

FARSTAD SHIPPING ASA

QUARTERLY REPORT

1-2017





1 654

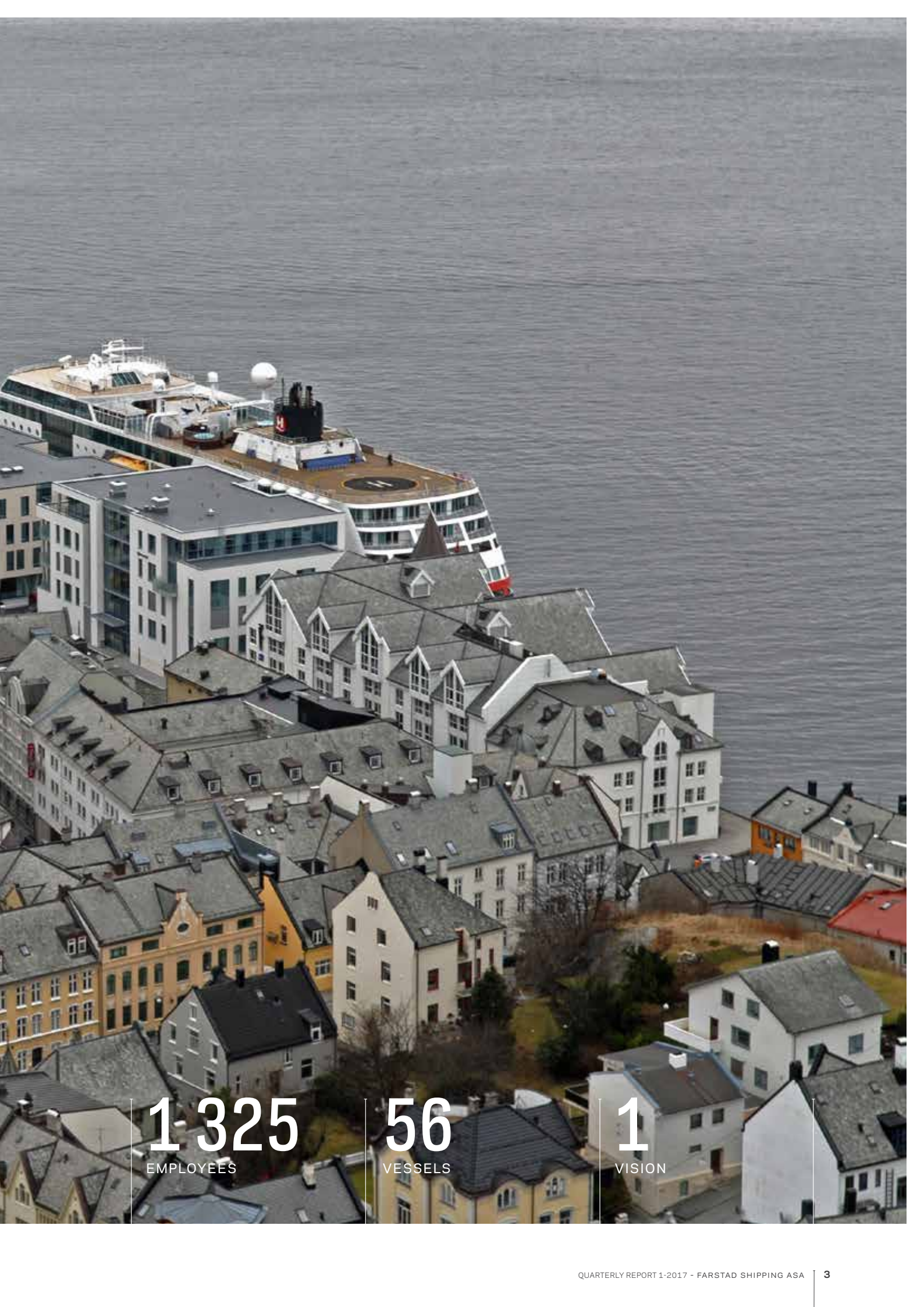
MARKET VALUE

496

OPERATING INCOME

-511

OPERATING LOSS (EBIT)



