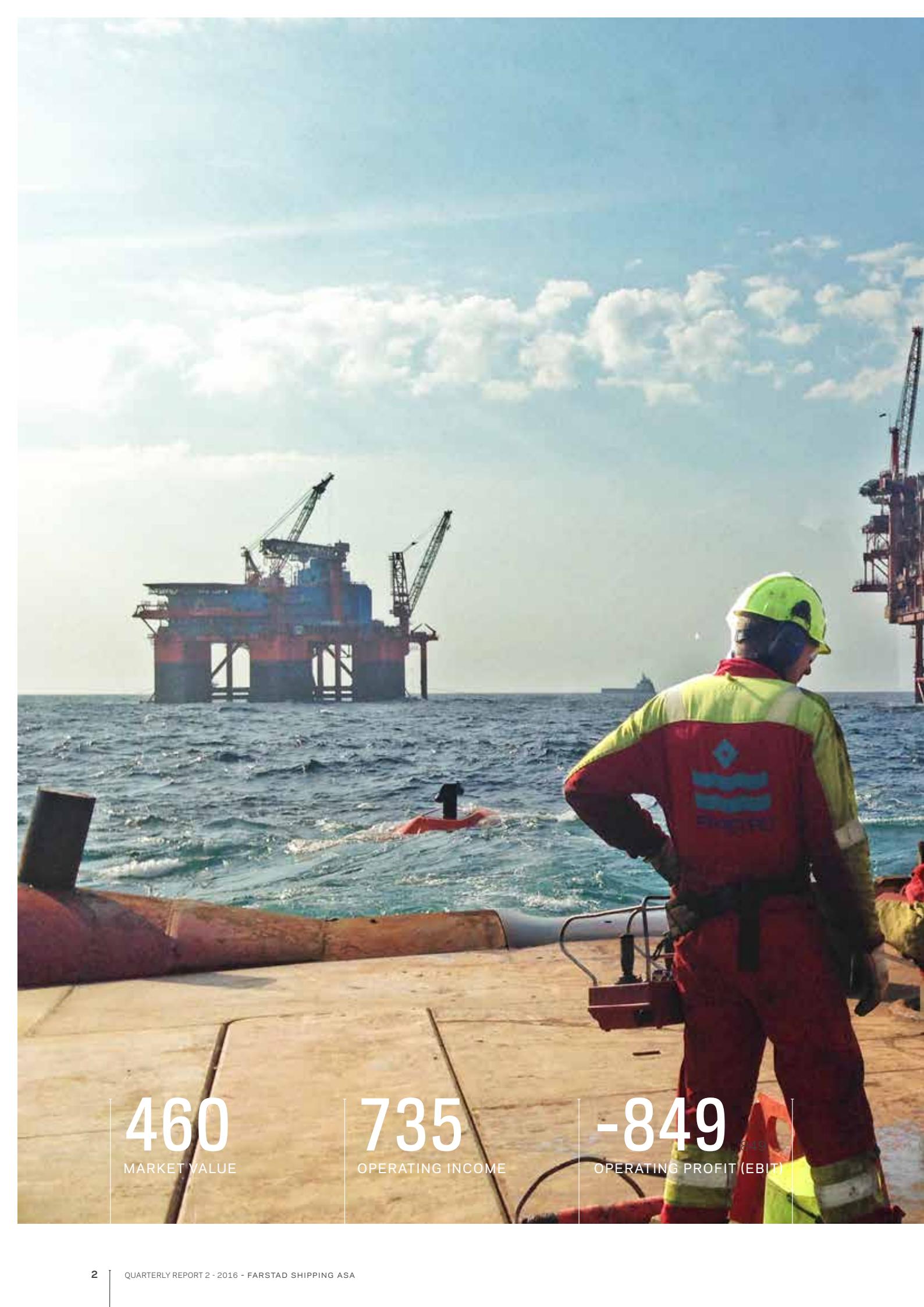


# QUARTERLY REPORT

## 2-2016





460  
MARKET VALUE

735  
OPERATING INCOME

-849  
OPERATING PROFIT (EBIT)



**57**

VESSELS

**1**

NEWBUILDS

**1**

VISION

---

# IMPORTANT EVENTS FIRST HALF YEAR 2016

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Far Server has in the 2<sup>nd</sup> quarter deloused farmed trout and salmon using a new and environmentally friendly technology.

## CHARTER AGREEMENTS



AHTS Far Senator



PSV Far Scotsman, sister vessel of Far Spica, Far Sitella, Far Starling and Far Skimmer.

PSV Far Strider was awarded a four years contract, and AHTS BOS Turquesa was awarded a one year contract with a one year option.

AHTS Far Senator was awarded a 17-month contract plus options.

PSV Far Splendour was awarded a six-month contract plus a six-month option.

## NEW CFO AND CHRO



Olav Haugland



Knut Åsebø

### Olav Haugland - CFO

Olav Haugland started as CFO (Chief Financial Officer) in May 2016. He has more than 20 years of experience in shipping and investment companies. He holds an M.Sc degree in Economics and Business Administration and is State Authorised Public Accountant.

### Knut Åsebø - CHRO

Knut Åsebø entered the position as CHRO (Chief Human Resources Officer) in May 2016. He has more than 30 years of experience from management development/management training. He has a background in Social Science from Volda University College and Sogn and Fjordane University College.

## SALE OF VESSELS



PSV Far Scandia

Far Scandia (PSV 1991) was sold 15 January. The sale gave a booked loss of approx. NOK 8 million recognised as impairment of the vessel's book value in the 4<sup>th</sup> quarter 2015.



PSV Lady Grace

Lady Grace (PSV 2001) was sold 21 January. The sale resulted in a booked loss of approx. NOK 49.0 million recognised as impairment of the vessel's book value in the 4<sup>th</sup> quarter 2015.



PSV Lady Grete

Lady Grete (PSV 2002) was sold 29 February. The sale gave a book loss of NOK 63 million, whereof NOK 60 million was booked as impairment in the 4<sup>th</sup> quarter 2015.



