



**SOLSTAD FARSTAD**

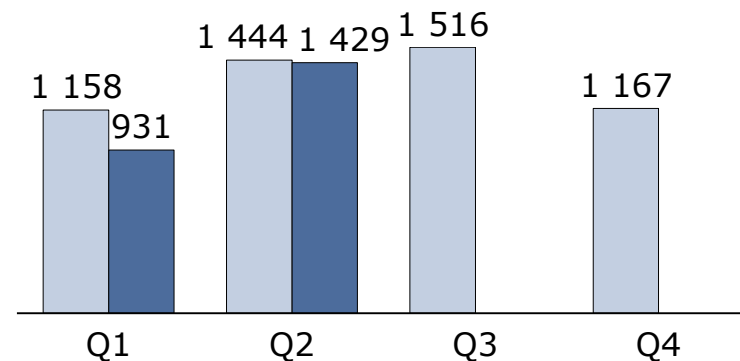
**Presentation of Q2 2018 results  
August 23<sup>rd</sup>**

# Quarter highlights

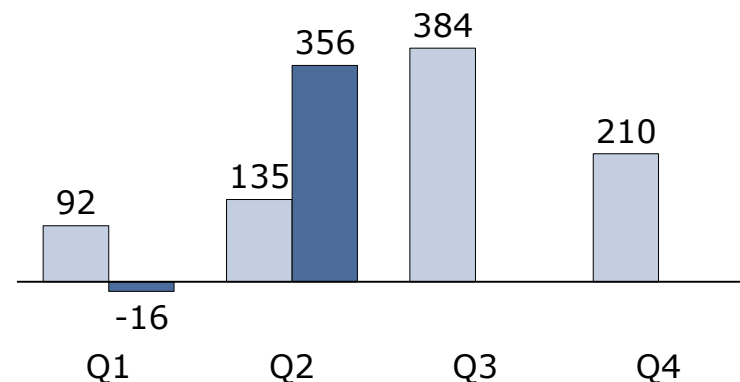
- Revenues increased by MNOK 484 in Q2 2018 vs Q1 2018
- Opex per day per active vessel reduced by approximately 8% compared to Q1 2018
- EBITDA adjusted for operating lease was MNOK 356 in Q2 2018
- Activity gradually improving across all segments, although rate levels are still challenging
- Cash balance reduced by MNOK 98 in Q2 2018
- Restructuring agreement with financial creditors of subsidiary Solship Invest 3 AS signed in July 2018

2017 2018

## REVENUES PER QUARTER<sup>1</sup> – NOKm



## ADJ. EBITDA PER QUARTER<sup>2</sup> – NOKm



# Q2'18 in numbers – Income Statement

<i>(NOK million)</i>	Q2'18	Q2'17	Q1'18
<b>Total Operating Income</b>	<b>1 359</b>	<b>711</b>	<b>875</b>
Vessel Operating Expenses	-951	-465	-812
G&A expenses	-111	-64	-128
Operational lease	-30	-	-45
<b>Total Operating Expenses</b>	<b>-1 091</b>	<b>-528</b>	<b>-986</b>
Ordinary Depreciation	-354	-161	-358
Impairment	-	1	-
Net gain/loss on sale of vessels	-62	-	-
<b>Operating result</b>	<b>-148</b>	<b>22</b>	<b>-469</b>
Gain from Business combinations	-	1 540	-
Joint Venture & Associated Compan	4	-107	2
<b>Total Other Items</b>	<b>4</b>	<b>1 433</b>	<b>2</b>
Net agio	-296	76	266
Other Financial Items	-339	-168	-342
<b>Result before taxes</b>	<b>-780</b>	<b>1 363</b>	<b>-543</b>
EBITDA adj. for operational lease	356	202	-16

## **KEY OBSERVATIONS:**

- Operating income in Q2'18 was MNOK 1,359 compared to MNOK 875 in Q1'18
- Operating expenses in Q2'18 of MNOK 1,091, of which MNOK 951 are ordinary vessel operating expenses
- Admin. expenses reduced to MNOK 111, compared to MNOK 128 in Q1'18 – reaping the benefits from realized cost synergies
- EBITDA, adj. for operating leases, for Q2'18 was MNOK 356 vs. MNOK -16 for Q1'18