1 325

EMPLOYEES

56

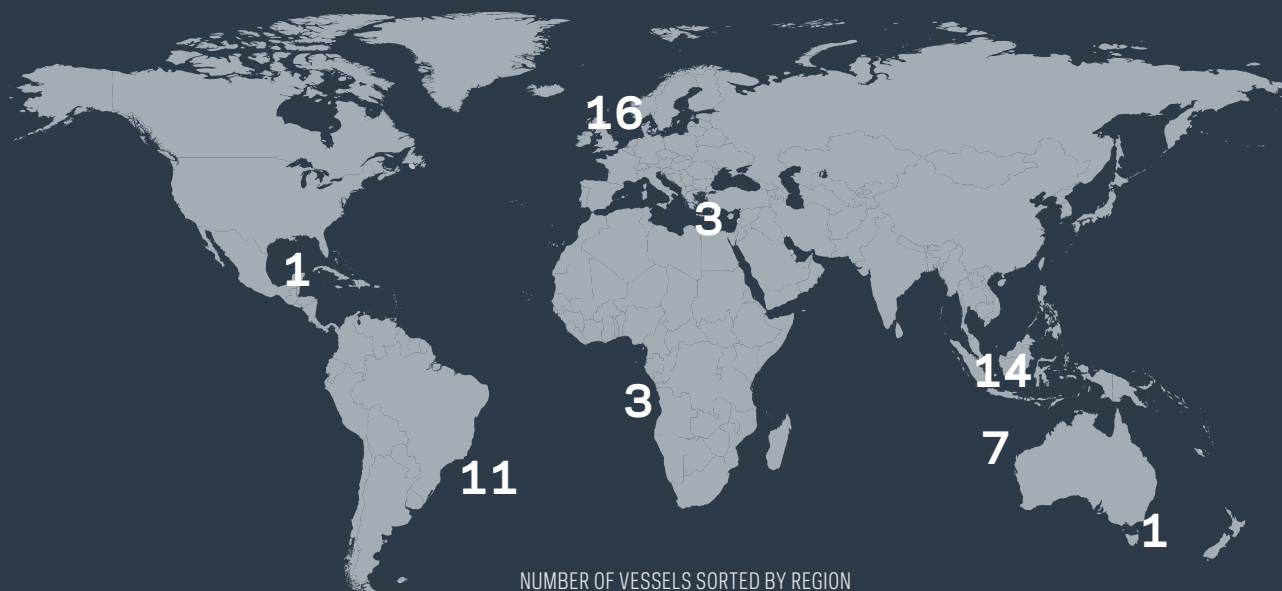
VESSELS

1

VISION

FARSTAD SHIPPING ASA

GLOBAL SUMMERY



27 AHTS



22 PSV



7 SUBSEA

1,325
EMPLOYEES IN TOTAL

GENDER DISTRIBUTION



35 OFFSHORE



1,140



58 ONSHORE



92

28%

ASIA PACIFIC

37%

BRAZIL

21%

NORTH-WEST
EUROPE

14%

OTHER

OPERATING INCOME (EXCL. GAIN/LOSS ON SALES)