AHTS Far Sea

Far Sea (AHTS 1991) was sold 3 March. The sale gave a book loss of NOK 32 million, whereof NOK 30 million was booked as impairment in the 4<sup>th</sup> quarter 2015.

## VESSELS IN LAY-UP



Vessels in lay-up in Ålesund.

During the quarter, Farstad Shipping has had between 12 and 13 vessels fully or partly laid-up.

As of today, the number of vessels in lay-up is 15, whereof five vessels are laid up in North-West Europe and ten vessels are laid up in the APAC region.

## CONTRACTS TERMINATED

The AHTS Far Shogun and AHTS Far Saracen were terminated from their contracts in July.

PSV Far Star will be terminated from her contract from 10 October.

# VALUES, VISION & GOALS

Our Values express the attitudes and the culture Farstad Shipping's employees stand for. The Values give clear guidelines for the priorities which form the basis for the further development of the company. As a leading supply shipping company we depend on having dedicated, knowledgeable and competent people to run our business safely and efficiently. A modern and competitive fleet is also a prerequisite for this.

**SAFETY CONSCIOUS**

**VALUE PRODUCTIVE**

**RELIABLE**

**INCLUSIVE**

**VISIBLE AND TRANSPARENT**

## CORPORATE VISION

### **BETTER BY FAR®**

We intend to develop the company further by abiding our Values so that we can maintain a leading, competitive position in those markets in which we are present.

### **BUSINESS CONCEPT**

We shall be a leading provider of specialised offshore tonnage to the international oil and gas industry.

### **OBJECTIVES**

Our overall goal is to have zero injuries to people, zero harm to the environment and zero loss or damage to equipment.

The company's growth shall be based on good profitability and financial strength. Our goal is to provide our shareholders with a competitive return.

### **FOCUS**

We focus on large, advanced vessels in the anchor handling, supply and subsea segments. We focus on health, safety, environment and quality. This provides the foundation for all our activities and is vital with regard to competitiveness. We focus on stimulating and further developing the competence, knowledge and awareness of our employees.

### **LONG-TERM PERSPECTIVE**

We are an industrial operator with a long-term perspective on our activities. Our services shall contribute to a sustainable development for our customers and their businesses, as well as form a basis for a long-term value creation which benefits shareholders, employees and society in general. We have a long-term chartering strategy.

# FARSTAD SHIPPING ASA

## GLOBAL SUMMERY



**29**  
AHTS



**22**  
PSV



**6**  
SUBSEA +1 NEWBUILDS

**1780**

EMPLOYEES IN TOTAL



GENDER DISTRIBUTION

**1516**

**124**

**37%**

ASIA PACIFIC

**38%**

BRAZIL

**14%**

NORTH-WEST  
EUROPE

**11%**

OTHER

OPERATING INCOME (EXCL. GAIN/LOSS ON SALES)

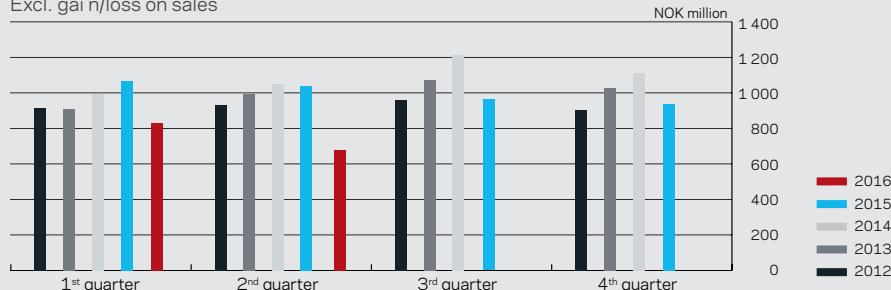
**1,567** NOK MILLION

# QUARTERLY REPORT

## 2-2016

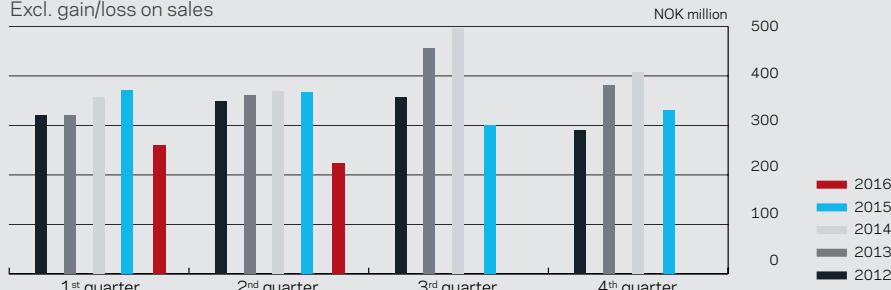
### OPERATING INCOME

Excl. gain/loss on sales



### EBITDA

Excl. gain/loss on sales

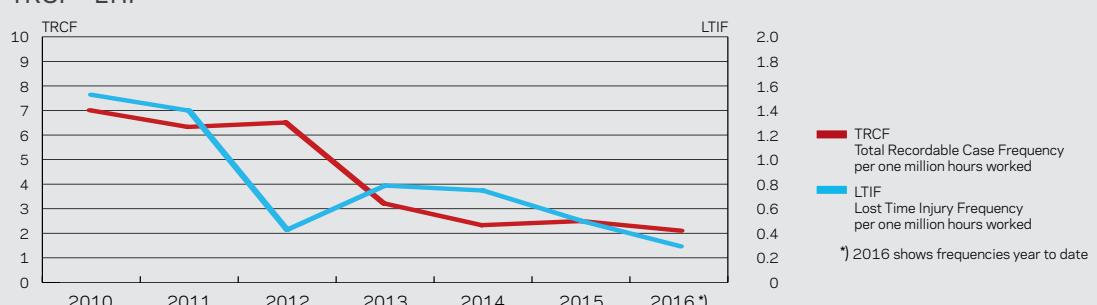


### EBIT

Excl. gain/loss on sales and impairment



### TRCF - LTIF



# Farstad Shipping achieved an operating income of NOK 735.1 million for the 2<sup>nd</sup> quarter. The operating loss (EBIT) was NOK 849.4 million after impairments of NOK 862.5 million. Loss after taxes was NOK 961.7 million.

