



QUARTERLY REPORT
4-2017

REPORT

4TH QUARTER 2017

- Operating income was MNOK 1,096 (MNOK 476) in Q4 2017 and MNOK 3,784 (MNOK 2,580) in 2017
- EBITDA adjusted for operational lease was MNOK 210 (MNOK 149) in Q4 2017 and MNOK 943 (MNOK 1,010) in 2017
- Cash position as per 31.12.2017 was MNOK 1,875
- Annualized synergies and cost reductions of MNOK 400 during 2017, target increased to MNOK 700 – 800
- Market situation gradually improving across all segments

THE COMPANY

Solstad Farstad ASA (“the Company”) is a world leading owner and operator of offshore service vessels. The Company is the result of a merger between Solstad Offshore ASA, REM Offshore ASA (merged with Solstad Offshore ASA in 2016), Farstad Shipping ASA and Deep Sea Supply Plc, which took place in June 2017. As per February 2018 the Company owns and/or operates a fleet of 148 vessels. In addition to the offshore segment, the Company has established a joint venture with Marine Harvest ASA within the aquaculture segment. The joint venture currently has five vessels under construction.

PROGRESS IN SYNERGY AND COST SAVINGS PROGRAM

On announcement of the merger in February 2017, the Company was targeting annual synergies and cost savings of MNOK 450 - 600 compared to the 2016 cost level. Further, in December 2017, Solstad Farstad ASA announced an increase of the targeted annualized savings to MNOK 700 - 800. Of this, in total MNOK 400 of annualized synergies and cost reductions have already been contracted in 2017. The targeted cost saving is based on comparing equal activity levels, and is not dependent on reactivation of vessels in lay-up. The majority of remaining cost cuts are expected to materialize during first half of 2018. The program is expected to have full effect from 4Q 2018 onwards.

The savings mainly relate to three different areas:

1) Global onshore administration: new organization structure has been implemented and the administration expenses have been reduced by combining offices globally and centralization of functions. Different projects to implement common ICT systems are in progress, and will further increase efficiency and strengthen operations.

2) Offshore crew: operational expenses are being reduced through use of best practice to customize crew composition to each individual vessel, flag-state requirements, customer requirements and area of operations.

3) Procurement and economy of scale: combining the four companies have given economies of scale relating to purchasing and logistics, and use of best practice will further reduce costs relating to maintenance and dry-dockings.

ECONOMY AND FINANCE

Operating income in Q4 2017 was MNOK 1,096 compared to MNOK 476 in the corresponding period in 2016. The increase is mainly attributable to the merger of the four companies. Compared to Q3 2017, operating income is MNOK 313 lower, due to lower activity during the North Sea winter season.

Operating income for the full year was MNOK 3,784 (MNOK 2,580). The increase compared to the same period in 2016 is mostly related to the merger, which took place in June 2017.

Operating expenses in Q4 2017 amounted to MNOK 997, of which MNOK 811 are ordinary operating expenses for the Group's vessels. Compared to Q4 2016, operating expenses are MNOK 632 higher, due to the increased fleet. Operating expenses are MNOK 169 lower compared to Q3 2017, which is a combined result of lower activity and cost savings. Administrative expenses, still partly affected by contracted termination and merger transaction costs, amounted to MNOK 140 in the quarter, compared to MNOK 156 in Q3 2017.

Operating expenses for the full year 2017 amounted to MNOK 3,130 compared to MNOK 1,706 for 2016. The increase is related to the increased cost base due to the enlarged fleet from the merger.

¹ **EBITDA** – Operating profit before depreciation and amortization, adjusted for share from joint ventures excess / less values on freight contacts relating to business combinations and sales gains / losses

EBITDA, adjusted for operational leases, for 2017 was MNOK 943, compared to MNOK 1,010 for 2016. EBITDA for Q4 2017 was MNOK 210 (MNOK 149). Compared to Q3 2017 the reduction in total freight income was MNOK 350, while the reduction in EBITDA amounted to MNOK 174 only. The Company has been able to quickly reduce operational costs for vessels that entered seasonal lay-up and is also benefitting from the cost-cutting program. See note 3 for details on EBITDA calculations.

The merger between Solstad Offshore ASA, Farstad Shipping ASA and Deep Sea Supply Plc was in Q2 2017 accounted for in accordance with the acquisition method. The preliminary acquisition analysis identified factors that formed basis for a bargain purchase acquisition at favorable terms. The preliminary analysis has been updated in Q4 2017, and the recorded gain of MNOK 1,540 from Q2 2017 remains unchanged.

