

Presentation of Q1 2018 results

9 May 2018

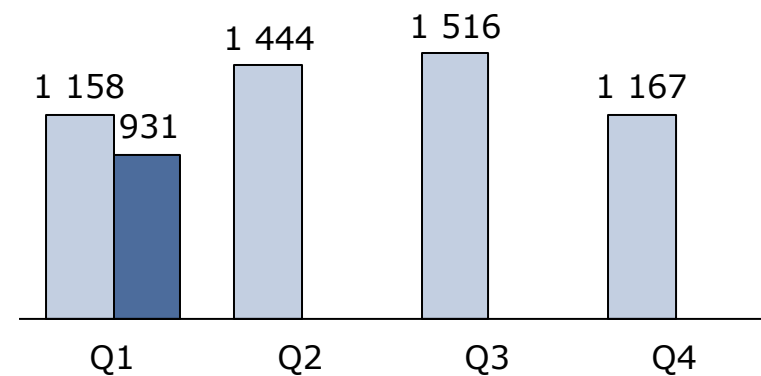


Quarter highlights

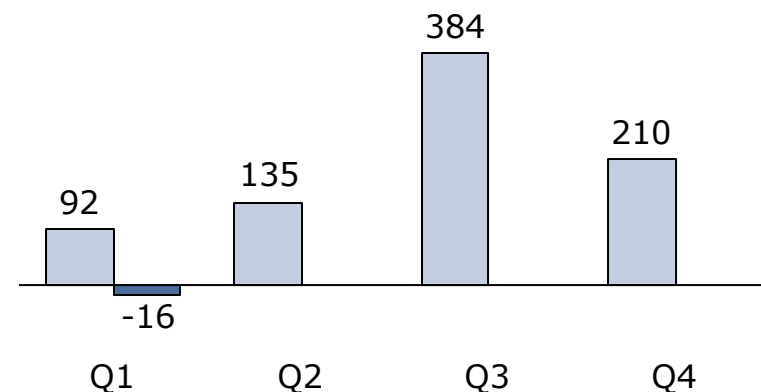
- Challenging Q1 with seasonally low activity, reduced revenues and pressure on certain financial covenants
- Total freight income¹ was MNOK 931 in Q1 2018, where operating income amounted to MNOK 875 (MNOK 568)
- EBITDA adjusted for operating lease was MNOK -16 (MNOK 156) in Q1 2018
- Ongoing discussions with financial creditors of subsidiary Solship Invest 3
- Increased number of vessels active and generating revenue from April 2018 and onwards
- Market situation gradually improving across all segments

2017
2018

REVENUES PER QUARTER – NOKm²



ADJ. EBITDA PER QUARTER – NOKm²



Update on Solship Invest 3 situation, and financial covenant situation in Farstad Shipping

SOLSHIP INVEST 3

- Ongoing discussions with the Financial Creditors of Solship Invest 3 ("SI3")
- Extension of standstill and deferral agreement until 2 June 2018
- Solution will not involve other parts of Solstad Farstad group or parent company, i.e. contained to SI3

FARSTAD SHIPPING

- As described in Annual Report for 2017, Farstad Shipping would likely be unable to fulfill its debt-service-coverage ratio as per 31.03.2018
 - Final accounts for 31.03.2018 confirms covenant breach
- The company has requested an unconditional waiver from its financial creditors



Q1'18 in numbers – Income Statement

(NOK million)

	Q1'18	Q1'17	Q4'17
Total Operating Income	875	568	1 096
Vessel Operating Expenses	-812	-377	-811
G&A expenses	-128	-63	-140
Operational lease	-45	-	-46
Total Operating Expenses	-986	-439	-997
Ordinary Depreciation	-358	-162	-300
Impairment	-	-	-395
Net gain/loss on sale of vessels	-	0	3
Operating result	-469	-34	-593
Joint Venture & Associated Companies	2	11	13
Total Other Items	2	11	13
Net agio	266	14	-217
Other Financial Items	-342	-172	-346
Result before taxes	-543	-181	-1 143
EBITDA adj. for operational lease	-16	156	210

KEY OBSERVATIONS:

- Operating income in Q1'18 was MNOK 875 compared to MNOK 1,096 in Q4'17. Revenues dropped as several vessels were redelivered from contracts and entered seasonal lay-up
- Operating expenses in Q1'18 of MNOK 986, of which MNOK 812 are ordinary vessel operating expenses – similar level as vessel operating expenses in Q4 2017
 - Admin. expenses amounted to MNOK 128, compared to MNOK 140 and MNOK 156 for the two preceding quarters – positive effects from synergies
- EBITDA, adj. for operating leases, for Q1 2018 was MNOK -16, vs. MNOK 210 for Q4 2017



Q1'18 in numbers – Balance Sheet

(NOK million)

	Q1'18	Q1'17	Q4'17
Total fixed assets	31 508	18 989	32 295
Current assets excl. Cash	1 675	1 158	1 752
Cash and cash equivalents	1 469	1 403	1 875
Assets held for sale	307	216	188
Total Assets	34 960	21 765	36 111
Total Equity	4 428	3 210	4 962
Long term debt to credit institutions	16 522	17 006	28 190
Other long term debt	923	565	938
Current liabilities excl. short term debt	1 537	631	1 370
Current portion of long term debt	11 550	354	650
Total Equity and Liabilities	34 960	21 765	36 111

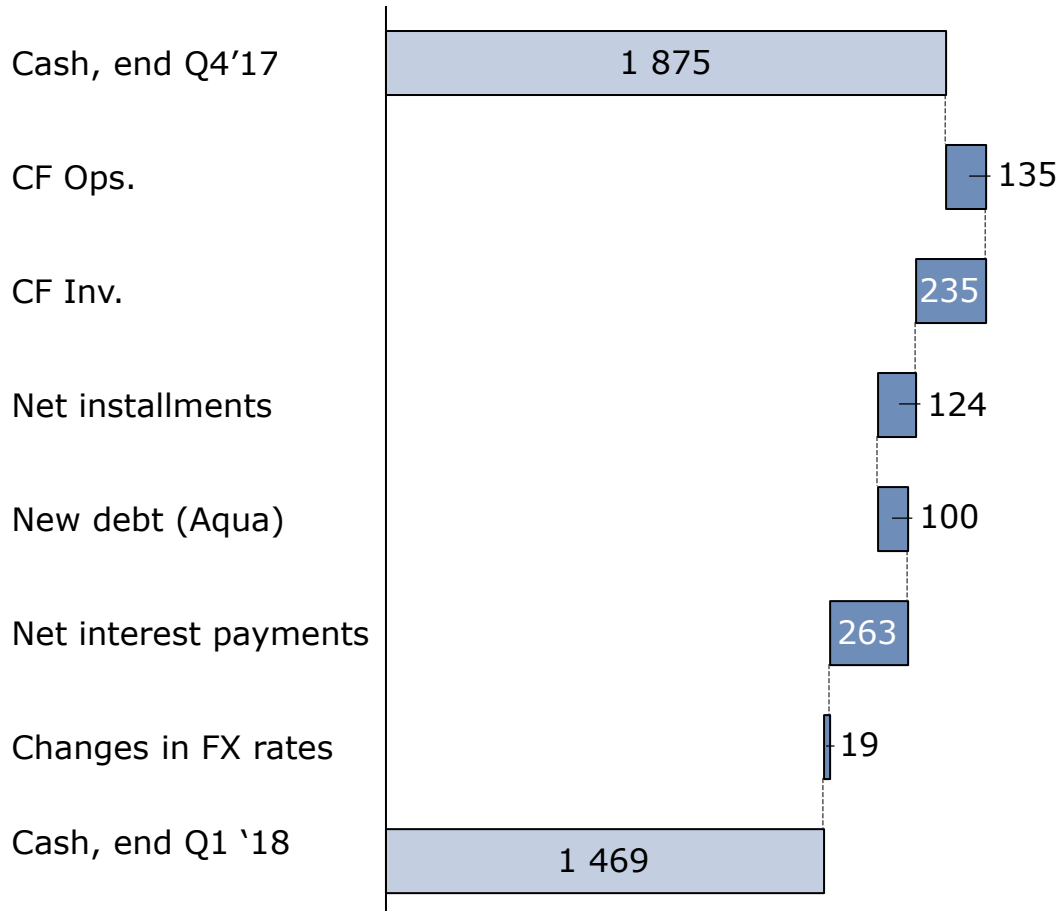
KEY OBSERVATIONS:

- Company's overall cash position reduced over the quarter by MNOK -406 to MNOK 1,469 from MNOK 1,875
- Total equity ended at MNOK 4,428, equal to a book value per share of NOK/share 15
- Major parts of Farstad Shipping AS and SI3's debt re-classified as Current portion of long term debt due to covenant situation



Q1'18 in numbers – Cash Flow

CASH FLOW Q4'17-Q1'18 NOKm



COMMENTS

- Company's overall cash position was reduced with MNOK 406 to MNOK 1,469 from MNOK 1,875
- Net cash flow from operations positive MNOK 135
- Net cash flow from investments were negative MNOK 235
- Net interest paid totaled MNOK 263, and net installments paid was MNOK 124
- New debt drawdown of MNOK 100 related to DESS Aquaculture

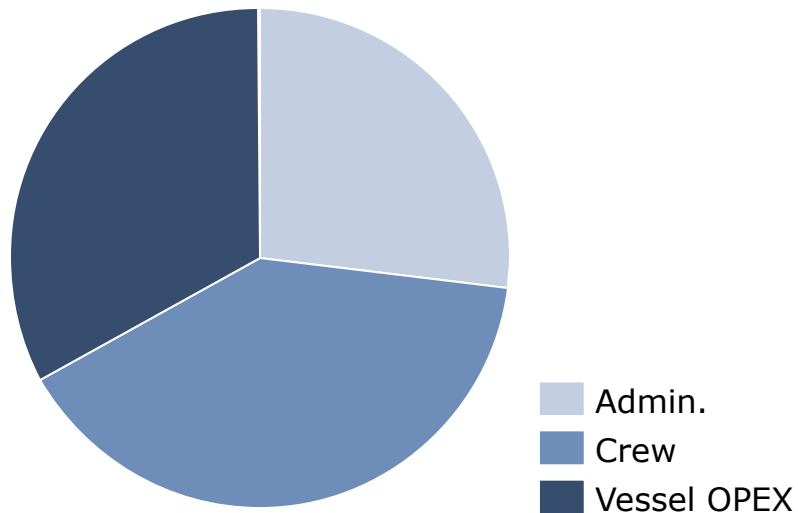
Update on synergies: Target increased to NOKm 700-800 annualized YE2018

- Detailed synergy assessment run in parallel with integration process
- Revised top down view of potential of NOKm 700-800
- Plan for synergy realization currently being implemented