## THIS IS FARSTAD SHIPPING

Farstad Shipping is a leading offshore supply shipping company within our defined segment of large and more advanced offshore supply vessels. The company is value driven with focus on safety, quality and efficiency in our services. The company's fleet consists of 57 vessels: 29 AHTS, 22 PSV and 6 SUBSEA vessels. Farstad Shipping has currently one SUBSEA newbuild under construction for delivery in November 2016. The company's operations are managed from Aalesund, Melbourne, Perth, Singapore, Macaé and Rio de Janeiro with 1,780 employees engaged onshore and offshore. At present, 13 vessels are located in Brazil, 18 vessels in North-West Europe, 24 in the Asia Pacific region, one vessel in the Gulf of Mexico and one vessel in West Africa.

## RESULTS FOR THE 2<sup>nd</sup> QUARTER 2016

Farstad Shipping achieved an operating income of NOK 735.1 million for the 2<sup>nd</sup> quarter (NOK 1,038.8 million for the same period in 2015). The reduced operating income is a result of the challenging market situation. The operating costs for the period were NOK 512.9 million (NOK 673.9 million). The company has implemented an extensive cost saving program, and the reduction in operating costs is a result of this. 13 of the Group's vessels were in lay-up (fully or partly) during the 2<sup>nd</sup> quarter. Operating profit before depreciations and impairments (EBITDA) was NOK 222.2 million (NOK 364.8 million). The operating loss (EBIT) was NOK 849.4 million (operating loss NOK 31.0 million) after depreciations of NOK 209.2 million and impairments of NOK 862.5 (depreciations of NOK 225.9 million and impairments of NOK 170.0 million in 2015).

Net finance was negative NOK 95.3 million (negative NOK 79.9 million). Currency losses of NOK 19.3 million were recognised during the quarter (currency loss NOK 32.7 million). An unrealised currency gain of NOK 80.2 million (unrealised currency gain NOK 104.8 million) was recognised due to the adjustment of the company's long-term liabilities in foreign currency. Loss after taxes was NOK 961.7 million (loss NOK 119.5 million). The Group's cash flow\* for the period was NOK 46.7 million compared to NOK 180.2 million for the same period in 2015.

A positive change in the market value of currency and

interest hedging instruments, NOK 29.4 million (positive NOK 123.7 million) was recognised against other comprehensive income and added to equity.

## RESULTS AS PER 30.06.2016

The operating income at 30.06.16 was NOK 1,562.3 million incl. loss from sale of vessels of NOK 4.6 million (NOK 2,101.9 million incl. loss from sale of vessels of NOK 4.6 million). Operating costs were NOK 1,082.5 million (NOK 1,370.9 million). Operating profit before depreciations and impairments (EBITDA) was NOK 479.8 million (NOK 731.0 million).

Depreciations and impairments were NOK 1,281.2 million (NOK 636.4 million) in the first half-year. Of this, impairments were NOK 862.5 million (NOK 185.0 million). The operating loss (EBIT) was NOK 801.3 million (operating profit NOK 94.6 million). Net finance was negative NOK 37.6 million (negative NOK 501.7 million). Unrealised currency gain was NOK 353.0 million (unrealised currency loss NOK 161.7 million). Currency losses of NOK 76.4 million were booked during the first half-year (currency loss of NOK 33.0 million). Loss after taxes was NOK 867.5 million (loss NOK 423.8 million). The Group's cash flow\* for the period was NOK 89.2 million compared to NOK 391.0 million for the same period in 2015.

## FINANCING AND CAPITAL STRUCTURE

In the statement of financial position at 30.06.16, interest-bearing mortgage debt totaled NOK 11,553.0 million (NOK 11,706.8 million at 30.06.15). Of the company's interest-bearing debts, 68.0% was in NOK, 24.5% in USD, 1.8% in GBP, 5.2% in AUD and 0.5% in EUR. Interest-bearing current assets at 30.06.16 were NOK 1,199.6 million (NOK 1,818.5 million).

The Group's booked equity at 30.06.16 was NOK 3,630.7 million (NOK 6,093.0 million) corresponding to NOK 93.09 (NOK 156.23) per share. Equity ratio was 22.3% (31.9%).

The Company, together with its financial and legal advisors, are pursuing various options in order to strengthen the company's financial position and capital structure including evaluating potential strategic alternatives. As a first step of a financial restructuring, Farstad entered into a standstill

\*<sup>1</sup>) Cash flow is defined as pre-tax profit + depreciation, impairments and deferred maintenance +/- change on revaluation of long-term liabilities in foreign currency.

# QUARTERLY REPORT 2-2016

and deferral agreement with secured lenders until 1 October 2016, including defeasance of all financial covenants. Over the last months, Farstad has been working to establish an overall refinancing plan. Farstad is currently in advanced discussions with potential investors and industrial partners.

## INTEREST AND CURRENCY RISK

The risk of change in market interest is reduced by entering into loans with fixed interest and interest rate hedging agreements. As per 30.06.16, approx. 68% of the company's debt was hedged with fixed interest loans and interest rate hedging agreements. A relatively large percentage of the debt is hedged also for the coming years. The remaining part of the debt has floating interest rate and will be exposed to changes in market interest rates.

The company is highly exposed to currency risk since about 80-90% of the income in recent years is earned in foreign currencies. Foreign currency loans and forward exchange contracts/options are used to reduce the currency risk associated with cash flows in foreign currencies.

## CHANGES TO THE FLEET

Far Scandia (PSV 1991, UT 705, 3,100 DWT) was sold 15 January. The sale gave a book loss of NOK 8 million recognised as impairment of the vessel's book value in the 4<sup>th</sup> quarter 2015.

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 4<sup>th</sup> quarter 2015 recognised as impairment of the vessel's book value.

Lady Grete (PSV 2002, UT 755 L, 3,264 DWT) was sold 29 February. The sale gave a book loss of NOK 63 million,

whereof NOK 60 million was booked as impairment in the 4<sup>th</sup> quarter 2015.