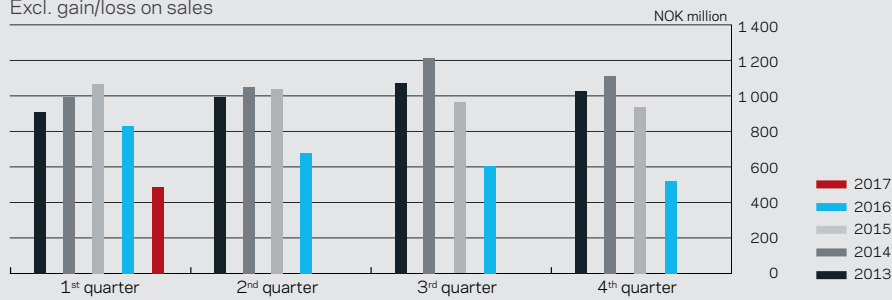
496 NOK MILLION

QUARTERLY REPORT

1-2017

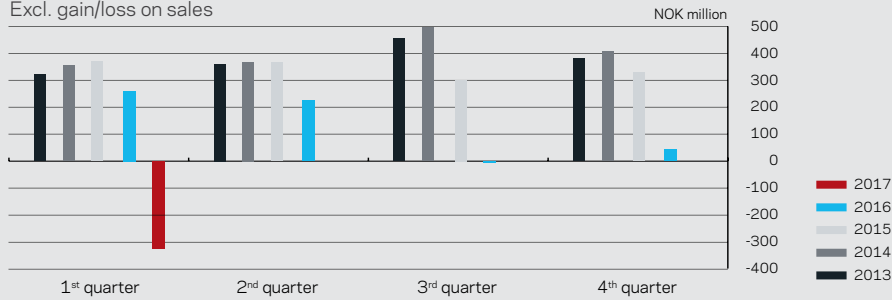
OPERATING INCOME

Excl. gain/loss on sales



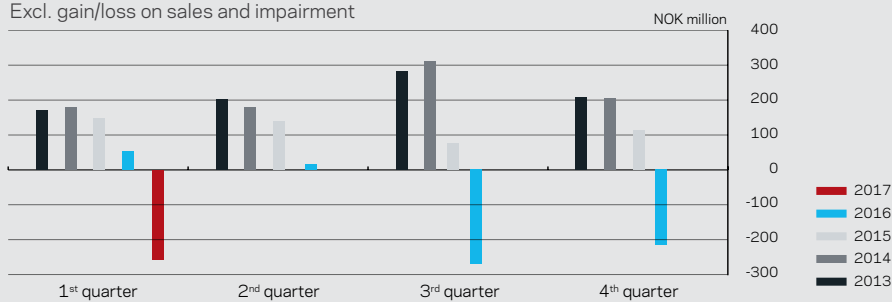
EBITDA

Excl. gain/loss on sales

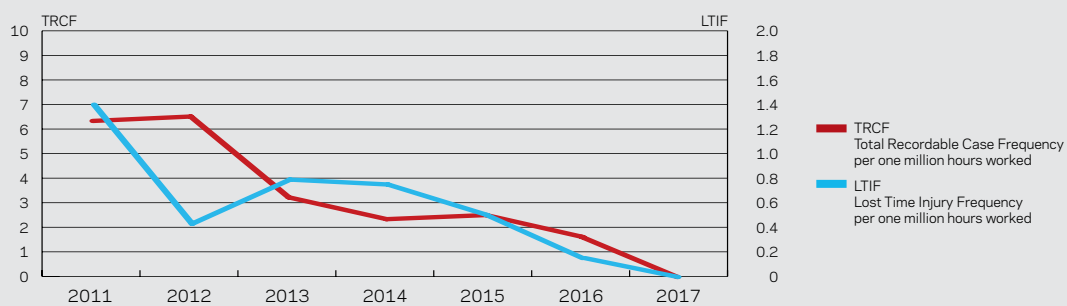


EBIT

Excl. gain/loss on sales and impairment



TRCF - LTIF



Farstad Shipping achieved an operating income of NOK 495.6 million for the 1st quarter. The operating loss (EBIT) was NOK 511.1 million. Profit after taxes was NOK 1,110.5 million.

REFINANCING IMPLEMENTED AS PLANNED, MERGER WITH SOLSTAD AND DEEP SEA ON TRACK

The Group implemented the announced financial restructuring as planned, resulting in a strengthening of the balance sheet and liquidity position. The proposed merger between Farstad Shipping ASA, Solstad Offshore ASA and Deep Sea Supply PLC was approved by the respective companies' extraordinary general meetings on 25 April 2017. The consolidated company, Solstad Farstad ASA, will have a fleet of more than 150 vessels and 3,000 employees, and the merger is expected to be effective in June 2017.

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 56 vessels: 27 AHTS, 22 PSV and 7 SUBSEA vessels. The company's operations are managed from Aalesund, Perth, Singapore, Macaé and Rio de Janeiro with 1,325 employees engaged onshore and offshore. At present, 11 vessels are located in Brazil, 16 vessels in North-West Europe, three vessels in the Mediterranean Sea, 22 in the Asia Pacific region, three vessels in West Africa and one vessel in the Gulf of Mexico.

RESULTS FOR THE 1ST QUARTER 2017

Farstad Shipping achieved an operating income of NOK 495.6 million for the 1st quarter (NOK 827.2 million for the same period in 2016). The reduced operating income was a result of the challenging market situation. The operating costs for the period were NOK 821.3 million (NOK 569.6 million). Included in the operating cost was an one-off impact related to reclassification of a lease from financial lease to operational lease as well as charge related to one-year contracts, NOK 304.8 million in total. The company had 14 vessels in lay-up (fully or partly) during 1st quarter. Operating loss before depreciations (EBITDA) was NOK 325.7 million (profit NOK 257.6 million). The operating loss (EBIT) was NOK 511.1 million (profit NOK 48.1 million)

after depreciations of NOK 185.4 million (depreciations of NOK 209.5 million in 2016).

Net finance was positive NOK 1,623.6 million (positive NOK 57.7 million). Included in the financial statement was an one-off accounting impact related to converting debt to equity at a share price higher than the fair value. This resulted in NOK 1,740.2 million being recognised as financial income. Currency losses of NOK 54.1 million were recognised during the quarter (loss NOK 57.1 million). An unrealised currency gain of NOK 76.4 million (gain NOK 272.8 million) was recognised due to the adjustment of the company's long-term liabilities in foreign currency. The unrealised currency gain was mainly due to a weakening of USD during the quarter. Profit after taxes was NOK 1,110.5 million (NOK 94.2 million). The Group's cash flow*) for the period was NOK 1,221.6 million compared to NOK 42.5 million for the same period in 2016.

A positive change in the market value of currency and interest hedging instruments, NOK 8.8 million (NOK 145.1 million) was recognised against other comprehensive income and added to equity.