POTENTIAL SPLIT IN THREE BROAD AREAS

SYNERGY SPLIT

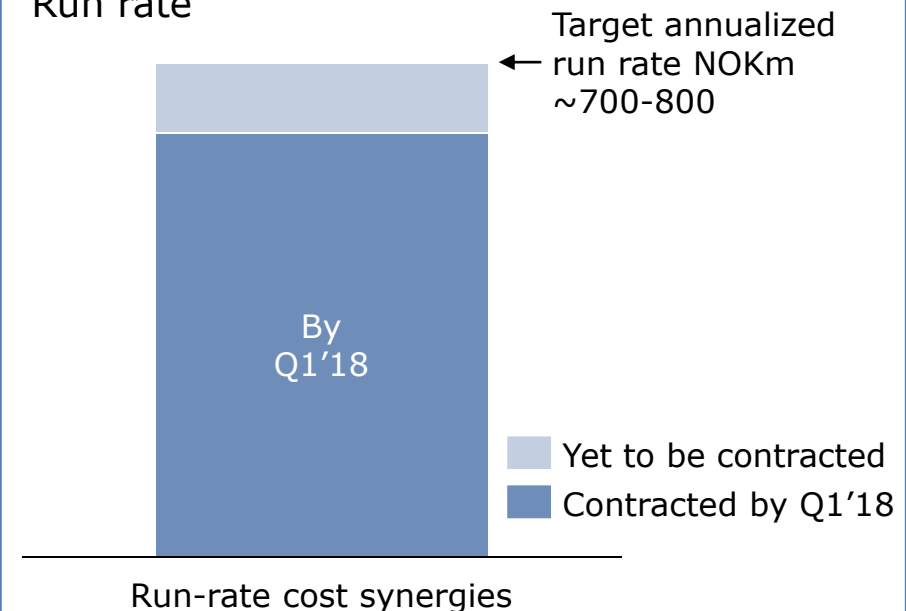
Allocation by category; run rate



MAIN PART OF SYNERGIES WILL BE CONTRACTED FROM END Q1'18

SAVINGS POTENTIAL OVER TIME

Run rate



NOTE: Based on execution date, timing of P&L effect not considered; Based on current activity level

Solid backlog position

BACKLOG

NOKbln.



COMMENTS

- Total contract backlog of NOKbln. ~9.1 as per May 2018 (incl. 50% of JV backlog)
- NOKbln. ~2.5 in firm contract backlog May to Dec 2018
- Aquaculture has total backlog of NOKbln ~2.3 (of which 50% included in SolstadFarstad backlog)

Contract highlights in Q1'18

KEY CONTRACTS IN THE SUBSEA CONSTRUCTION SEGMENT

- Normand Flower awarded 6 months firm contract in North European waters
- Normand Clipper awarded 120 days firm in 2018 + 150 days firm in 2019 + 180 days in 2020 on NCS
- Extension of Contract with TechnipFMC: Frame Agreement covering the provision of vessels for ploughing and trenching operations for one year

KEY AHTS AND PSV CONTRACTS

- Far Spica awarded 18 months firm contract on UKCS
- Normand Aurora awarded 75 days firm contract on UKCS
- Far Symphony extended 6 months firm + 6x1 month option contract on UKCS
- Far Sitella awarded 23 months firm contract on UKCS
- Sea Titus awarded 12-13 months firm contract on UKCS
- Sea Spider awarded 70 days firm contract on UKCS
- Normand Fortune awarded 4 months firm + 3x2 option contract on NCS
- Sea Tortuga awarded 5 months firm + 3x1 month option contract in Australia
- Far Scout awarded 1 year firm contract with Petrobras in Brazil
- BOS Turquesa awarded 1 year firm contract with Petrobras in Brazil



AHTS, PSV: Signs of improvement in strategically important North Sea

CONTEXT

AHTS:

- More rigs on contract has meant more rig moves; Average AHTS rates in April significantly improved Y/Y

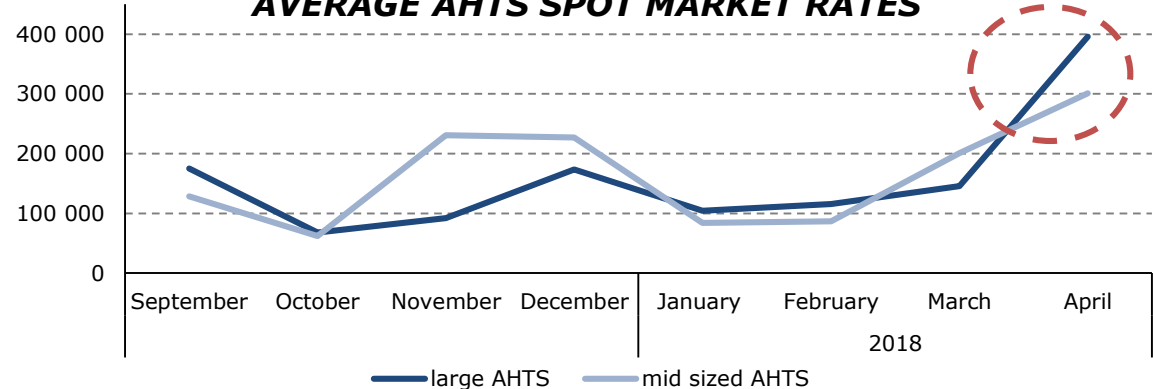
PSV

- Activity slow in Q1, but now show signs of improvement evidenced by higher rates in April than seen over previous six months
- Better spot rates as more vessels work on term contracts