# Q2'18 in numbers – Balance sheet

(NOK million)

	30.06.2018	30.06.2017	30.03.2018
Total fixed assets	31 548	34 324	31 508
Current assets excl. Cash	1 862	2 078	1 675
Cash and cash equivalents	1 371	2 420	1 469
Assets held for sale	123	574	307
<b>Total Assets</b>	<b>34 903</b>	<b>39 396</b>	<b>34 960</b>
Total Equity	3 763	6 591	4 428
Long term debt to credit institutions	16 728	29 948	16 522
Other long term debt	904	520	923
Current liabilities excl. short term debt	1 742	1 569	1 537
Current portion of long term debt	11 766	769	11 550
<b>Total Equity and liabilities</b>	<b>34 903</b>	<b>39 396</b>	<b>34 960</b>

## **KEY OBSERVATIONS:**

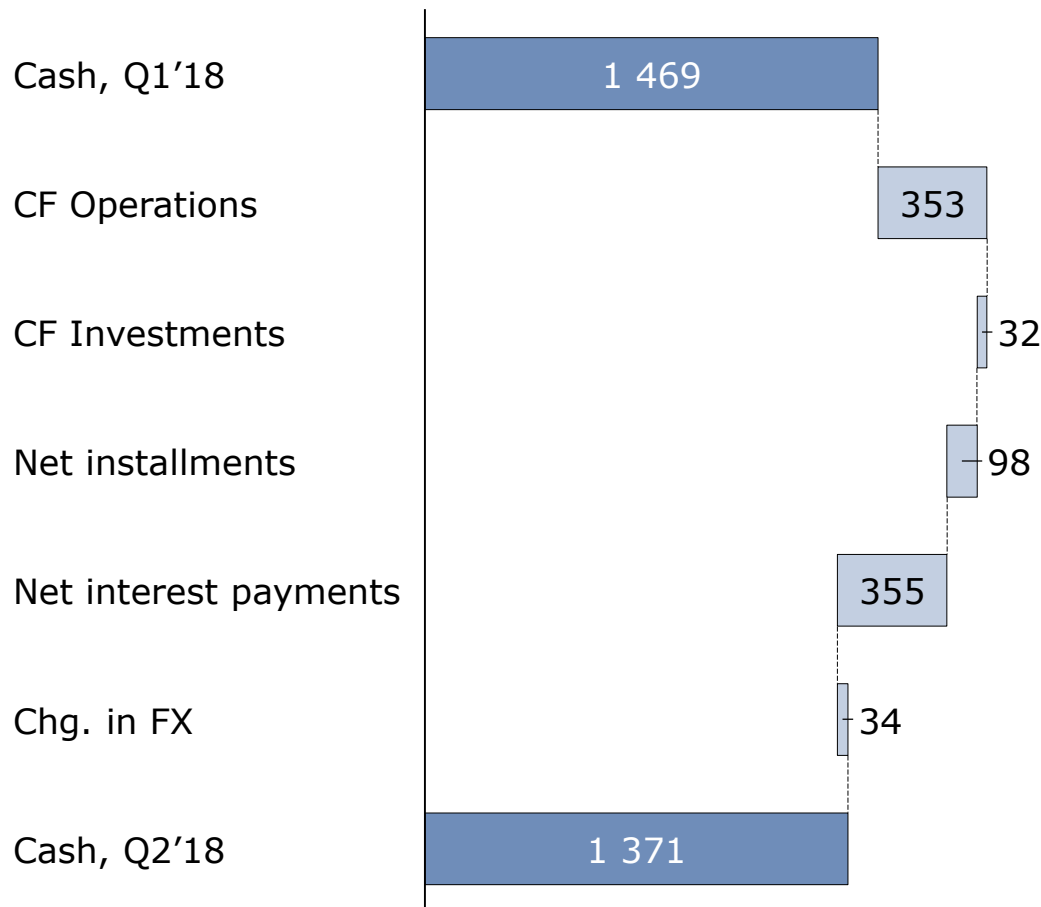
- Company's overall cash position of reduced over the quarter by MNOK 98 to MNOK 1,371 from MNOK 1,469
- Total equity ended at MNOK 3,763, equal to a book value per share of NOK/share 12.9
- Major parts of Farstad Shipping AS and SI3's debt re-classified as Current portion of long term debt due to covenant situation
  - Closing of SI3 process expected in late August 2018



