly against equity to the extent that they relate to equity transactions.

#### Pensions

Farstad Offshore AS is hiring all crew and crew related duties from other companies within the Farstad Shipping AS 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.

#### Cash flow statement

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

#### Subsequent events

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



## NOTES TO THE ACCOUNTS (NOK 1 000)

### FARSTAD OFFSHORE AS

#### NOTE 2 FREIGHT INCOME

	2018	2017
<b>Freight income by product</b>		
Plattform Supply Vessels (PSV)	421	-
Anchor Handling Vessels (AHTS)	-429	-
Subsea Vessels (CSV)	-10 509	692
<b>Total freight income</b>	<b>-10 517</b>	<b>692</b>
<b>Freight income by region</b>		
North West Europe	-	-
Brazil	-528	-
Asia Pacific	355	-
Other segments (Africa, etc)	-10 344	692
<b>Total freight income</b>	<b>-10 517</b>	<b>692</b>

#### NOTE 3 TAXES

##### Calculation of deferred tax/deferred tax benefit

	2018	2017
<b>Temporary differences</b>		
Fixed assets	-	-
Other temporary differences	-6 454	-6 454
Net temporary differences	-6 454	-6 454
Tax losses carried forward	-140 451	-131 080
<b>Basis for deferred tax</b>	<b>-146 905</b>	<b>-137 534</b>
Deferred tax/deferred tax asset 22% ( 23%)	-32 319	-31 633
Deferred tax asset not recognized in the balance sheet	-32 319	-31 633
<b>Deferred tax in the balance sheet</b>	<b>-</b>	<b>-</b>

##### Basis for income tax expense, changes in deferred tax and tax payable

	2018	2017
Result before taxes	-12 111	3 169
Permanent differences	-1 322	92
<b>Basis for the tax expense for the year</b>	<b>-13 433</b>	<b>3 261</b>
Change in temporary differences	-	-
<b>Basis for payable taxes in the income statement</b>	<b>-13 433</b>	<b>3 261</b>
Change in tax losses carried forward	9 371	-
+/- Group contributions received/given	-	408
<b>Taxable income (basis for payable taxes in the balance sheet)</b>	<b>-4 062</b>	<b>3 669</b>

##### Components of the income tax expense

	2018	2017
Withholding tax	1 322	1 522
Payable tax on this year's result	-	-
Change in deferred tax	-	-
<b>Tax expense</b>	<b>1 322</b>	<b>1 522</b>

##### Payable taxes in the balance sheet

Payable tax in the tax charge	-	-
Payable tax abroad	-	-
<b>Payable tax in the balance sheet</b>	<b>-</b>	<b>-</b>

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

#### NOTE 4 EQUITY

	Share capital	Other equity	Total
<b>Equity changes in the year</b>			
Equity 01.01.	177 100	-133 533	43 567
Profit for the year	-	-13 433	-13 433
<b>Equity 31.12.</b>	<b>177 100</b>	<b>-146 966</b>	<b>30 134</b>



## NOTES TO THE ACCOUNTS (NOK 1 000)

### FARSTAD OFFSHORE AS

#### NOTE 5 FIXED ASSETS

	Spare parts	Total fixed assets
Purchase cost pr. 01.01.	32 542	32 542
Additions	-	-
Disposals	237	237
Purchase cost pr. 31.12.	32 305	32 305
Accumulated depreciation/impairment 01.01	11 385	11 385
Depreciation in the year	-	-
Impairment	-	-
Disposals	-	-
Accumulated depreciation 31.12.	11 385	11 385
<b>Net book value pr. 31.12.</b>	<b>20 920</b>	<b>20 920</b>

#### NOTE 6 BALANCE WITH GROUP COMPANIES, ETC.

	2018	2017
<b>Accounts receivables</b>		
Farstad Shipping AS	-3 720	3 880
Farstad Construction AS	144	704
Farstad Supply AS	3 220	1 173
Farstad Marine AS	796	157
Farstad Shipping Aalesund AS	-	-
Farstad Subsea AS	50	448
Dess IC	37 036	-
P/R International Seives ANS	130	-
<b>Total current assets</b>	<b>37 656</b>	<b>6 362</b>
<b>Current liabilities</b>		
Farstad Shipping AS	-111 461	966
Farstad Supply AS	3 800	86 274
Farstad Construction AS	93 132	8 721
Farstad Marine AS	3 422	11 024
Farstad Shipping Pte Ltd.	34 788	9 834
Solstad Farstad Pty. Ltd.	-7 684	989
GST Australia	-567	-315
Deep Sea Supply AS	42 804	-
Solstad Shipping AS	291	-
<b>Total current liabilities</b>	<b>15 430</b>	<b>117 493</b>
<b>Long term debt</b>		
Farstad Shipping AS*	70 000	70 000
<b>Total</b>	<b>70 000</b>	<b>70 000</b>

\*3 months NIBOR + 3,75% margin.