During the quarter both USD and GBP has strengthened versus NOK. As a result, unrealized loss related to the Group's debt of MNOK 233 is recorded. Compared to the beginning of the year the value of USD has decreased. The effect associated with the Group's debt is an unrealized gain of MNOK 218.

Given the current market, combined with other indicators such as price/book below 1 and declining broker values, the Company has performed independent valuations of vessels and other assets in accordance with IAS 36.

Value-in-use calculations have been the basis for impairment testing for all vessels with book value exceeding 65% of the average market value set by three reputable, independent brokers. Based on this, the Company has decided to write down the value of its assets by MNOK 395 in Q4 2017.

Result before tax for 2017 was MNOK -330 (MNOK -815).

Total equity at the end of the quarter was MNOK 4,963, i.e. NOK 17 per share.

CASH FLOW AND CASH POSITION

During 4Q 2017, the overall cash position of the Company was reduced by MNOK 238 from MNOK 2,114 to MNOK 1,875. Net cash flow from operations was positive MNOK 276, while net cash flow from investments (net of sales proceeds from asset sales and capital expenditure for the total fleet) was negative MNOK 54. Net interest paid was MNOK 349, and installments paid were MNOK 164 during 4Q 2017. Following positive currency movements of MNOK 53, the total reduction of cash during the quarter was MNOK 238.

For the full year 2017, net interest paid was MNOK 1,096 and net installments paid were MNOK 987.

From a financial risk perspective the Company is organized as

four separate entities, with no parent company guarantees issued by Solstad Farstad ASA on behalf of Solship Invest 1 AS, Farstad Shipping AS or Solship Invest 3 AS.

As previously announced, the Company initiated a process to potentially sell out parts of its non-core fleet. A successful sale would have had a significant impact on the liquidity situation for the Group, and would in particular benefit one of the non-recourse subsidiaries where the liquidity has shown a more negative development than expected.

The process has gained some interest from both industrial and financial investors, but so far no transaction has been concluded. In light of the low cash position in one of the subsidiaries, a transaction would have been beneficial. However, the Company is evaluating and discussing different options and alternative with all relevant stakeholders and third parties, including the lenders, to find long term sustainable solutions.

The Company is working on a continuous basis with alternative strategic opportunities, including sale of vessels, entering into joint ventures or further consolidation of the OSV industry.

SALE OF VESSELS

During the quarter, AHTS "Far Grip", PSV "Far Service" and AHTS "Nor Star", which were agreed sold in Q3 2017, were delivered to new owners. The effect on the income statement is insignificant. The Company's debt is reduced by MNOK 47.

Per year end 2017, Memorandum of Agreements for the sale of the PSV "Far Supporter" and the AHTS's "Sea Fox", "Sea Vixen" and "Sea Stoat" had been entered into. Transfer to new owners is expected to take place in the first half of 2018. The vessels are classified as held-for-sale assets in the accounts.

THE FLEET

At the end of the quarter, the fleet comprised of 148 offshore service vessels. The fleet had the following composition: 34 CSVs, 51 AHTS and 63 PSVs.

VESSELS UNDER CONSTRUCTION

Through DESS Aquaculture Shipping AS, a 50% owned joint venture, the Company has four wellboats and one harvest vessel under construction in the Aquaculture segment. Long term contracts for all newbuilding vessels have been entered into, with commencement directly upon delivery from shipyard. The two wellboats and the harvest vessel are scheduled to be delivered in the first half of 2018, while the last two wellboats have a delivery date in 2019.

The increased activity within the aquaculture represents an exciting growth opportunity for Solstad Farstad, and the Company expects further growth within this segment.

MARKET OUTLOOK

Low demand and too many available vessels have had a significant negative effect on the global offshore service vessel market during the past years, resulting in low rates, low utilization and a large number of vessels in lay-up. However, the recent increase in the tender activity level gives reason to believe that the market has bottomed out, and that the activity level will continue to grow going forward.

The present oil price, combined with reduced cost, will increase investments in the oil & gas sector. Already in 2018 this might give a higher rig activity compared to what has been seen the last years. This is expected to be positive for the demand for AHTS and PSVs.

Within subsea installation several large projects have been sanctioned lately. It is expected that this will lead to increased construction activity from 2019 and onwards. However, demand for subsea maintenance services is expected to pick up already in 2018. In combination with a steady, high activity in the Offshore wind sector, this is expected to grow the demand for CSVs.