Far Sea (AHTS 1991, ME303 II, 13,219 BHP) was sold 3 March. The sale gave a book loss of NOK 32 million, whereof NOK 30 million was booked as impairment in the 4<sup>th</sup> quarter 2015.

## NEW CONTRACTS

Petrobras awarded the PSV Far Strider a four year contract.

Petrobras also awarded the AHTS BOS Turquesa a one year contract with a further one year option.

Woodside Energy Ltd. awarded the AHTS Far Senator a 17-month contract plus options.

Peterson BV awarded the PSV Far Splendour a six-month contract with a further six-month option.

An international oil company has extended the contract for PSV Far Spica until 1 March 2017 with additional seven months of options. In addition, the PSV Far Scotsman is awarded a firm contract up to 1 March 2017 by the same client. Commencement is expected to take place in October.

BG Tanzania awarded Far Sitella, Far Starling and Far Skimmer contracts to support their drilling operations off the coast of Tanzania. Commencement is expected to take place in October, and the duration of the contracts is one well (approx. 45 days). The contracts may be extended by up to four wells for each vessel.

Chevron terminated the contracts for AHTS Far Shogun and AHTS Far Saracen in July.



Petrobras has terminated the contract for PSV Far Star from 10 October.

#### CONTRACT COVERAGE

The contract coverage of the Farstad fleet is approx. 45% for the remaining part of 2016 (39% excl. options), and approx. 39% for 2017 (24% excl. options). Total backlog exclusive options is approx. NOK 4.2 billion.

#### HEALTH, SAFETY AND ENVIRONMENT

Farstad Shipping's goal is to operate without injury to people, harm to the environment and damage to assets. The Company works actively to make employees aware of this goal.

An important part of the HSE management is recording, reporting and assessment of various HSE data. A number of measurement indicators have been established for this purpose. Further, this will document quantitative development over time, as well as strengthen the decision indicators for systematic improvements. Two of the measurement indicators the company utilises are the lost time injury frequency (LTIF) and total recordable case frequency (TRCF). The company measures this as the number of injuries per one million hours worked, measured 24 hours a day so that recreational injuries are also included. The lost time injury frequency was 0.31 (one injury) by the end of the 2<sup>nd</sup> quarter. Hence, the lost time injury frequency has improved compared to 2015 (0.5). The total recordable case frequency was 2.2 by the end of the 2<sup>nd</sup> quarter, this is also an improvement compared to 2015 (2.5).

#### THE MARKET

The market conditions for the offshore oil service industry are still challenged by the continued declining activity, and the ongoing cost reduction programs within the oil companies. In addition to this, our industry is characterised by

oversupply of tonnage resulting in an increasing number of offshore service vessels being laid up.

At present, there are no visible signs of improvement in the market balance for offshore service vessels, and there is still considerable uncertainty as to how long it will take before the offshore activity recovers. The oil price have improved so far in 2016, but will have to rise further and stabilise in order to increase the activity level in the offshore sector.

#### GOING CONCERN

The going-concern assumption is depending on the company reaching agreements with creditors on reduced repayments and postponed maturities in order to improve the cash position. The board has concluded that this is a realistic assumption. Negotiations to clarify the basis for continued operation are in progress. The Board's assessment is that the Group's forecasts, which are based on further negotiations with the financial creditors resulting in a solution, will provide the company with the necessary financial strength to ride out the challenging market situation.

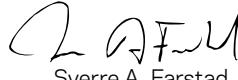
#### CONFIRMATION FROM THE BOARD OF DIRECTORS

##### AND CEO

We confirm that, to the best of our knowledge, the financial statements for the first half year of 2016 which has been prepared in accordance with IAS 34 Interim Financial Statements gives a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the interim management report provides a true overview of important events during the accounting period, and their effect on the financial statements for the first half year, key risks and uncertainty factors that the company is facing during the next accounting period and of transactions with related parties.

Aalesund, 29 August 2016

The Board of Directors



Sverre A. Farstad  
Chairman



Per Nørvald Sperre  
Deputy Chairman



Gro Bakstad  
Director



Mads Andersen  
Director



Janne-Grethe Strand Aasnæs  
Director



Leif-Arne Langøy  
Director



Astrid Koppenhæs  
Director



Karl-Johan Bakken  
CEO

## INCOME STATEMENT

	2 <sup>nd</sup> quarter 2016	2 <sup>nd</sup> quarter 2015	1.1-30.06 2016	1.1-30.06 2015	1.1-31.12 2015
Freight income and other income	735 134	1 038 790	1 566 984	2 106 478	4 015 695
Gain (loss) on sale of fixed assets	-	-	(4 636)	(4 581)	(4 581)
<b>Total operating income</b>	<b>735 134</b>	<b>1 038 790</b>	<b>1 562 348</b>	<b>2 101 897</b>	<b>4 011 114</b>
Operating expenses vessels	(456 748)	(603 597)	(949 158)	(1 222 559)	(2 357 732)
Administration	(56 154)	(70 349)	(133 360)	(148 341)	(290 325)
<b>Total operating expenses</b>	<b>(512 902)</b>	<b>(673 946)</b>	<b>(1 082 518)</b>	<b>(1 370 900)</b>	<b>(2 648 057)</b>
Operating profit (loss) before depreciation and impairment (EBITDA)	222 232	364 844	479 830	730 997	1 363 057
Ordinary depreciation	(209 205)	(225 862)	(418 699)	(451 368)	(897 262)
Impairment	(862 459)	(170 000)	(862 459)	(185 000)	(1 279 560)
<b>Operating profit (loss) (EBIT)</b>	<b>(849 432)</b>	<b>(31 018)</b>	<b>(801 328)</b>	<b>94 629</b>	<b>(813 765)</b>
Financial income	4 785	10 545	8 596	19 702	32 616
Financial expenses	(161 019)	(162 533)	(322 823)	(326 726)	(670 187)
Agio/(disagio), realised	(19 292)	(32 697)	(76 410)	(32 979)	(86 401)
Agio/(disagio), unrealised	80 224	104 815	353 044	(161 652)	(548 586)
<b>Net financial expenses</b>	<b>(95 302)</b>	<b>(79 870)</b>	<b>(37 593)</b>	<b>(501 655)</b>	<b>(1 272 558)</b>
<b>Profit before tax</b>	<b>(944 734)</b>	<b>(110 888)</b>	<b>(838 921)</b>	<b>(407 026)</b>	<b>(2 086 323)</b>
Taxes	(16 934)	(8 660)	(28 544)	(16 745)	(83 638)
<b>Profit (loss)</b>	<b>(961 668)</b>	<b>(119 548)</b>	<b>(867 465)</b>	<b>(423 771)</b>	<b>(2 169 961)</b>
Profit (loss) / diluted profit per share (NOK)	(24.66)	(3.07)	(22.24)	(10.87)	(55.64)
Cash flow per share (NOK)	1.20	4.62	2.29	10.03	16.39
Average number of outstanding shares	39 000 000	39 000 000	39 000 000	39 000 000	39 000 000

