

# Presentation of 3Q Results

10 November 2017



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**CEO** Lars Peder Solstad  
**CFO** Anders Hall Jomaas

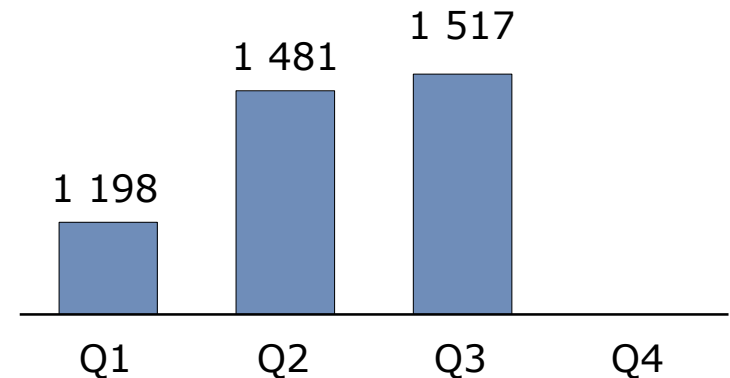
# On track to deliver cost reductions without compromising quality of operations

- 3Q 2017 was the first quarter as one company following the merger between Solstad Offshore, Farstad Shipping and Deep Sea Supply
- Several cost cutting initiatives implemented;
  - Onshore staff reduced by 80 persons and corporate functions centralized
  - Combination of offices in Rio, Singapore, Perth and Aberdeen
  - Improvement of internal processes and procedures
  - Negotiating with major suppliers and utilizing best practice purchasing agreements
  - Adjusting and optimizing crew composition
  - Total borrowings reduced by NOKmln. 1,845
  - Multiple time charter contracts entered into
  - Positive feedback to the merger from key clients
  - No operational problems related to the merger
- On schedule and fully committed to achieve the cost reductions of NOKmln. 450–600

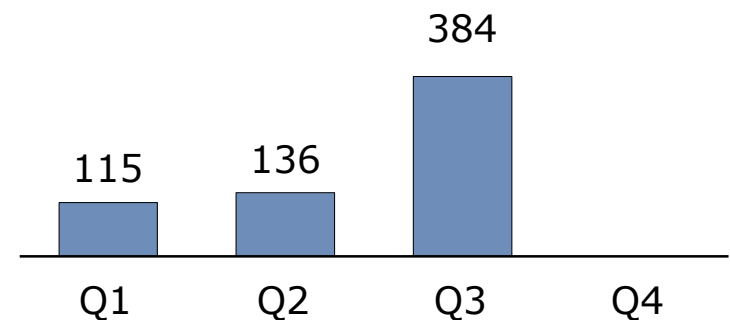
# Positive revenue and EBITDA development

- Positive revenue development from Q2 to Q3 driven by stronger spot market in the North Sea
- Strong increase in EBITDA mainly driven by reduced operational and administration expenses
- Expecting reduced revenue and EBITDA in 4Q due to seasonal low activity level