Several new contracts have been signed during the quarter, within all vessel segments the Company operates in. The majority of the new contracts are with clients in Norway, UK, Brazil and Australia.

The Company's backlog for 2018 is MNOK 3,015.

RISK

Solstad Farstad ASA and each of its subsidiary groups mentioned above are exposed to market, commercial, operational and financial risks that affect the assets, liabilities,

available liquidity and future cash flows. There is established a risk mitigation framework based on identifying, assessing and managing risks, develop plans and procedures for how to handle these risks at the most appropriate level in the organization. The Board closely monitors the overall risk picture for the group both through management's daily work and reporting to the Board. The Group continuously works to improve its risk management framework, reference is also made to the Information Memorandum dated May 9, 2017 and the Group's Annual Report dated April 3, 2017.

Market and operational risks are changes in demand for and prices of services provided by the Group, and potential adverse effects of the provision of such services. The Group continually evaluates measures to reduce risk exposure as mentioned above. Since 2014, oil prices have dropped significantly and market volatility has increased. This has resulted in increased uncertainty in the oil and gas sector, something that also affects the Group's counterparties. Handling of such risks has become increasingly important.

The Group is exposed to interest rate and currency risk, primarily through long-term financing and long term contracts. Interest rate risk is partially mitigated by hedging contracts, while currency risk is reduced by having debt in the same currency as the long-term charter agreements.

THE COMPANY AND ITS SHAREHOLDERS

As of today, Solstad Farstad ASA has 10,561 shareholders, and approximately 25% of the shares are owned by foreign shareholders.

The Company's market value is approximately MNOK 1,670.

Skudeneshavn 22. februar 2018

Terje Vareberg
Chairman

Ellen Solstad
Director

Toril Eidesvik
Director

Frank O. Reite
Director

Merete Haugli
Director

Harald Thorstein
Director

Lars Peder Solstad
CEO

CONDENCED STATEMENT OF COMPREHENSIVE INCOME

PRELIMINARY ACCOUNTS (NOK 1,000)

	Note	2017 01.10-31.12	2016 01.10.31.12	2017 01.01-31.12	2016 01.01-31.12
Operating income	2,3	1,096,198	475,500	3,784,154	2,580,140
Vessel operating expenses		-811,037	-298,248	-2,624,276	-1,482,542
Administrative expenses		-139,644	-66,073	-421,475	-223,027
Operational lease vessels		-46,047	-	-84,513	-
Total operating expenses		-996,728	-364,321	-3,130,264	-1,705,569
Operating result before depreciations		99,469	111,180	653,890	874,571
Ordinary depreciation	4	-299,911	-148,273	-993,099	-476,648
Impairment	4	-394,720	-1,099,371	-394,720	-1,199,371
Net gain/ loss on sale of assets		2,579	-	-243	1,202
Operating result	3	-592,582	-1,136,465	-734,173	-800,246
Result from Joint Ventures	5	2,361	18,659	-109,337	64,083
Result from associated companies	5	10,541	2,320	28,980	-2,481
Gain from business combinations		-	-	1,540,000	-
Total other items		12,903	20,979	1,459,644	61,602
Interest income		4,878	1,809	10,216	7,399
Realised currency gain/ -loss		15,983	61,935	-42,108	514,432
Unrealised currency gain/ -loss		-232,993	-263,599	217,819	-223,830
Interest charges		-349,262	-154,273	-1,129,583	-542,149
Net financial charges / -income		-2,001	-27,194	-111,830	167,591
Net financing		-563,395	-381,321	-1,055,486	-76,556
Ordinary result before taxes		-1,143,074	-1,496,807	-330,015	-815,200
Taxes ordinary result	7	-6,231	-1,024	-14,470	-11,309
RESULT		-1,149,305	-1,497,831	-344,485	-826,509
Other comprehensive income:					
Exchange differences on translating foreign operations		101,052	46,300	-148,286	-119,557
Available-for-sale financial assets		-1,500	1,525	1,500	-729
Gain-/ loss hedging intruments		-15,795	-	-	-
Actuarial gain		-34,239	1,066	-34,239	1,066
OTHER COMPREHENSIVE INCOME		-1,099,787	-1,448,939	-525,510	-945,729
Result attributable to:					
Non-controlling interests		-19,022	-	-31,242	39,044
Majority share		-1,130,284	-1,497,831	-313,243	-865,553
Earnings per share		-3,94	-22,09	-1,18	-9,33
Other comprehensive income attributable to:					
Non-controlling interests		-19,022	-	-31,242	39,044
Majority share		-1,080,765	-1,448,940	-494,267	-984,773
Other comprehensive income per share		-3,77	-21,37	-1,80	-10,68
EBITDA adjusted for operational leases		210,101	149,328	943,241	1,010,307
Number of shares (1,000)		291,407	67,806	291,407	88,562