## STATEMENT OF COMPREHENSIVE INCOME

	2 <sup>nd</sup> quarter 2016	2 <sup>nd</sup> quarter 2015	1.1-30.06 2016	1.1-30.06 2015	1.1-31.12 2015
<b>Profit (loss)</b>	<b>(961 668)</b>	<b>(119 548)</b>	<b>(867 465)</b>	<b>(423 771)</b>	<b>(2 169 961)</b>
<b>Items not to be reclassified to income statement in subsequent periods</b>					
Actuarial gains and losses pensions	-	-	-	-	27 180
Change in deferred tax pensions	-	-	-	-	(1 455)
<b>Items to be reclassified to income statement in subsequent periods</b>					
Change in foreign exchange contracts and interest swaps	29 404	123 654	174 477	29 152	(33 067)
Change in deferred tax	(1 860)	(933)	(6 141)	(528)	2 507
Translation effects foreign operations	(3 720)	(4 756)	(14 266)	(19 651)	11 115
<b>Total other comprehensive income</b>	<b>23 824</b>	<b>117 965</b>	<b>154 070</b>	<b>8 973</b>	<b>6 280</b>
<b>Comprehensive income for the period</b>	<b>(937 844)</b>	<b>(1 583)</b>	<b>(713 395)</b>	<b>(414 798)</b>	<b>(2 163 681)</b>

## STATEMENT OF FINANCIAL POSITION

	30.06.2016	30.06.2015	31.12.2015
<b>ASSETS</b>			
<b>Fixed assets:</b>			
Goodwill	66 864	95 121	57 793
Vessels etc.	14 227 999	16 187 038	15 383 886
Contracts newbuilds	47 517	51 056	18 336
Deferred tax asset	43 255	79 801	55 106
Other long-term receivables	472	16 161	2 716
Currency and interest swap derivatives	3 532	3 761	0
Shares	4 935	5 058	4 936
<b>Total non-current assets</b>	<b>14 394 574</b>	<b>16 437 996</b>	<b>15 522 773</b>
<b>Current assets:</b>			
Account receivables, freight income	447 534	658 856	517 627
Other short-term receivables	219 484	255 676	294 405
Currency and interest swap derivatives	13 628	10 503	2 790
Liquid assets	1 143 775	1 763 316	1 636 937
<b>Total current assets</b>	<b>1 824 421</b>	<b>2 688 351</b>	<b>2 451 759</b>
Assets classified as held for sale	73 753	-	151 438
<b>Total assets</b>	<b>16 292 748</b>	<b>19 126 347</b>	<b>18 125 970</b>
<b>EQUITY AND LIABILITIES</b>	<b>30.06.2016</b>	<b>30.06.2015</b>	<b>31.12.2015</b>
<b>Equity:</b>			
Paid-in capital	237 396	237 396	237 396
Retained earnings	3 393 286	5 855 564	4 106 681
<b>Total equity</b>	<b>3 630 682</b>	<b>6 092 960</b>	<b>4 344 077</b>
<b>Liabilities:</b>			
Non-current liabilities:			
Provision for liabilities	54 758	94 875	55 324
Deferred tax	42 802	40 225	43 140
Currency and interest swap derivatives	173 230	224 245	290 618
Interest-bearing debt and leasing obligations	9 585 880	10 549 096	11 287 530
<b>Total non-current liabilities</b>	<b>9 856 670</b>	<b>10 908 441</b>	<b>11 676 612</b>
<b>Current liabilities:</b>			
Accounts payable	173 388	197 961	199 127
Currency and interest swap derivatives	132 597	164 021	234 400
Taxes payable	21 586	20 208	38 271
Other current liabilities	510 674	585 076	597 150
Current portion of interest-bearing debt	1 967 151	1 157 680	1 036 333
<b>Total current liabilities</b>	<b>2 805 396</b>	<b>2 124 946</b>	<b>2 105 281</b>
<b>Total liabilities</b>	<b>12 662 066</b>	<b>13 033 387</b>	<b>13 781 893</b>
<b>Total equity and liabilities</b>	<b>16 292 748</b>	<b>19 126 347</b>	<b>18 125 970</b>

## STATEMENT OF CASH FLOW

	2 <sup>nd</sup> quarter 2016	2 <sup>nd</sup> quarter 2015	1.1-30.06 2016	1.1-30.06 2015	1.1-31.12 2015
<b>Cash flow from operating activity</b>	<b>119 679</b>	<b>349 800</b>	<b>288 705</b>	<b>612 982</b>	<b>1 246 483</b>
Sale of fixed assets	-	13 091	105 920	53 000	93 437
Investment in fixed assets and contracts newbuilds	(71 911)	(94 171)	(127 303)	(999 537)	(1 834 882)
Other investment activities	11 842	19 826	18 119	28 321	61 825
<b>Cash flow from investment activity</b>	<b>(60 069)</b>	<b>(61 254)</b>	<b>(3 264)</b>	<b>(918 216)</b>	<b>(1 679 620)</b>
New long-term debt	-	317 470	19 583	1 301 490	2 181 100
Repayment of debt	(214 407)	(473 683)	(483 243)	(1 015 147)	(1 629 885)
Dividend paid	-	(117 000)	-	(117 000)	(117 000)
Interest costs	(136 784)	(169 086)	(257 932)	(303 232)	(560 935)
<b>Cash flow from finance activity</b>	<b>(351 191)</b>	<b>(442 299)</b>	<b>(721 592)</b>	<b>(133 889)</b>	<b>(126 720)</b>
<b>Net changes in liquidity in the period</b>	<b>(291 581)</b>	<b>(153 753)</b>	<b>(436 151)</b>	<b>(439 123)</b>	<b>(559 857)</b>
Net currency exchange differences subsidiaries	(27 612)	5 399	(49 733)	16 022	17 400
<b>Cash and cash equivalents at the beginning of the period *)</b>	<b>1 411 928</b>	<b>1 846 329</b>	<b>1 578 619</b>	<b>2 121 076</b>	<b>2 121 076</b>
<b>Cash and cash equivalents at the end of the period *)</b>	<b>1 092 735</b>	<b>1 697 975</b>	<b>1 092 735</b>	<b>1 697 975</b>	<b>1 578 619</b>