FINANCING AND CAPITAL STRUCTURE

In the statement of financial position at 31.03.17, interest-bearing mortgage debt totaled NOK 8,302.8 million (NOK 11,805.6 million at 31.03.16). Of the company's interest-bearing debts, 65.0% was in NOK, 25.9% in USD, 1.6% in GBP, 6.8% in AUD and 0.7% in EUR. Interest-bearing current assets at 31.03.17 were NOK 1,166.8 million (NOK 1,519.1 million). The Group's booked equity at 31.03.17 was NOK 3,796.8 million (NOK 4,568.5 million) corresponding to NOK 0.78 (NOK 117.14) per share. Equity ratio was 28.7% (25.9%).

RESTRUCTURING

Farstad Restructuring was completed in 1st quarter according to the plan announced in the press release dated 6 February 2017. All details in this plan are described in note 7.

*) 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 1-2017

CHANGES TO THE FLEET

The subsea/construction vessel Far Superior (VARD 3 17) was delivered from VARD Vung Tau, Vietnam 16 January 2017.

NEW CONTRACTS

The AHTS Far Sigma has been awarded a one well contract by Lundin Norway AS to support their drilling program with Island Innovator on the Norwegian Continental Shelf. Commencement took place end of February 2017.

Fairfield Betula Limited has awarded the PSV Far Symphony a 12 months contract to support their operation on the UK shelf. Commencement took place during April 2017. Fairfield has the option to extend the contract with additional 6 months.

The PSV Far Server and the PSV Far Serenade have both been awarded a 3,5 months contract (including mobilization) by an international operator to support a field development project offshore Egypt. Commencement took place end of February 2017. The contracts can be extended with another 30 days. Both vessels were taken out of lay-up and mobilized for these contracts.

The PSV Far Spica has received an extension of 4 months by the charterer where she has been employed since August 2015. The extension commenced in direct continuation of the current contract as from 1 March 2017. Charterer has additional 3 months options thereafter.

Petro Services, with end client Total, has awarded the PSV Far Starling a 1 month contract to support a "ready for operation" campaign in Congo. Petro Services has the option to extend the contract to complete the campaign. Commencement took place end of February 2017.

CONTRACT COVERAGE

The contract coverage of the Farstad fleet is approx. 44% for the remaining part of 2017 (39% excl. options), and approx. 36% for 2018 (20% excl. options). Total backlog exclusive options is approx. NOK 3.3 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 zero by the end of the 1st quarter. Hence, the lost time injury frequency is the same compared to 2016 (zero injuries). The total recordable case frequency was 0.0 by the end of the 1st quarter 2017, this is an improvement compared to 2016 (1.8).

ANNUAL GENERAL MEETING AND DIVIDEND

In an Extraordinary General Meeting held 3 March 2017 a new board was elected. Sverre A. Farstad continues as Chairman of the Board and is joined by two new members, Merete Haugli and Audun Stensvold. It was decided to pay no dividend for the fiscal year 2016 (NOK 0.00 per share for 2015). This was sanctioned by the Annual General Meeting on 25 April 2017.

THE MARKET

A substantial part of the OSV world fleet continues to be laid up, and the market continues to be out of balance due to substantial excess vessel capacity still trading.

So far, the positive sentiment in the oil-market has not impacted the size and scope of overall offshore activity. Despite a projected seasonal upturn in the North Sea, the short-term outlook for the OSV fleet continues to be adversely affected, with both historical low market rates and fleet utilization continuing in the near term.

Aalesund 30 May 2017

Board of Directors

INCOME STATEMENT

	1 st quarter 2017	1 st quarter 2016	1.1-31.12 2016	1.1-31.12 2015
Freight income and other income	495 601	831 850	2 692 004	4 015 695
Gain (loss) on sale of fixed assets	-	(4 636)	(4 446)	(4 581)
Total operating income	495 601	827 214	2 687 558	4 011 114
Operating expenses vessels	(746 829)	(492 410)	(1 842 504)	(2 357 732)
Administration	(74 439)	(77 206)	(334 936)	(290 325)
Total operating expenses	(821 268)	(569 616)	(2 177 440)	(2 648 057)
Operating profit (loss) before depreciation and impairment (EBITDA)	(325 667)	257 598	510 118	1 363 057
Ordinary depreciation	(185 403)	(209 494)	(937 524)	(897 262)
Impairment	-	-	(2 678 519)	(1 279 560)
Operating profit (loss) (EBIT)	(511 070)	48 104	(3 105 925)	(813 765)
Financial income	1 741 611	3 811	29 924	32 616
Financial expenses	(140 254)	(161 804)	(645 246)	(670 187)
Agio/(disagio), realised	(54 112)	(57 118)	(86 457)	(86 401)
Agio/(disagio), unrealised	76 352	272 820	287 245	(548 586)
Net financial expenses	1 623 597	57 709	(414 534)	(1 272 558)
Profit before tax	1 112 527	105 813	(3 520 459)	(2 086 323)
Taxes	(2 038)	(11 610)	(79 834)	(83 638)
Profit (loss)	1 110 489	94 203	(3 600 293)	(2 169 961)
Profit (loss) / diluted profit per share (NOK)	0.89	2.42	(92.32)	(55.64)
Cash flow per share (NOK)	0.98	1.09	(4.91)	16.39
Average number of outstanding shares	1 251 303 253	39 000 000	39 000 000	39 000 000