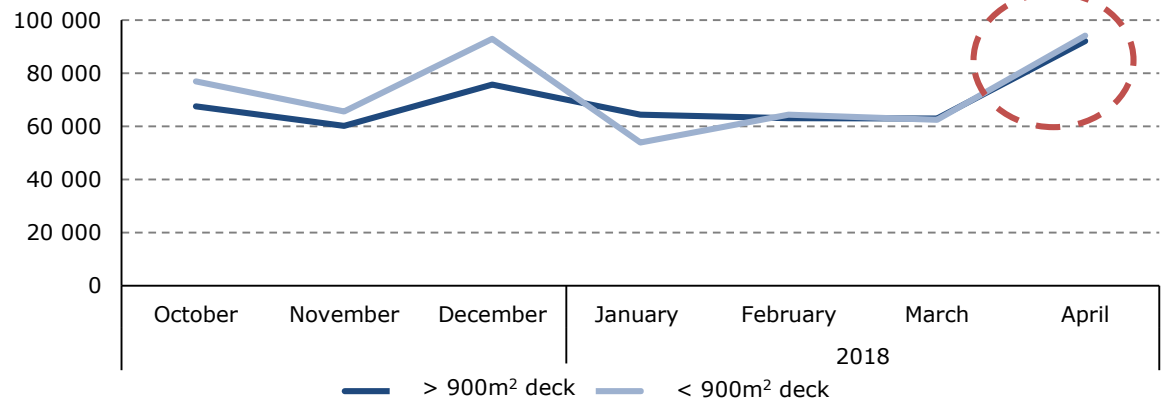
MARKET RATES

NOK/day

AVERAGE AHTS SPOT MARKET RATES

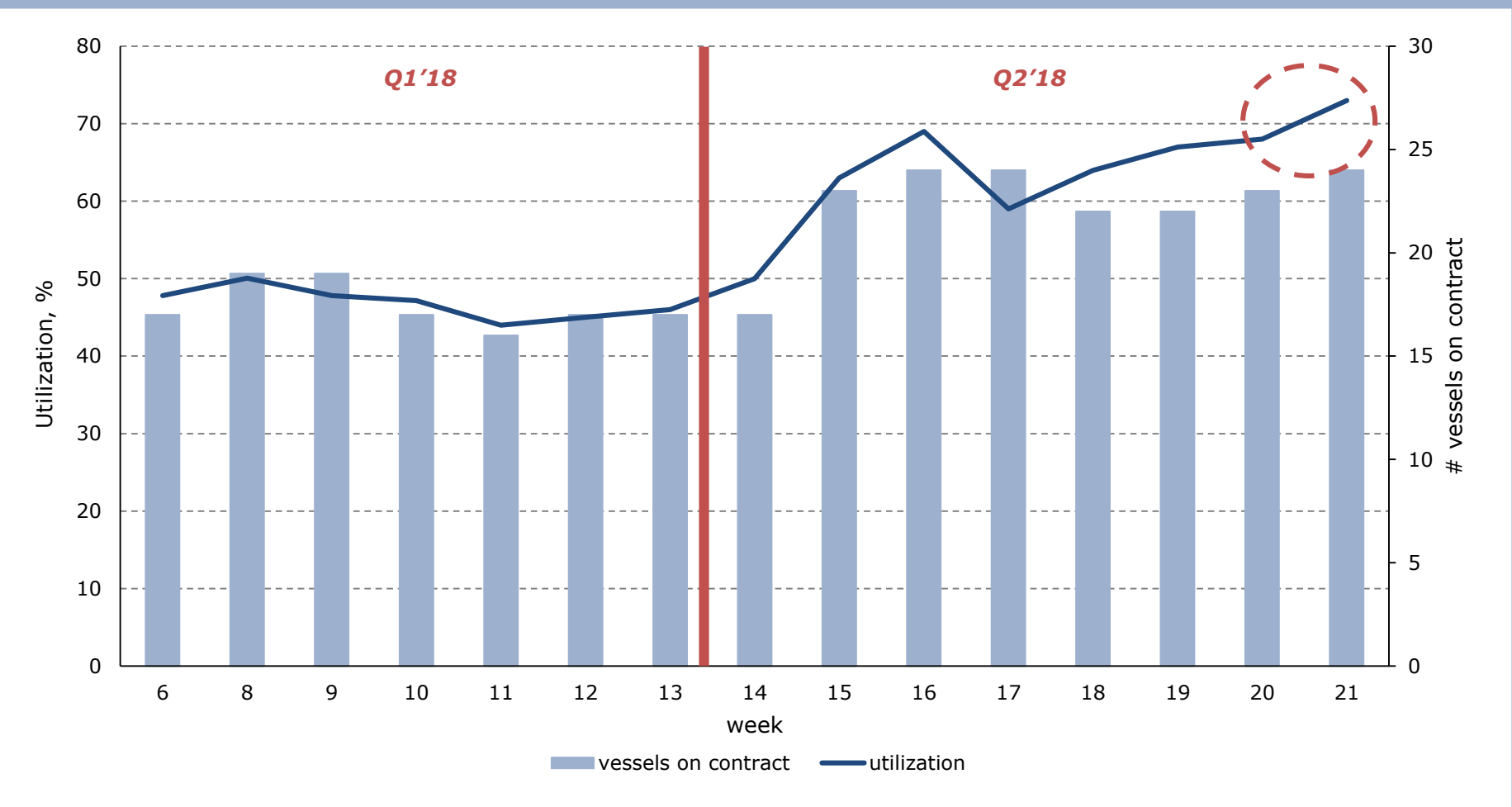


AVERAGE PSV SPOT MARKET RATES



Subsea: Increasing CSV activity, more vessels commence charters

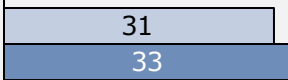
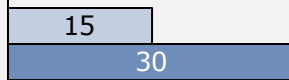

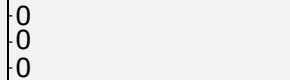
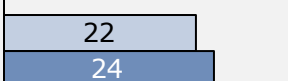
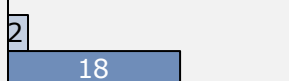
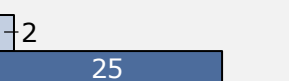
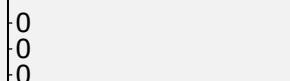

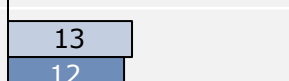


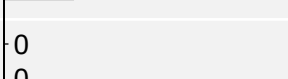
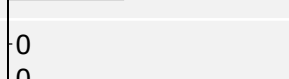
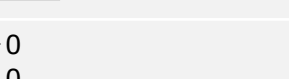
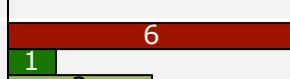
SOLSTAD FARSTAD SUBSEA CONSTRUCTION FLEET, UTILIZATION



Summary

AHTS
 PSV
 CSV

Wellboats
 Harvest vessels
 Service vessel

		AHTS & PSV STRATEGIC REGIONS	AHTS & PSV INTERNATIONAL	SUBSEA CONSTRUCTION & RENEWABLE ENERGY	DESS AQUACULTURE
FLEET STATUS	TOTAL # VESSELS				
	IN OPERATION				
	IN LAY-UP				
	NEWBUILDS				
SEGMENT OUTLOOK		<ul style="list-style-type: none"> <u>Norway</u>: Increased activity in 2018, based on more rigs drilling, especially in summer season, and planned projects <u>Brazil</u>: Steady activity. Growth expected in 2019. High barriers to entry in this market <u>Australia</u>: Steady activity. Growth expected in 2019. High barriers to entry in this market 	<ul style="list-style-type: none"> <u>UK</u>: Increased demand in 2018. Particularly for the PSV's. <u>South-East Asia, Africa, Med</u>: Slightly increased activity, but massive oversupply of vessels 	<ul style="list-style-type: none"> <u>SURF</u>: Installation activity expected to increase from 2019 <u>IMR</u>: Summer season in the North Sea expected to be quite active due to combination of accumulated maintenance and improved cash flow <u>Offshore wind</u>: Steady, high activity expected 	<ul style="list-style-type: none"> First vessel to be delivered and commence long term contract in Q2 2018. Actively bidding on new opportunities in a growing market