\*) Ex. shares, equity certificates and bonds

## CHANGE IN EQUITY

	2 <sup>nd</sup> quarter 2016	2 <sup>nd</sup> quarter 2015	1.1-30.06 2016	1.1-30.06 2015	1.1-31.12 2015
<b>Equity at the beginning of the period</b>	<b>4 568 526</b>	<b>6 211 543</b>	<b>4 344 077</b>	<b>6 624 758</b>	<b>6 624 758</b>
Comprehensive income	(937 844)	(1 583)	(713 395)	(414 798)	(2 163 681)
Dividend payment	-	(117 000)	-	(117 000)	(117 000)
<b>Equity at the end of the period</b>	<b>3 630 682</b>	<b>6 092 960</b>	<b>3 630 682</b>	<b>6 092 960</b>	<b>4 344 077</b>

# NOTES TO THE INTERIM REPORT (NOK 1000)

## GROUP

### NOTE 1 - ACCOUNTING PRINCIPLES / ESTIMATES

The interim report has been prepared in accordance with today's International Financial Reporting Standards (IFRS) and interpretations, and the IAS 34 standard for interim reporting. All accounting principles used are in accordance with principles used in the last annual report. The financial statements for the second quarter of 2016 are unaudited.

There has been no changes in estimates that could materially influence the interim result or balance sheet. Reference is made to the Annual Report 2015 for further information.

### NOTE 2 - SEGMENT INFORMATION

#### OPERATING INCOME \*)

	2 <sup>nd</sup> quarter 2016	2 <sup>nd</sup> quarter 2015	1.1-30.06 2016	1.1-30.06 2015	1.1-31.12 2015
AHTS	385 396	597 793	817 717	1 185 580	2 186 808
PSV	158 672	321 374	353 650	692 452	1 261 624
SUBSEA	188 577	116 034	388 611	221 610	549 915
Other income	2 489	3 589	7 006	6 836	17 348
<b>Total</b>	<b>735 134</b>	<b>1 038 790</b>	<b>1 566 984</b>	<b>2 106 478</b>	<b>4 015 695</b>
North-West Europe	104 899	138 270	214 193	273 620	516 674
Brazil	293 567	375 832	598 127	757 002	1 407 327
Asia Pacific	254 938	495 553	578 840	1 025 836	1 901 600
Other segments	79 241	25 546	168 818	43 184	172 746
Other income	2 489	3 589	7 006	6 836	17 348
<b>Total</b>	<b>735 134</b>	<b>1 038 790</b>	<b>1 566 984</b>	<b>2 106 478</b>	<b>4 015 695</b>

\*) excl. sale of vessel

#### OPERATING PROFIT (EBIT) \*)

	2 <sup>nd</sup> quarter 2016	2 <sup>nd</sup> quarter 2015	1.1-30.06 2016	1.1-30.06 2015	1.1-31.12 2015
AHTS	(280 391)	33 842	(278 446)	121 028	48 286
PSV	(641 060)	(86 349)	(678 789)	(73 485)	(987 182)
SUBSEA	75 620	24 446	165 389	56 478	172 924
Other income	(3 601)	(2 957)	(4 846)	(4 811)	(43 212)
<b>Total</b>	<b>(849 432)</b>	<b>(31 018)</b>	<b>(796 692)</b>	<b>99 210</b>	<b>(809 184)</b>
North-West Europe	(384 287)	(115 202)	(424 147)	(181 195)	(661 245)
Brazil	60 897	116 802	131 970	221 425	329 640
Asia Pacific	(560 457)	(18 157)	(588 141)	71 821	(442 589)
Other segments	38 016	(11 503)	88 472	(8 029)	8 211
Others	(3 601)	(2 957)	(4 846)	(4 811)	(43 201)
<b>Total</b>	<b>(849 432)</b>	<b>(31 018)</b>	<b>(796 692)</b>	<b>99 210</b>	<b>(809 184)</b>

\*) excl. sale of vessel

### NOTE 3 - KEY FIGURES

	1.1-30.06 2016	1.1-30.06 2015	1.1-31.12 2015
EBITDA-margin excl. sale of fixed assets	30.9 %	34.9 %	34.1 %
EBIT-margin excl. sale of fixed assets	(50.8 %)	4.7 %	(20.2 %)
EBIT-margin excl. sale of fixed assets and impairment	4.2 %	13.5 %	11.7 %
	30.06.2016	30.06.2015	31.12.2015
Equity ratio	22.3 %	31.9 %	24.0 %
Booked equity per share, NOK	93.09	156.23	111.39
Working capital	(907 222)	563 405	497 916

# NOTES TO THE INTERIM REPORT (NOK 1000)

# GROUP

## NOTE 4 - SHARES, SHAREHOLDERS AND DIVIDEND

The company's shares have been traded between NOK 11.30 and NOK 13.50 during the quarter, and the share price was NOK 11.80 at the end of the quarter. The share price at 30.06.16 values the company to approx. NOK 0.5 billion.