STATEMENT OF COMPREHENSIVE INCOME

	1 st quarter 2017	1 st quarter 2016	1.1-31.12 2016	1.1-31.12 2015
Profit (loss)	1 110 489	94 203	(3 600 293)	(2 169 961)
Items not to be reclassified to income statement in subsequent periods				
Actuarial gains and losses pensions	-	-	(8 947)	27 180
Change in deferred tax pensions	-	-	-	(1 455)
Items to be reclassified to income statement in subsequent periods				
Gain/(loss) on hedging instruments in cash flow hedges	8 849	145 073	264 428	(33 067)
Change in deferred tax	-	(4 281)	(3 342)	2 507
Translation effects foreign operations	36 295	(10 546)	(9 318)	11 115
Total other comprehensive income	45 144	130 246	242 821	6 280
Comprehensive income for the period	1 155 633	224 449	(3 357 472)	(2 163 681)

STATEMENT OF FINANCIAL POSITION

ASSETS	31.03.2017	31.03.2016	31.12.2016
Non-current assets:			
Goodwill	-	59 525	-
Vessels etc.	11 068 189	15 225 356	11 734 441
Contracts newbuilds	-	33 177	70 677
Deferred tax asset	-	51 060	-
Other long-term receivables	560	2 813	540
Currency and interest swap derivatives	-	5 950	-
Shares	2 778	4 935	2 803
Total non-current assets	11 071 527	15 382 816	11 808 461
Current assets:			
Account receivables, freight income	435 561	474 085	337 645
Other short-term receivables	217 592	247 932	261 026
Currency and interest swap derivatives	814	5 245	1 262
Liquid assets	1 126 257	1 467 684	758 910
Total current assets	1 780 224	2 194 946	1 358 843
Assets classified as held for sale	370 426	32 795	370 426
Total assets	13 222 177	17 610 557	13 537 730
EQUITY AND LIABILITIES	31.03.2017	31.03.2016	31.12.2016
Equity:			
Paid-in capital	1 854 870	237 396	237 396
Retained earnings	1 941 892	4 331 130	749 209
Total equity	3 796 762	4 568 526	986 605
Liabilities:			
Non-current liabilities:			
Provision for liabilities	57 872	54 742	59 424
Deferred tax	38 406	39 018	40 407
Other non-current liabilities	95 237	-	-
Currency and interest swap derivatives	69 481	187 318	148 991
Interest-bearing debt and leasing obligations	7 748 100	10 218 509	1 446 900
Total non-current liabilities	8 009 096	10 499 587	1 695 722
Current liabilities:			
Accounts payable	226 530	184 099	237 476
Currency and interest swap derivatives	124 064	149 535	74 698
Taxes payable	21 993	39 200	21 747
Other current liabilities	488 987	582 532	417 263
Current portion of interest-bearing debt	554 745	1 587 078	10 104 219
Total current liabilities	1 416 319	2 542 444	10 855 403
Total liabilities	9 425 415	13 042 031	12 551 125
Total equity and liabilities	13 222 177	17 610 557	13 537 730

STATEMENT OF CASH FLOW

	1 st quarter 2017	1 st quarter 2016	1.1-31.12 2016	1.1-31.12 2015
Cash flow from operating activity	(33 856)	169 026	300 305	1 246 483
Sale of fixed assets	-	105 920	161 397	93 437
Investment in fixed assets and contracts newbuilds	(470 947)	(55 392)	(272 796)	(1 834 882)
Other investment activities	1448	6 277	92 378	61 825
Cash flow from investment activity	(469 499)	56 805	(19 021)	(1 679 620)
New long-term debt	397 000	19 583	19 583	2 181 100
Debt conversion and repayment of debt	(2 813 118)	(268 836)	(554 814)	(1 629 885)
Conversion of debt to equity	2 771 866	-	-	-
Paid-in capital	615 935	-	-	-
Dividend paid	-	-	-	(117 000)
Interest costs	(108 404)	(121 148)	(517 709)	(560 935)
Cash flow from finance activity	863 279	(370 401)	(1 052 940)	(126 720)
Net changes in liquidity in the period	359 923	(144 570)	(771 656)	(559 857)
Net currency exchange differences subsidiaries	7 421	(22 121)	(48 226)	17 400
Cash and cash equivalents at the beginning of the period *)	758 737	1 578 619	1 578 619	2 121 076
Cash and cash equivalents at the end of the period *)	1 126 081	1 411 928	758 737	1 578 619