**REVENUE PER QUARTER <sup>(1)</sup> – NOKm**



**EBITDA PER QUARTER <sup>(1)</sup> – NOKm**





<sup>(1)</sup> Pro forma figures pre and post merger date

# Income Statement Q3 2017

<i>(NOK million)</i>	Q3 17	Q3 16	YTD 2017	YTD 2016	FY 2016
<b>Total operating income</b>	<b>1 409</b>	<b>637</b>	<b>2 688</b>	<b>2 107</b>	<b>2 580</b>
Vessel operating expenses	-972	-361	-1 813	-1 187	-1 483
G&A expenses	-156	-56	-282	-157	-223
Operational lease	-38	-	-38	-	-
<b>Operating expenses</b>	<b>-1 166</b>	<b>-417</b>	<b>-2 134</b>	<b>-1 344</b>	<b>-1 706</b>
Ordinary depreciation	-370	-106	-693	-328	-477
Impairment	-	-	-	-100	-1 199
Net gain/loss on sale of vessels	-3	-	-3	1	1
<b>Operating result</b>	<b>-130</b>	<b>114</b>	<b>-142</b>	<b>336</b>	<b>-800</b>
Gain from business combination	-	-	1 540	-	-
Joint Venture & Associated Companies	2	4	-93	41	62
<b>Total other items</b>	<b>-128</b>	<b>118</b>	<b>1 305</b>	<b>377</b>	<b>-739</b>
Net agio	303	197	393	492	291
Other financial items	-544	-182	-885	-188	-367
<b>Result before taxes</b>	<b>-369</b>	<b>133</b>	<b>813</b>	<b>682</b>	<b>-815</b>
	-	-	-	-	-
<b>EBITDA adjusted for operational leases</b>	<b>384</b>	<b>238</b>	<b>734</b>	<b>859</b>	<b>1 010</b>

- Total operating income as presented in the income statement is net of
  - Excess values from freight contracts (ref. note 3 in 3Q Financial report)
  - income from Joint Ventures.

# Balance sheet Q3 2017

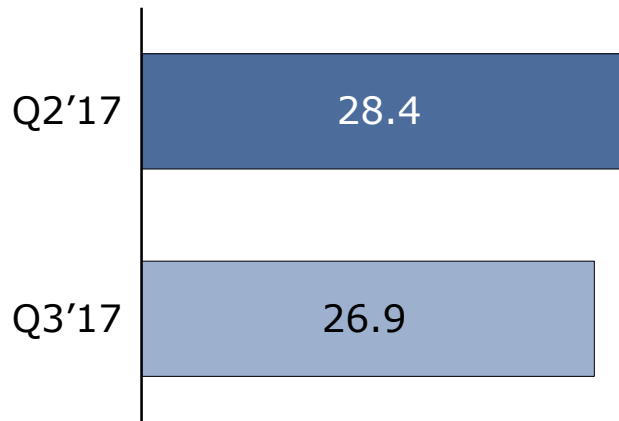
<i>(NOK million)</i>	30.09.2017	30.06.2017	31.12.2016
Total fixed assets	32 649	34 093	19 317
Current assets excl. Cash	1 985 	2 310	1 024
Cash and cash equivalents	2 114	2 420	1 750
Assets held for sale	196	574	194
<b>Total Assets</b>	<b>36 944</b>	<b>39 396</b>	<b>22 285</b>
Total equity	6 083	6 591	3 456
Long term debt to credit institutions	28 183	29 948	17 261
Other long term debt	742 	520	561
Current liabilities excl. short term debt	1 364	1 569	675
Current portion of long term debt	572	769	331
<b>Total Equity and liabilities</b>	<b>36 944</b>	<b>39 396</b>	<b>22 285</b>

# Cash flow statement Q3 2017

<i>(NOK million)</i>	YTD 3Q 17	3Q 17	YTD 2Q 17	2 016
<b>Net cash flow from operations</b>	<b>465</b>	<b>184</b>	<b>280</b>	<b>1 209</b>
Vessel investments	-116	-26	-91	-3 022
Other investments	511	497	14	2 882
Cash from merger	935	-	935	773
<b>Net cash flow from investments</b>	<b>1 330</b>	<b>472</b>	<b>858</b>	<b>633</b>
Equity transactions	200	-	200	302
Installments / new debt	-822	-565	-257	-837
Interest payments	-747	-344	-403	-562
<b>Net cash flow from financing</b>	<b>-1 369</b>	<b>-909</b>	<b>-460</b>	<b>-1 097</b>
Effect of changes in foreign exchange rates	-62	-53	-9	-20
<b>Net change in cash and cash equivalents</b>	<b>363</b>	<b>-306</b>	<b>669</b>	<b>725</b>
Cash and cash equivalents at start	1 751	2 420	1 751	1 025
cash and cash equivalents at end	2 114	2 114	2 420	1 750