# Q2'18 in numbers – Cash Flow

## CASH FLOW Q1'18-Q2'18

NOKm



## COMMENTS

- Company's overall cash position was reduced with MNOK 98 to MNOK 1,371
- Net cash flow from operations positive MNOK 353
- Net cash flow from investments totaled negative MNOK 32 (adj. for net proceeds from asset sales, and capital expenditure for the total fleet)
- Net interest payment and net installments paid were MNOK 355 and MNOK 98, respectively

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

## COMMENTS

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SOLSHIP INVEST 3  
("SI3")

- Entered into an agreement with financial creditors of SI3 20 July 2018, involving inter alia, deferral of installments, interests and bareboat payments until YE2019
  - Total amount of approx. MUSD 48
- Suspension of majority of financial covenants in same period
- Sterna Finance provides loan of MUSD 27, applied for general corporate purposes

FARSTAD

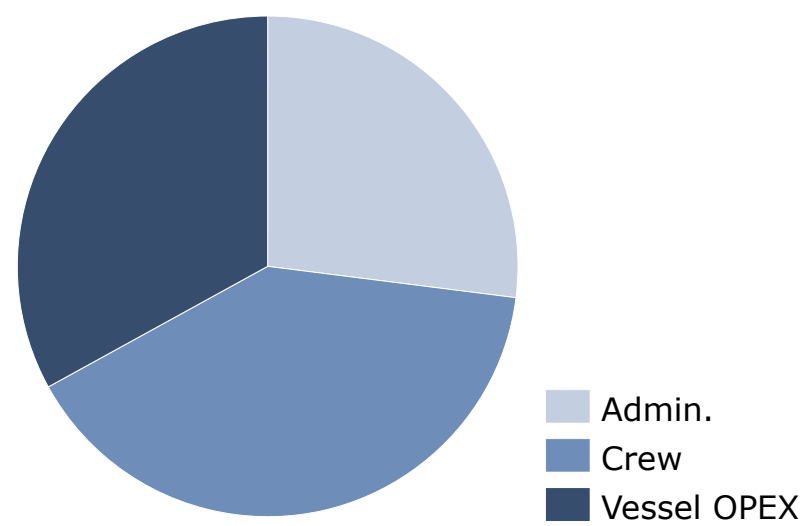
- As per 30 June 2018, Farstad Shipping AS, was not in compliance with a debt-service-cover-ratio financial covenant included in majority of its loan agreements
- The covenant was waived for a period until 31 December 2018, and the is per Q2'18 classified as current debt