CONDENCED STATEMENT OF FINANCIAL POSITION

PRELIMINARY ACCOUNTS (NOK 1,000)

	Note	2017 31.12	2016 31.12
ASSETS			
Fixed Assets:			
Intangible assets		449,932	102,157
Tangible fixed assets	4	31,218,772	18,475,738
Investment in associated companies and Joint Ventures	5	562,147	710,698
Financial fixed assets		101,893	28,153
Total fixed assets		32,332,745	19,316,747
Current Assets:			
Stocks		219,267	73,120
Accounts receivables		1,064,937	598,190
Other receivables		446,627	342,517
Market based shares		11,778	10,188
Deposits, cash, etc		1,875,482	1,750,450
Total current assets		3,618,091	2,774,464
Assets held for sale		187,554	193,673
TOTAL ASSETS		36,138,389	22,284,884
EQUITY AND LIABILITIES			
Equity:			
Paid-in equity	8	4,602,812	2,454,064
Other equity	8	328,252	938,458
Non-controlling interests		31,963	63,205
Total equity		4,963,026	3,455,727
Liabilities:			
Long-term provisions		606,447	334,481
Other long-term debt	6	233,752	226,991
Debt to credit institutions	6	28,332,724	17,261,497
Total long-term debt		29,172,922	17,822,969
Current liabilities:			
Current portion of long-term debt	6	650,449	330,694
Other current liabilities		1,351,992	675,493
Total current liabilities		2,002,441	1,006,188
Total liabilities		31,175,363	18,829,157
TOTAL EQUITY AND LIABILITIES		36,138,389	22,284,884

STATEMENT OF CASH FLOW

PRELIMINARY ACCOUNTS (NOK 1,000)

CASH FLOW FROM OPERATIONS	2017	2016
	31.12	31.12
Result before tax	-330,015	-815,200
Taxes payable	-12,382	-23,569
Ordinary depreciation and write downs	1,387,819	1,676,019
Gain (-)/ loss long-term assets	-1,341,361	-231,778
Interest income	-11,861	-7,399
Interest expense	1,105,344	542,149
Terminated borrowing costs	8,844	63,550
Effect of change in pension assets	-12,009	5,979
Change in value of financial instruments	-39,021	-43,962
Unrealised currency gain/ -loss	-183,772	-194,975
Change in short-term receivables and payables	-41,254	290,651
Change in other accruals	210,697	-52,298
Net cash flow from operations	741,029	1,209,166
CASH FLOW FROM INVESTMENTS		
Investment in tangible fixed assets (vessels)	-71,247	-2,868,142
Payment of periodic maintenance	-159,504	-154,156
Consideration sale of fixed assets (vessels)	661,014	3,164,487
Payment of long-term receivables	-19,653	-21,146
Addition of cash related to merger	935,225	773,011
Investments in other shares and holdings	-69,535	-262,690
Realization of shares and holdings	-	1,837
Net cash flow from investments	1,276,441	633,202
CASH FLOW FROM FINANCING		
Paid-in capital	200,000	311,683
Payment to/ from minority interests	-	-9,725
Purchase / sale treasury shares	-	-
Drawdon and repayment (-) bank overdraft	-	-82,656
Received interests	12,569	7,399
Paid interests	-1,108,551	-569,484
Convertible loan	-	250,000
Drawdown long-term debt	438,853	8,103,729
Repayment of long-term debt	-1,425,447	-9,107,717
Net cash flow from financing	-1,882,577	-1,096,771
Effect of changes in foreign exchange rates	-9,388	-20,213
Net change in cash	134,330	745,597
Cash at 01.01	1,750,540	1,025,066
Cash at balance sheet date	1,875,482	1,750,450

STATEMENT OF CHANGES IN EQUITY

PRELIMINARY ACCOUNTS (NOK 1,000)