# Interest bearing debt & vessel values

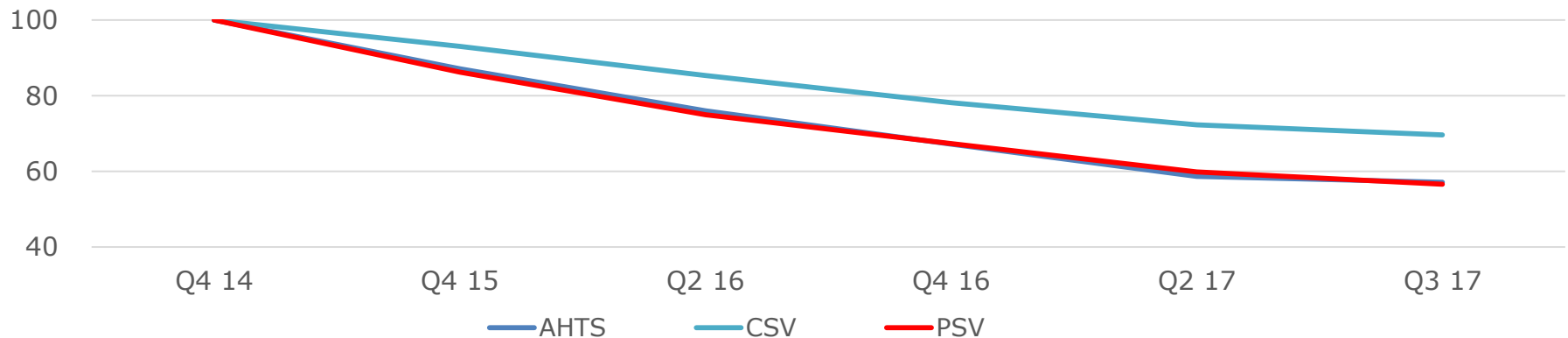
## NET INTEREST BEARING DEBT (NOK million)



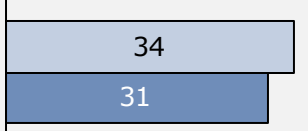
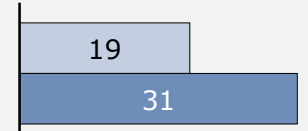

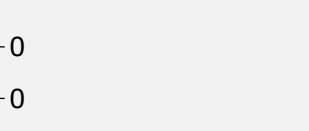
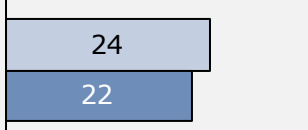

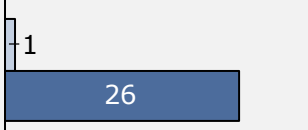
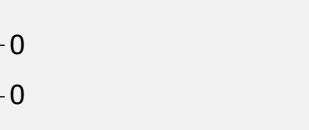

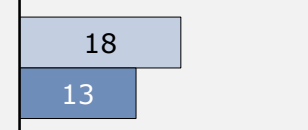
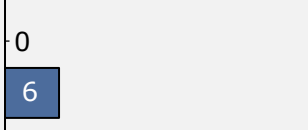
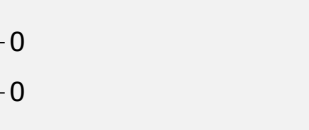
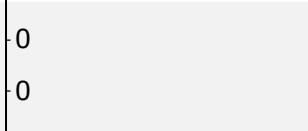
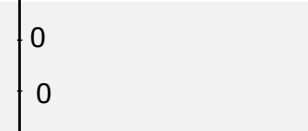
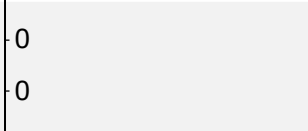
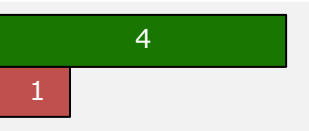
## COMMENTS