# Cost synergies: NOKm 700-800 in annual savings target by YE2018

## POTENTIAL SPLIT IN THREE BROAD AREAS

### SYNERGY SPLIT

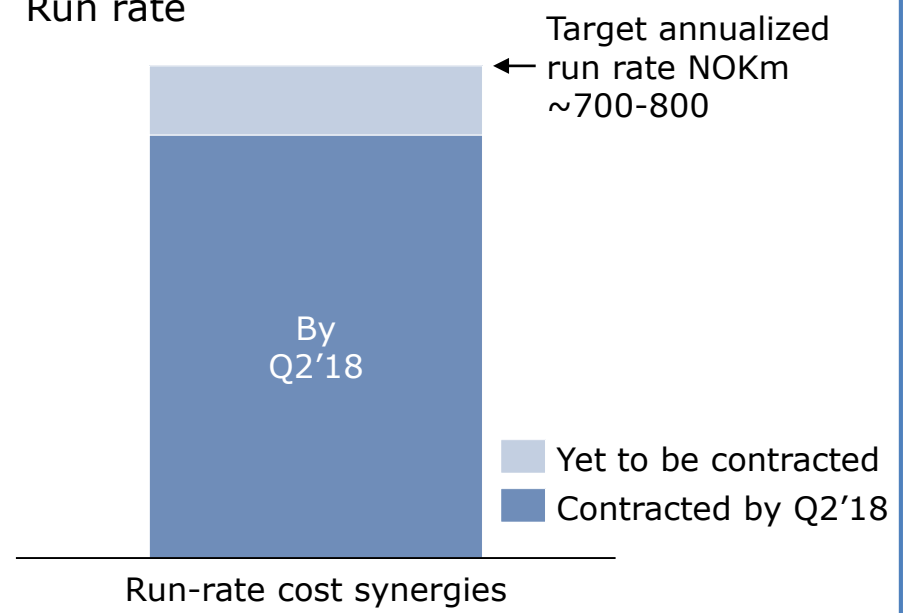
Allocation by category; run rate



## MAIN PART OF SYNERGIES CONTRACTED

### SAVINGS POTENTIAL OVER TIME

Run rate



- Admin. cost: Reduced by approx. MNOK 200 from YE2016
- Crew & vessel OPEX: Cost savings starting to show results, down 8% from Q1'18 to Q2'18
- Cost synergies on track to deliver according to plan

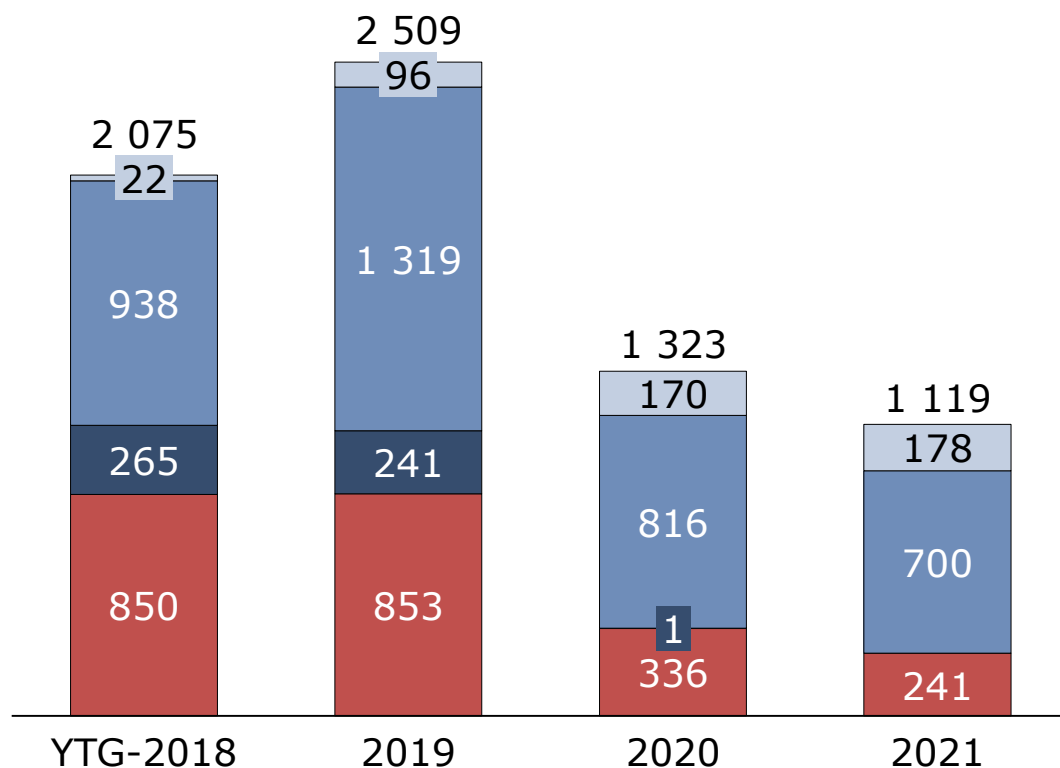
NOTE: Based on execution date, timing of P&L effect not considered; Based on current activity level



# Backlog position as per 1 July 2018

## BACKLOG

NOKbln.