	Paid-in capital	Treasury shares	Other paid-in capital	Earned equity	Translation adjustment	Total majority shares	Minority shares	Total equity
Equity 01.01.2017	177,374	-251	2,276,941	545,266	393,193	3,392,522	63,205	3,455,727
Annual result	-	-	-	-313,243	-	-313,243	-31,242	-344,485
Actuarial gain (loss)	-	-	-	-34,239	-	-34,239	-	-34,239
Translation adjustments	-	-	-	-	-148,286	-148,286	-	-148,286
Gain/loss hedging instruments	-	-	-	-	-	-	-	0
Value changes assets available for sale	-	-	-	1,500	-	1,500	-	1,500
Other comprehensive income	-	-	-	-345,981	-148,286	-494,267	-31,242	-525,510
Equity contribution	365,691		1,533,057	-	-	1,898,748	-	1,898,748
Conversion of convertible bond	40,000	-	210,000	-115,939	-	134,061	-	134,061
Other adjustments	-	-	-	-1	-	-1	-	-1
Equity 31.12.2017	583,065	-251	4,019,999	83,345	244,907	4,931,064	31,963	4,963,026

	Paid-in capital	Treasury shares	Other paid-in capital	Earned equity	Translation adjustment	Total majority shares	Minority shares	Total equity
Equity 01.01.2016	77,375	-850	1,765,835	1,427,391	512,749	3,782,500	-114,924	3,667,575
Annual result	-	-	-	-865,553	-	-865,553	39,044	-826,509
Actuarial gain (loss)	-	-	-	1,066	-	1,066	-	1,066
Translation adjustments	-	-	-	-	-119,557	-119,557	-	-119,557
Value changes assets available for sale	-	-	-	-729	-	-729	-	-729
Other comprehensive income	0	0	0	-865,216	-119,557	-984,773	39,044	-945,729
Purchase/ sale treasury shares	-	600	-	3,901	-	4,501	-	4,501
Equity contribution	99,999	-	511,106	-	-	611,105	-	611,105
Equity share convertible loan	-	-	-	128,000	-	128,000	-	128,000
Paid dividend/ surplus	-	-	-	-	-	-	-9,725	-9,725
Minority share merger	-	-	-	-63,205	-	-63,205	63,205	0
Change in minority share purchase	-	-	-	-85,605	-	-85,605	85,605	0
Other adjustments	-	-1	-	1	-	-	-	0
Equity 31.12.2016	177,374	-251	2,276,941	545,266	393,193	3,392,522	63,205	3,455,727

NOTES TO CONDENCED STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF FINANCIAL POSITION

PRELIMINARY ACCOUNTS (NOK 1,000)

NOTE 1 - GENERAL

Solstad Farstad ASA has its head office in Skudeneshavn, Norway. The main activities of the company are operation and ownership of offshore service and construction vessels. The Group is listed on Oslo Stock Exchange. The quarterly accounts are prepared using the same accounting principles as last year's accounts and in compliance with IAS 34 Interim Financial Reporting. Except for increased disclosure requirements, it is not expected that the implementation of IFRS 15 in 2018 will affect the financial statement significantly.

NOTE 2 - REPORTING PER SEGMENT

	2017 01.10-31.12	2016 01.10-31.12	2017 01.01-31.12	2016 01.01-31.12
Net freight income per type of vessel				
AHTS	291,016	94,835	826,966	491,680
PSV	276,193	17,965	686,150	92,082
CSV	528,989	362,701	2,271,038	1,996,378
Total operating income	1,096,198	475,500	3,784,154	2,580,140
	2017 01.10-31.12	2016 01.10-31.12	2017 01.01-31.12	2016 01.01-31.12
Operating result per type of vessel				
AHTS	-233,735	-508,293	-435,327	-555,817
PSV	-273,445	-154,037	-449,056	-220,072
CSV	-85,401	-474,135	150,211	-24,357
Total operating result (*)	-592,582	-1,136,465	-734,173	-800,246

The business is divided into three operating segments based on the different types of vessels; anchor-handling vessels (AHTS) delivering services related to rig moves and anchoring of rigs and other devices at sea, platform supply vessels (PSV) typically used to transportation of material to offshore installations and construction service vessels (CSV) delivering services relating to development, inspection and repairs of both sub sea and floating installations. All figures are adjusted for gain or loss from sale of vessels.