*) Ex. shares, equity certificates and bonds

CHANGE IN EQUITY

	1 st quarter 2017	1 st quarter 2016	1.1-31.12 2016	1.1-31.12 2015
Equity at the beginning of the period	986 605	4 344 077	4 344 077	6 624 758
Comprehensive income	1 155 633	224 449	(3 357 472)	(2 163 681)
Issue of share capital	1 654 524	-	-	-
Dividend payment	-	-	-	(117 000)
Equity at the end of the period	3 796 762	4 568 526	986 605	4 344 077

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 first quarter of 2017 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 2016 for further information.

NOTE 2 - SEGMENT INFORMATION

OPERATING INCOME *)	1 st quarter 2017	1 st quarter 2016	1.1-31.12 2016	1.1-31.12 2015
AHTS	228 285	432 321	1 311 003	2 186 808
PSV	138 489	194 978	674 763	1 261 624
SUBSEA	126 348	200 034	687 618	549 915
Other income	2 479	4 517	18 620	17 348
Total	495 601	831 850	2 692 004	4 015 695
North-West Europe	104 795	109 294	426 149	516 674
Brazil	185 693	304 560	1 036 214	1 407 327
Asia Pacific	140 750	323 902	883 873	1 901 600
Other segments	61 884	89 577	327 148	172 746
Others	2 479	4 517	18 620	17 348
Total	495 601	831 850	2 692 004	4 015 695

*) excl. sale of vessels

OPERATING PROFIT/(LOSS) - (EBIT) *)	1 st quarter 2017	1 st quarter 2016	1.1-31.12 2016	1.1-31.12 2015
AHTS	(428 592)	1 945	(1 383 825)	48 286
PSV	(70 251)	(37 729)	(1 405 557)	(987 182)
SUBSEA	(11 357)	89 769	(191 371)	172 924
Other income	(870)	(1 245)	(120 726)	(43 212)
Total	(511 070)	52 740	(3 101 479)	(809 184)
North-West Europe	(238 554)	(39 860)	(1 160 634)	(661 245)
Brazil	(4 181)	71 073	(598 952)	329 640
Asia Pacific	(243 255)	(27 684)	(1 286 950)	(442 589)
Other segments	(24 210)	50 456	65 783	8 211
Others	(870)	(1 245)	(120 726)	(43 201)
Total	(511 070)	52 740	(3 101 479)	(809 184)

*) excl. sale of vessels

NOTE 3 - KEY FIGURES

	1.1-31.03 2017	1.1-31.03 2016	1.1-31.12 2016
EBITDA-margin excl. sale of fixed assets	(65.7%)	31.5%	34.1%
EBIT-margin excl. sale of fixed assets	(103.1%)	6.3%	(20.2%)
EBIT-margin excl. sale of fixed assets and impairment	(103.1%)	6.3%	11.7%
	31.03.2017	31.03.2016	31.12.2016
Equity ratio	28.7 %	25.9 %	7.3 %
Booked equity per share, NOK	0.78	117.14	25.30
Working capital	734 331	(314 703)	(9 126 134)

NOTE 4 - SHARES, SHAREHOLDERS AND DIVIDEND

The company's share price was NOK 0.34 at the end of the quarter. The share price at 31.03.17 values the company to approx. NOK 1,654 million.

THE COMPANY'S 20 LARGEST SHAREHOLDERS

AT 26.05.17

	Number of shares	Owner's share in %
Aker Capital AS	601 009 010	12.36
Hemen Holding Ltd.	601 009 009	12.36
DnB Bank ASA	417 006 577	8.57
Ocean Yield AS	315 595 760	6.49
GIEK	232 632 444	4.78
Danske Bank AS	212 843 008	4.38
Sparebank 1 SMN	204 608 085	4.21
Pareto Høyrente	170 150 658	3.50
Tyrholm & Farstad Invest AS	142 857 142	2.94
Danske Bank AS	132 779 800	2.73
Perestroika AS	129 979 616	2.67
Nordea Bank AB Singapore	98 105 642	2.02
MP Pensjon	95 701 719	1.97
Verdipapirfondet DNB	90 944 549	1.87
Swedbank AB	88 170 166	1.81
Verdipapirfondet Alfred Berg	87 064 253	1.79
Nordea Bank AB	80 550 281	1.66
Verdipapirfondet JPMorgan	73 298 930	1.51
Sparebanken Møre	66 314 611	1.36
Handelsbanken	54 518 130	1.12
Total 20 largest shareholders	3 895 139 390	80.09
Other shareholders	968 401 289	19.91
Total number of shares	4 863 540 679	100.00

ANNUAL GENERAL MEETING 25 APRIL 2017

The Annual General Meeting was held at the company's premises on Tuesday 25 April. It was decided to pay no dividend for the fiscal year 2016 (NOK 0.00 per share for 2015).