### THE COMPANY'S 20 LARGEST SHAREHOLDERS

at 25.08.16	Number of shares	Owner's share in %
Tyrholm & Farstad AS	15 796 199	40.50
FLPS - PRINC ALL SEC	2 862 800	7.34
Pareto Aksje Norge	2 183 949	5.60
Folketrygdfondet	1 749 916	4.49
Jan Henry Farstad	1 050 000	2.69
Sverre Andreas Farstad	1 000 000	2.56
Pershing LLC	433 422	1.11
Forsvarets Personellservice	421 600	1.08
Pareto AS	368 000	0.94
Fidelity GR TST	331 800	0.85
Swedbank Norge	300 000	0.77
Wenaas Kapital AS	259 029	0.66
Hans Eiendom AS	232 000	0.59
BKK Pensjonskasse	182 000	0.47
Ulsmo Finans AS	175 329	0.45
J.P. Morgan Bank Luxemburg	160 000	0.41
Citibank	150 205	0.39
Sparebanken Møre	140 000	0.36
MP Pensjon	130 633	0.33
Kiro Invest AS	120 000	0.31
<b>Total 20 largest shareholders</b>	<b>28 046 882</b>	<b>71.92</b>
Other shareholders	10 953 118	28.08
<b>Total number of shares</b>	<b>39 000 000</b>	<b>100.00</b>

### ANNUAL GENERAL MEETING MAY 12<sup>TH</sup> 2016

The Annual General Meeting was held at the company's premises on Thursday 12 May. All items on the agenda were approved in accordance with the notice.

## NOTE 5 - RELATED PARTIES

The company's largest shareholder is Tyrholm & Farstad AS in Aalesund with a holding of 40.5% and is defined as a related party. Farstad Shipping ASA had a lease agreement for the old main office premises in Aalesund with Tyrholm & Farstad AS and this agreement expired 29.02.16. The company's head office was relocated 08.02.16 to new office premises at Skanseaia 4A. The lessor is Skanseaia Utvikling AS, where Tyrholm & Farstad AS holds 33.3%. Annual cost for the new premises is NOK 15 347, of which NOK 1 277 is subleased from 1<sup>st</sup> April 2016 and NOK 1 063 is subleased from 1<sup>st</sup> September 2016. In addition Farstad Shipping ASA has purchased cargo freight and customs clearance services from Tyrholm & Farstad AS.

## NOTES TO THE INTERIM REPORT (NOK 1000)

## GROUP

### NOTE 6 - VESSELS, OTHER FIXED ASSETS AND NEWBUILDS

	Other fixed assets	Vessels	Total vessels etc.	Contracts newbuilds	Total fixed assets
<b>Acquisition cost</b>					
1 January 2016	266 604	19 701 244	19 967 848	18 336	19 986 184
Additions	15 122	22 001	37 123	29 181	66 304
Disposals	(10 077)	(41 347)	(51 424)	-	(51 424)
Assets classified as held for sale	-	66 678	66 678	-	66 678
Translations differences	(1 516)	61 733	60 217	-	60 217
30 June 2016	270 133	19 810 309	20 080 442	47 517	20 127 959
<b>Accumulated depreciation</b>					
1 January 2016	135 664	4 689 816	4 825 480	-	4 825 480
Depreciation for the year	12 149	304 827	316 976	-	316 976
Impairment for the year	459	862 000	862 459	-	862 459
Disposals	(10 077)	-	(10 077)	-	(10 077)
30 June 2016	138 195	5 856 643	5 994 838	-	5 994 838
Recognised value deferred maintenance	-	216 148	216 148	-	216 148
<b>Recognised value</b>	<b>131 938</b>	<b>14 169 814</b>	<b>14 301 752</b>	<b>47 517</b>	<b>14 349 269</b>

At 30.06.16 the vessels PSV Far Service and AHTS Lady Sandra were classified as assets held for sale. Net book value included deferred maintenance for assets classified as held for sale was NOK 73.8 million.

Due to the negative development in the brokers' market values of the fleet, the prevailing market prospects as well as uncertainty related to vessels future earnings, impairments of vessels and other assets totaling NOK 862,5 million was recognised in 2<sup>nd</sup> quarter 2016.

The Group has performed individual impairment tests of all vessels according to IAS 36. Average market values given by three highly reputable and independent shipbrokers form the basis for assessing the market value of the vessels. Due to the uncertainty related to the market situation, the Group has used the market values with caution when performing the impairment tests. To support the estimated market values, a value in use calculation has been estimated for each vessel. Unless the vessel's market value was considerable above the booked value, the value in use calculation was utilised for impairment.

The value in use calculations have been based on estimated discounted cash flows per vessel before financial items. Estimated cash flows have been based on the Group's forecasted earnings for the rest of the vessel's useful life. The cash flows used in the value in use calculations have been discounted with an average cost of capital after tax (WACC) ranging from 7.82% to 19.28%, depending on ship owners' nationality.

### NOTE 7 - MORTGAGES AND OTHER LONG TERM LIABILITIES

The Group's loan agreements contain financial covenants related to equity ratio, liquid assets and working capital. All companies within the Group have fulfilled their financial covenants in the 2<sup>nd</sup> quarter of 2016.

Repayments of debt amounted to NOK 214.4 million in the 2<sup>nd</sup> quarter (NOK 473.7 million in 2<sup>nd</sup> quarter 2015). Net new long term debt raised was NOK 0 million during the quarter (NOK 317.5 million during 2<sup>nd</sup> quarter 2015).

	30.06.2016	30.06.2015	31.12.2015
Net interest bearing debt as per			
Interest bearing debt and leasing obligations	11 553 031	11 706 776	12 323 863
Interest bearing current assets	(1 199 629)	(1 818 533)	(1 693 915)
<b>Net interest bearing debt and leasing obligations</b>	<b>10 353 402</b>	<b>9 888 243</b>	<b>10 629 948</b>

Long-term liabilities as per 30 June 2016 were distributed as follows: 68.0% in NOK (71.7% as per 30.06.15), 24.5% (19.9%) in USD, 1.8% (2.1%) in GBP, 5.2% (5.8%) in AUD and 0.5% (0.5%) in EUR.