#### NOTE 7 SALARIES, NUMBER OF EMPLOYEES AND MANAGEMENT AGREEMENTS WITH CLOSELY RELATED PARTIES

Farstad Offshore AS has no employees, thus no wages or directors fee have been paid in 2018.

Management of the vessels is handled by Solstad Shipping AS according to Management agreements. One vessel was on management in 2018. Corporate fee paid Solstad was in 2018 NOK 233 000. ( NOK 0 in 2017)

The company is not obligated to have mandatory pension agreements.

	2018	2017
<b>Expensed audit fee</b>		
Statutory audit	30	44
Tax advisory fee	-	-
Other assistance (to be specified)	-	-
<b>Total audit fees</b>	<b>30</b>	<b>44</b>



## NOTES TO THE ACCOUNTS (NOK 1 000) FARSTAD OFFSHORE AS

### NOTE 8 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital of NOK 177 100 consist of 1 000 shares with nominal value of NOK 177.1 each. All shares are owned by Farstad Shipping AS, Ålesund.

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

### NOTE 9 FORWARD CONTRACTS

The company does not have any forward exchange contracts for outstanding receivables and future cash flows in foreign currencies as per 31.12.18 and 31.12.2017.

### NOTE 10 RESTRICTED CASH

The company has pledged cash deposits of NOK 11.0 million as of 31.12.2018 (NOK 13.4 million in 2017). NOK 10.3 million is related to a guarantee for delivery of newbuild vessel for a frame agreement with Technip Norge AS and the remaining NOK 0.7 million is a performance guarantee to charterers for fulfillment of contracts.

### NOTE 11 GOING CONCERN

The annual accounts are prepared on the assumption of a going concern. However, the Farstad Shipping Group's financial situation is unsustainable as equity is negative and liquidity is under pressure. The long-term viability of the Company's and the group's business depends on the Company finding a solution to its financial situation. 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. 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 should be forced to realize its assets, there is a risk that these will be realized at a significantly lower value than their carrying amount, as value in use is higher than estimated sales values for several of the vessels. Based on the above the Board is of the opinion that there is significant uncertainty related to the going concern assumption for the Farstad Shipping AS Group.

It was agreed on the 19 December 2018 that interest and amortisations on most financial debt in Farstad Shipping AS Group would be temporarily suspended and deferred until 20.06.2019.

The Group has the following covenants:

- Farstad Shipping AS on a consolidated basis: Debt Service Cover Ratio (DSCR): Requirement > 1
- Farstad Shipping AS on a consolidated basis: Minimum liquidity covenant NOK 250 million
- Farstad Subsea AS on a consolidated basis: DSCR>1
- Farstad Subsea AS on a consolidated basis: Minimum liquidity covenant of NOK 20 million at all times.

The above covenants are suspended as per suspension agreements with its financial creditors dated 19.12.2018, until 20.06.2019.

Long term liabilities recognized in Farstad Shipping AS Group of MNOK 7.292 have been reclassified to current liabilities as of 31 December 2018. The reclassification is based on standstill agreements of debt service with the banks where the covenant waiver period is less than 12 months. The waiver period end in June 2019.

The Group is in negotiations with its key creditors and other stakeholders, and the going concern assumption is based on the board's view that the Group's efforts in this respect have a possibility of success. A solution is expected to involve a comprehensive restructuring of the Group's balance sheet.



Statsautoriserte revisorer  
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## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Farstad Offshore AS

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Farstad Offshore 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 11 in the financial statements and the Board of Director's report, which indicates that the Company incurred a net loss of NOK 13 433 thousand during the accounting year 2018. 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 11 and the Board of Director's report, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors are responsible for the other information. Our opinion on the audit of the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

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

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

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

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

## Report on other legal and regulatory requirements

### Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern

Independent auditor's report – Farstad Offshore 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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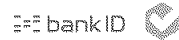
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