NOTE 5 - 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 1st quarter of 2017.

Repayments of debt amounted to NOK 13.6 million in the 1st quarter (NOK 268.9 million in 1st quarter 2016). Net new long term debt raised was NOK 400 million during the quarter (NOK 19.6 million during 1st quarter 2016).

Net interest bearing debt as per	31.03.2017	31.03.2016	31.03.2015
Interest bearing debt and leasing obligations	8 302 845	11 805 587	11 551 119
Interest bearing current assets	(1 166 828)	(1 519 074)	(800 067)
Net interest bearing debt and leasing obligations	7 136 017	10 286 513	10 751 052

Long-term liabilities as per 31 March 2017 were distributed as follows: 65.0% in NOK (68.1% as per 31.03.16), 25.9% (24.1%) in USD, 1.6% (1.8%) in GBP, 6.8% (5.5%) in AUD and 0.7% (0.5%) in EUR.

NOTE 6 - VESSELS, OTHER FIXED ASSETS AND NEWBUILDS

	Other fixed assets	Vessels	Total vessels etc.	Contracts newbuilds	Total fixed assets
Acquisition cost:					
1 January 2017	273 013	19 036 630	19 309 643	70 677	19 380 320
Additions	1 498	504 697	506 195	5 827	512 022
Disposals	-	(1 215 546)	(1 215 546)	(76 504)	(1 292 050)
Assets classified as held for sale	-	-	-	-	-
Translations differences	2 583	69 997	72 580	-	72 580
31 March 2017	277 094	18 395 778	18 672 872	-	18 672 872
Accumulated depreciation/impairment:					
1 January 2017	183 400	7 598 326	7 781 726	-	7 781 726
Depreciation for the year	3 348	136 725	140 073	-	140 073
Impairment for the year	-	-	-	-	-
Disposals	-	(120 492)	(120 492)	-	(120 492)
Assets classified as held for sale	-	-	-	-	-
31 March 2017	186 748	7 614 559	7 801 307	-	7 801 307
Recognized value deferred maintenance	-	196 624	196 624	-	196 624
Recognized value	90 346	10 977 843	11 068 189	-	11 068 189

At 31.03.17 the AHTS Far Shogun were classified as assets held for sale. Net book value included deferred maintenance for assets classified as held for sale was NOK 370.4 million.

NOTE 7 - RESTRUCTURING

RESTRUCTURING

Farstad Restructuring is completed and the following elements are implemented:

- (i) Farstad Shipping's creditors converted existing and future debt claims to equity (the "Debt Conversion"):

Under the Debt Conversion, Farstad Shipping's senior lenders, bondholders and F-Shiplinease AS have completed a debt to equity conversion as follows:

- a) Farstad Shipping ASA assumed debt owned 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 at a price of NOK 1.25 per share.

NOTE 7 - RESTRUCTURING - CONTINUES

- b) The senior lenders released Farstad Shipping's subsidiaries of their obligation to pay NOK 332 million in future interest in exchange for a NOK 271 million claim against Farstad Shipping (equaling the net present value of such future interest payments), and the NOK 271 million claim is converted into 774,285,714 new shares in Farstad 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 in Farstad at share price NOK 1.25.
 - d) F-Shiplease AS has 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 (equaling 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 is converted into 56,000,000 new shares in Farstad 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 in Farstad Shipping at a share price of NOK 0.35.
- (ii) Farstad Shipping 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 Aker and Hemen and NOK 50 million in share issue to Tyrholm & Farstad Invest AS (an affiliate of Farstad Shipping'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 shareholders and bondholders who were not allocated shares in Private Placement 2 (the "Repair Issue"). The Repair Issue was subscribed with 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 are amended (the "Farstad Amended Financing Terms").

The terms and conditions of the existing financing agreements of Farstad Shipping (except for financing agreements with Westpac and BNDES) are 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 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 is introduced;
- c) In addition to certain financial covenants, restrictions will be introduced with respect to Farstad'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 the Company is no longer in breach with its financial covenants and long-term debt prior being classified as current liabilities has been reclassified as non-current liabilities. Total NOK 8,174 million is reclassified from current to non-current liabilities after the Farstad Restructuring.

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 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.