### NOTE 8 - EVENTS AFTER THE BALANCE SHEET DATE

A standstill and deferral agreement has been entered into with banks on temporary postponement of all repayments of principal to 1 October 2016. Interest payments will be made as originally scheduled.

## AHTS FLEET EMPLOYMENT

### CONTRACT OVERVIEW AT 25.08.16

Vessel name	Design	Year built	BHP	Employment *) at 25.08.16	2016	2017	2018	2019	2020
FAR SIRIUS	UT 731 CD	2014	24400	Spot					
FAR SIGMA	UT 731 CD	2014	24400	Lay up					
FAR STATESMAN	UT 731 CD	2013	24000	Aug. 16 + opt.		■			
FAR SENATOR	UT 731 CD	2013	24400	Oct. 17 + opt.	■				
FAR SARACEN	UT 731 CD	2010	24400	Spot					
FAR SHOGUN	UT 731 CD	2010	24400	Spot					
FAR SAGRARIS	UT 731 CD	2009	23700	April 18 + opt.	■				
FAR SCORPION	UT 731 CD	2009	23700	Spot					
FAR SCIMITAR	UT 712 L	2008	14700	Lay up					
FAR SABRE	UT 712 L	2008	14700	Lay up					
FAR SAPPHIRE	UT 732 CD	2007	27500	Spot					
FAR SOUND	UT 712 L	2007	14700	Spot					
BOS TURQUESA	UT 722 L	2007	18000	Dec. 16 + opt.	■				
FAR STRAIT	UT 712 L	2006	14700	Spot					
FAR STREAM	UT 712 L	2006	14700	March 18 + opt.	■				
FAR SWORD	UT 712 L	2006	14700	March 18 + opt.	■				
BOS TURMALINA	UT 722 L	2006	14500	Spot					
BOS TOPÀZIO	UT 728 L	2005	12240	Aug. 18 + opt.	■				
LADY ASTRID	UT 712	2003	12240	Lay up					
LADY CAROLINE	UT 712	2003	12240	Lay up					
FAR SALTIRE	UT 728 L	2002	16300	Lay up					
FAR SCOUT	UT 722 L	2001	16825	Spot					
FAR SANTANA	UT 730	2000	19200	July 18 + opt.	■				
FAR SOVEREIGN	UT 741	1999	25200	Lay up					
FAR SENIOR	UT 722 L	1998	16800	Spot					
LADY SANDRA	KMAR 404	1998	16800	Lay up					
FAR SAILOR	UT 722	1997	16800	Spot					
FAR FOSNA	UT 722	1993	14400	Lay up					
FAR GRIP	UT 722	1993	14400	Lay up					

Owner:

SUP = Farstad Supply AS

IOS = P/R International Offshore Services ANS

FSS = Farstad Shipping Pte. Ltd.

CON = Farstad Construction AS

FSB = Farstad Shipping Ltda. (Brazil)

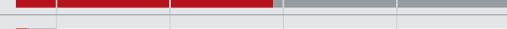
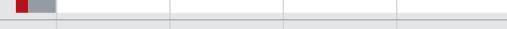
MAR = Farstad Marine AS

## PSV/SUBSEA FLEET EMPLOYMENT

### CONTRACT OVERVIEW AT 25.08.16

Vessel name	Design	Year built	DWT	Employment *) at 25.08.16	2016	2017	2018	2019	2020
FAR SYGNA	VARD 1 07	2014	5700	Sept. 20 + opt.					
FAR SUN	VARD 1 07	2014	5635	July 20 + opt.					
FAR STARLING	PSV 08 CD	2013	4000	Nov. 16 + opt.					
FAR SITELLA	PSV 08 CD	2013	4000	Nov. 16 + opt.					
FAR SPICA	PSV 08 CD	2013	4000	Feb. 17 + opt.					
FAR SOLITAIRE	UT 754 WP	2012	6336	Dec. 16 + opt.					
FAR SKIMMER	PSV 08 CD	2012	4000	Nov. 16 + opt.					
FAR SCOTSMAN	PSV 08 CD	2012	4000	Feb. 17					
FAR SERVER	HY 832 CD	2010	4000	Aug. 16					
FAR SERENADE	UT 751 CD	2009	5944	Aug. 16 + opt.					
FAR SEARCHER	UT 751 E	2008	5127	Lay up					
FAR SEEKER	UT 751 E	2008	4905	Aug. 16 + opt.					
FAR SPIRIT	VS 470 Mk II	2007	3624	Lay up					
FAR SWAN	VS 470 Mk II	2006	3628	Oct. 16 + opt.					
FAR SPLENDOUR	P 106	2003	3503	Oct. 16 + opt.					
FAR SYMPHONY	P 105	2003	4929	April 17 + opt.					
LADY MELINDA	UT 755	2003	2777	Lay up					
FAR STAR	UT 745	1999	4403	Oct. 16					
FAR SUPPLIER	VS 483	1999	4709	May 19					
FAR STRIDER	VS 483	1999	4709	April 20 + opt.					
FAR SUPPORTER	UT 750	1996	4680	Lay up					
FAR SERVICE	UT 745	1995	4680	Lay up					

### CONTRACT OVERVIEW AT 25.08.16

Vessel name	Design	Year built	BHP	Employment *) at 25.08.16	2016	2017	2018	2019	2020
FAR SUPERIOR tbn	VARD 3 17	2016	-	Dec. 21 + opt.					
FAR SENTINEL	VARD 3 07	2015	22800	Nov. 18 + opt.					
FAR SLEIPNER	VARD 3 07	2015	22800	Sept. 16 + opt.					
FAR SAMSON	UT 761 CD	2009	47600	Oct. 17 + opt.					
FAR SWIFT	UT 755 L	2003	5450	Oct. 16 + opt.					
FAR SAGA	UT 745 L	2001	10900	May 20 + opt.					
FAR SCOTIA	UT 755	2001	5450	Nov. 16 + opt.					

\*) Certain freight contracts contain clauses which give the charterer the right to cancel the contract.

 Contract  Framework Agreement  
 Charterer's option  Under construction



[www.farstad.com](http://www.farstad.com)

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