- Net interest bearing debt reduced by NOK million 1,540 from end 2Q to end 3Q
  - Installments paid
  - Sale of vessels
  - Reclassification to operational leases
  - Currency effects
- Estimated NAV/share per 30.09: NOK 30
- Book equity/share per 30.09: NOK 21

## MARKET VALUES FOR SOLSTAD FARSTAD FLEET REDUCED BY ~40% SINCE Q4 14 (Q4'14 = 100)



# Segments in details

		AHTS & PSV STRATEGIC REGIONS	AHTS & PSV INTERNATIONAL	SUBSEA CONSTRUCTION & RENEWABLE ENERGY	DESS AQUACULTURE
<b>FLEET STATUS</b>	<b>TOTAL # VESSELS</b>				
	<b>IN OPERATION</b>				
	<b>IN LAY-UP</b>				
	<b>NEWBUILDS</b>				
<b>SEGMENT OUTLOOK</b>		<ul style="list-style-type: none"> <li>Increased bidding activity</li> <li>High focus on local content</li> <li>Expect to see a number of contracts to be awarded next 6-12 months</li> </ul>	<ul style="list-style-type: none"> <li>Increased demand expected in UK and Russia</li> <li>Continued slow market in Asia and Africa</li> </ul>	<ul style="list-style-type: none"> <li><u>Subsea:</u> Increased IMR activity expected from 2018 season, while SURF activity expected to improve from 2019 onwards</li> <li><u>Offshore wind:</u> Expected to be on 2017 level or higher in 2018</li> </ul>	<ul style="list-style-type: none"> <li>Expecting delivery of 3 vessels in 2018</li> <li>Long term contracts for all newbuilds</li> <li>Expecting further fleet growth</li> <li>Market fundamentals still strong</li> </ul>

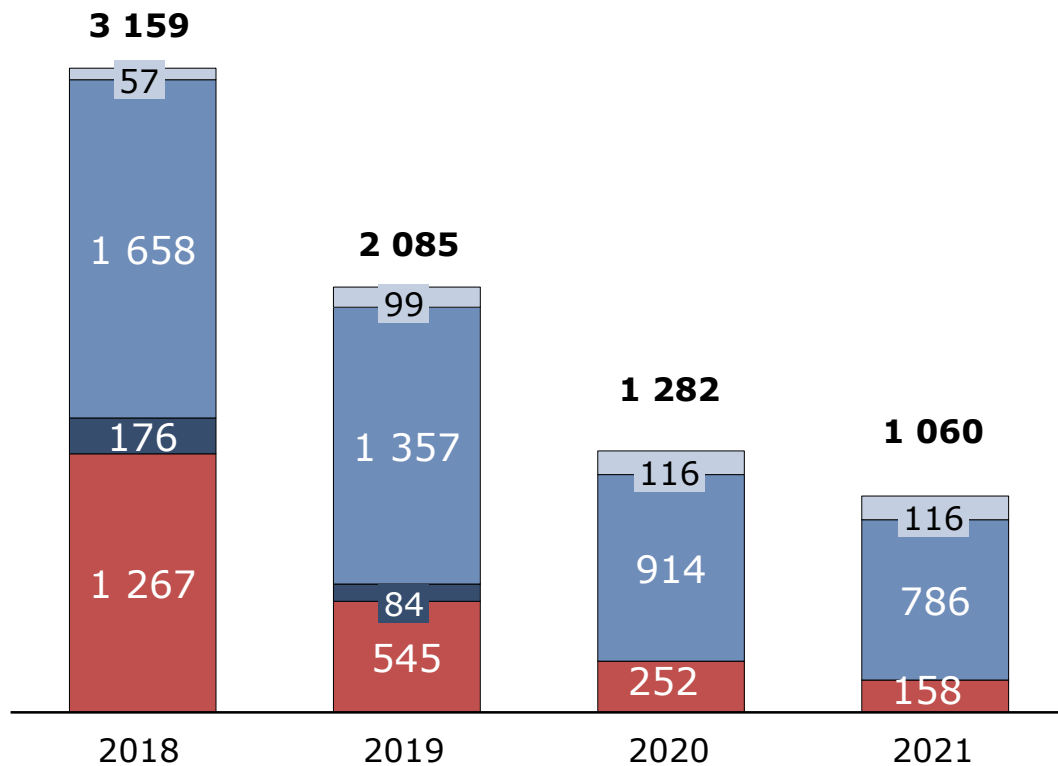
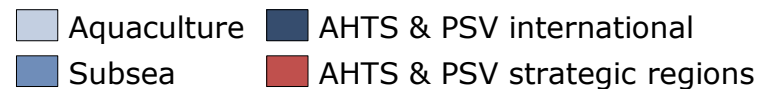
AHTS
  PSV
  CSV
  Wellboats
  Harvest vessels