NOTE 7 - RESTRUCTURING - CONTINUES

Part of the debt conversions to equity, a nominal value of total NOK 2,417 million was converted to equity at the conversion price of NOK 1.25 per share. The fair value of the debt conversions to equity is measured at NOK 0.35 per share. Consequently, 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 the income statement as financial income 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 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 lease agreements result in a reclassification of the leases from financial lease to operational lease. Non-current assets are derecognised with NOK 1,095 million, current liabilities are derecognised with NOK 48.9 million and noncurrent liabilities are derecognised with NOK 1,015 million. The net effect of reclassifying the lease to operational is recognized in the income statement as operating expenses. Even after the amendments of the lease agreements, the agreements are considered as being onerous contracts, with an expected negative net present value of NOK 84 million for both lease agreements, which has been recognised in the income statement as an operating expense in Q1 2017.

Transaction costs and all other directly attributable costs in connection with the restructuring have been recognised against equity and have reduced share premium with NOK 34.065 million.

NOTE 8 - SUBSEQUENT EVENTS

The proposed merger between Farstad Shipping ASA, Solstad Offshore ASA and Deep Sea Supply PLC was approved by the respective companies' extraordinary general meeting on 25 April 2017. The mergers into the new consolidated company, Solstad Farstad ASA, will be effective from June 2017

Under the merger, 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 Farstad Shipping / Solstad Offshore merger will be 0.35:12.50 Farstad Shipping shares per Solstad Offshore share.

Contemporaneously with the Farstad Shipping / Solstad Offshore merger, Deep Sea Supply will merge with a newly incorporated subsidiary of Solstad Offshore. The amount of Solstad Offshore shares issued will be based on an agreed exchange ratio of 1.32:12.50 Deep Sea Supply shares per Solstad Offshore share.

AHTS FLEET GALLERY*)



Far Sirius



Far Sigma



Far Statesman



Far Senator



Far Saracen



Far Shogun



Far Sagaris



Far Scorpion



Far Scimitar



Far Sabre



Far Sapphire



Far Sound



BOS Turquesa



Far Strait



Far Stream



Far Sword



BOS Turmalina



BOS Topázio



Lady Astrid



Lady Caroline



Far Saltire



Far Scout



Far Santana



Far Sovereign



Far Senior



Far Sailor



Far Grip

*) For more information about each vessel visit: WWW.FARSTAD.COM/FLEET/AHTS

AHTS FLEET EMPLOYMENT

CONTRACT OVERVIEW AT 26.05.17

Vessel name	Design	Year built	BHP	Employment *) at 26.05.17	2017	2018	2019	2020	2021
FAR SIRIUS	UT 731 CD	2014	24400	Spot					
FAR SIGMA	UT 731 CD	2014	24400	Spot					
FAR STATESMAN	UT 731 CD	2013	24000	July 17	■				
FAR SENATOR	UT 731 CD	2013	24400	Oct. 17 + opt.	■	■	■	■	
FAR SARACEN	UT 731 CD	2010	24400	July 17 + opt.	■	■			
FAR SHOGUN	UT 731 CD	2010	24400	June 17	■				
FAR SAGARIS	UT 731 CD	2009	23700	March 18 + opt.	■	■	■	■	
FAR SCORPION	UT 731 CD	2009	23700	March 18 + opt.	■	■	■	■	
FAR SCIMITAR	UT 712 L	2008	14700	Spot					
FAR SABRE	UT 712 L	2008	14700	Spot					
FAR SAPPHIRE	UT 732 CD	2007	27500	Spot					
FAR SOUND	UT 712 L	2007	14700	Lay up					
BOS TURQUESA	UT 722 L	2007	18000	Spot					
FAR STRAIT	UT 712 L	2006	14700	Lay up					
FAR STREAM	UT 712 L	2006	14700	Spot					
FAR SWORD	UT 712 L	2006	14700	Aug 19 + 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	Lay up					
FAR SAILOR	UT 722	1997	16800	Lay up					
FAR GRIP	UT 722	1993	14400	Lay up					

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

■ Contract

■ Charterer's option

PSV/SUBSEA FLEET GALLERY*)



Far Sygna



Far Sun



Far Starling



Far Sitella



Far Spica



Far Solitaire



Far Skimmer



Far Scotsman



Far Server



Far Serenade



Far Searcher



Far Seeker



Far Spirit



Far Swan



Far Splendour



Far Symphony



Lady Melinda



Far Star



Far Supplier



Far Strider



Far Supporter



Far Service



Far Superior



Far Sentinel



Far Sleipner



Far Samson



Far Swift



Far Saga



Far Scotia

*) For more information about each vessel visit: WWW.FARSTAD.COM/FLEET/PSV and WWW.FARSTAD.COM/FLEET/SUBSEA



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