## COMMENTS

- Total contract backlog of NOKbln. ~9.1 as per 1 July 2018 (incl. 50% of JV backlog)
- NOKbln. ~2.1 in firm contract backlog Jul to Dec 2018
- Aquaculture has total backlog of NOKbln ~2.3 (of which 50% included in SolstadFarstad backlog)



# Contract highlights

Entered into new contracts for a total 18 vessels during Q2'18 – total duration ~17 vessel years

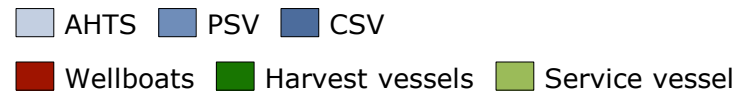
## **KEY CONTRACTS IN THE SUBSEA CONSTRUCTION SEGMENT**

- *Far Saga* contract extension with Petrobras until 2Q'20
- *Nor Australis* awarded 3 months contract with Magseis for operations in Southeast Asia
- *Normand Installer* renewal of frame agreement with SBM Offshore for 2019 and 2020 for minimum 114 and 105 days charter respectively

## **KEY AHTS AND PSV CONTRACTS**

- *BOS Topazio* awarded 3 year firm + 2 year option contract with Petrobras in Brazil
- *Far Santana* contract extension with Petrobras until 2Q'19
- *Sea Tantalus*, and *Far Server* awarded firm contract for approx. 24 months with Maersk Oil in North Sea
- *Normand Flipper* and *Sea Springer* awarded contract for a period of ~9 months with Maersk Oil in North Sea
- *Sea Spark* 12 months contract extension with BP Egypt until June 2019
- *Normand Skude* and *Normand Arctic* awarded 4+4 months firm and option contract with AkerBP
- *Normand Ferking* 12 months contract extension with Equinor until September 2019
- *Far Scimitar* awarded 4+4 months firm and option contract with non-disclosed major OilCo in Brunei
- *Sea Swift* contract with BP Egypt extended 1 year until August 2019
- *Far Scotsman* and *Far Serenade* 3 months contract extension with Equinor in Brazil until December 2018
- *Far Statesman* awarded 5 months contract with ENI for operations in Indonesia
- *Sea Supra* and *Sea Spear* awarded 3 months firm + options in Kara Sea

# Summary



		AHTS & PSV STRATEGIC REGIONS	AHTS & PSV INTERNATIONAL	SUBSEA CONSTRUCTION & RENEWABLE ENERGY	DESS AQUACULTURE
FLEET STATUS	TOTAL # VESSELS	AHTS: 28, PSV: 32	AHTS: 16, PSV: 30	AHTS: 1, PSV: 33	Wellboats: 0, Harvest vessels: 1, Service vessel: 0
	IN OPERATION	AHTS: 19, PSV: 24	AHTS: 4, PSV: 19	AHTS: 1, PSV: 27	Wellboats: 0, Harvest vessels: 1, Service vessel: 0
	IN LAY-UP	AHTS: 9, PSV: 8	AHTS: 12, PSV: 11	AHTS: 0, PSV: 6	Wellboats: 0, Harvest vessels: 0, Service vessel: 0
	NEWBUILDS	AHTS: 0, PSV: 0	AHTS: 0, PSV: 0	AHTS: 0, PSV: 0	Wellboats: 6, Harvest vessels: 0, Service vessel: 3
SEGMENT OUTLOOK		<ul style="list-style-type: none"> <li><b>Norway:</b> Increased activity, based on more rigs drilling, especially in summer season</li> <li><b>Brazil:</b> Steady activity. Growth expected in 2019. High barriers to entry</li> <li><b>Australia:</b> Steady activity. Growth expected in 2019. High barriers to entry</li> </ul>	<ul style="list-style-type: none"> <li><b>UK:</b> Increased demand, especially for PSVs</li> <li><b>South-East Asia, Africa, Med:</b> Small uptick in activity, albeit continued tonnage oversupply</li> </ul>	<ul style="list-style-type: none"> <li><b>SURE:</b> Installation activity expected to from 2019 and onwards</li> <li><b>IMR:</b> Active summer season in the North Sea</li> <li><b>Offshore wind:</b> Continued steady, high activity level</li> </ul>	<ul style="list-style-type: none"> <li>First vessel in operation</li> <li>Actively bidding on new opportunities in a growing market</li> </ul>