# Robust backlog

## BACKLOG

NOK million.



## COMMENTS

- Total contract backlog of NOK million ~9,700 as per November 2017 (incl 50% of JV backlog)
- NOK million ~3,200 in firm contract backlog in 2018
- NOK million ~1,000 in firm contract backlog Q4 2017

## Other Commercial Highlights

- Approx. 45 new term charter agreements (from 100 days to 5 years duration signed year to date 2017)

### Main new contract signed last period:

- 1 year contract with Petrobras for AHTS BOS Turquesa
- 2 year contract with Queiroz Galvao for AHTS BOS Turmalina
- 1 year contract for Norwegian Coastal Administration for AHTS Far Sabre
- 1 year extension with Statoil for AHTS Normand Ferking
- 1 year extension with Prysmian for CSV Normand Pacific
- 6 month extension with Engie for PSV Normand Naley
- 18 month extension with Blue Marine for CSV Far Sentinel
- 6 month firm plus 9 x 3 month option contract with Statoil Brasil for PSV Far Scotsman
- 6 month firm plus 9 x 3 month option contract with Statoil Brasil for PSV Far Serenade

### Vessels recently sold:

- AHTS Sea Fox, Sea Vixen and Sea Stoat – Expected delivery Dec 17
- PSV Far Service – Delivered to new owners Oct 17
- AHTS Nor Star – Delivered new owners Nov 17

# Market outlook

- OSV market continues to be negatively affected by low demand and too many available vessels
- Tendering activity is steadily increasing, but the rates achieved are still on a low level
- The company expects the market to remain weak in the short run, but thereafter to gradually improve backed by increased investments in the offshore market
- Activities within the offshore wind market is expected to remain at a stable, high level
- Key focus for the company is to continue to reduce debt, improve cash flow and continuously improve operational results
- The Company is considering certain strategic initiatives for a number of vessels considered to be of less strategic value for the Company going forward

# Strategy remains to be the world's leading OSV company

## Strategy Description



*Largest high-end OSV company globally*

### SUBSEA & RENEWABLE ENERGY

- Maintain operational edge
- Protect position with key customers
- Continue to expand renewable energy footprint

### AHTS/PSV

- Maintain strong position in NCS, AUS and Brazil
- Leverage on DESS model in other markets

### AQUACULTURE

- Transfer industrialized build-own-operate model to aquaculture
- Build market leader

**USE MARKET DOWNTURN PROACTIVELY**

**EXPLOIT UPTURN**

**Integrate four organizations and create one common culture**

**Develop operating model tailored for segment requirements**

**Maintain lean onshore organization**

**Further develop front-end presence in key deepwater hubs**

# Key Investor Highlights



World's largest high end OSV company with global operations



Lean operating model exploiting high operational leverage



Restructuring secures runway and financial flexibility



Creating shareholder value through size and share liquidity



Strong commitment from main shareholders Hemen Holding, Aker ASA and Solstad family



Open to contribute to further consolidation of OSV space