* Exclusive share result from Joint Ventures

NOTES TO CONDENCED STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF FINANCIAL POSITION

PRELIMINARY ACCOUNTS (NOK 1,000)

NOTE 3 - EBITDA

	2017 01.10-31.12	2016 01.10-31.12	2017 01.01-31.12	2016 01.01-31.12
Net freight income	1,096,198	475,500	3,784,154	2,580,140
Excess and less values freight contracts	59,043	-	146,864	-
Freight income from Joint Ventures	11,336	53,315	108,231	204,315
Total Freight income	1,166,576	528,815	4,039,248	2,786,812
Operating cost	996,728	364,321	3,130,264	1,705,569
Operating cost from Joint Ventures	5,794	15,167	50,257	70,936
Total operating cost	1,002,522	379,487	3,180,521	1,776,505
EBITDA	164,054	149,328	858,727	1,010,307
Operational leases	46,047	-	84,513	-
EBITDA adjusted for operational leases	210,101	149,328	943,241	1,010,307

In connection with the merger with Rem Offshore, Farstad Shipping and Deep Sea Supply, the purchase price allocation analysis identified several long-term freight contracts where the daily rates were higher or lower than the market rate at the time of acquisition. A part of the purchase price was thus allocated to these excess / less values and capitalized. In line with the fulfillment and revenue recognition of freight contracts, the capitalized excess / less value is derecognized. The adjustment has no cash effect, and thus comes as an addition to booked freight income when calculating EBITDA.

EBITDA is defined as "Operating result before depreciation adjusted for share of EBITDA from joint ventures (JV's), excess/ less values on freight contracts relating to business combinations and gain/ loss on disposals.

NOTES TO CONDENCED STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF FINANCIAL POSITION PRELIMINARY ACCOUNTS (NOK 1,000)

NOTE 4 - FIXED ASSETS

	Vessels	Periodic maintenance	New builds	Other	Total
Opening balance 01.01.2017	18,046,030	394,788		34,921	18,475,738
Additions	38,991	159,504	-	32,256	230,751
Additions from merger	15,086,794	268,307	-	127,489	15,482,590
Transferred	12,400	-	-	-12,400	0
Asset held for sale	-170,419	-17,134	-	-	-187,554
Disposals	-1,069,329	-14,350	-	-4,303	-1,087,982
Translation adjustment	-305,017	-324	-	-1,612	-306,953
Impairment	-388,308	-	-	-6,412	-394,720
Depreciation	-759,415	-216,614	-	-17,070	-993,099
Closing balance	30,491,727	574,177	0	152,869	31,218,772

Vessels are depreciated over 20 years to a residual value equal to 50% of the original cost, adjusted for changes in the vessels' market / broker value, so the value of a 20 year old ship corresponds broker value. Other assets are depreciated at rates of 10-25%.

Groups fleet have been tested for impairment i Q4. Value in use calculations have been the basis for the impairment testing. Based on the calculations, the Group has written down the value of its assets by MNOK 395 in Q4 2017.

PSV "Far Service" and AHTS's "Nor Star" and "Far Grip" were sold and delivered to new owners in Q4 2017. The sales gave a net profit of MNOK 3.

Agreements are entered into for sale of PSV "Far Supporter" and the AHTS's "Sea Fox", "Sea Vixen" and "Sea Stoa", with delivery in the first half of 2018. Net book value, MNOK 188, is presentert as Asset held for sale in the Balance Sheet.

In connection with the consolidation of Farstad Shipping ASA and Deep Sea Supply Plc in Q2 there is posted a net increase in fixed assets of MNOK 15,483.

NOTES TO CONDENCED STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF FINANCIAL POSITION

PRELIMINARY ACCOUNTS (NOK 1,000)

NOTE 5 - INVESTMENT IN ASSOCIATED COMPANIES AND JOINT VENTURES

The Group had the following shares in joint ventures (JV) and associated companies (AC):

AC	JV
Deep Well AS (22%)	Normand Installer SA (50%)
Solstad Offshore Crewing Services Philippines (25%)	Normand Oceanic AS (50%) - sold
Maximus Limited (25%)	Normand Oceanic Chartering AS (50%) - sold
	DESS Aquaculture Shipping AS (50%)

	AC	JV	TOTAL
Opening balance	301,889	408,809	710,698
Share of result year to date	28,980	-109,337	-80,356
Additions from merger	-	22,724	22,724
Other additions	-	100,325	100,325
Other adjustments	-40,509	-150,734	-191,243
Closing balance	290,360	271,787	562,147

Share of result year to date from Joint Ventures includes an impairment of a vessel by MNOK 234 (100%).

Additions from merger and Other additions relates to DESS Aquaculture.

The shares in Normand Oceanic AS and Normand Oceanic Chartering AS were sold in Q4 2017 and was written down by MNOK 147 to sales value in Q3 2017.

NOTE 6 - INTEREST BEARING DEBT

	2017 31.12	2017 30.09	2016 31.12
Long term debt	28,566,475	28,401,203	17,488,488
Current portion of long term debt	650,449	572,195	330,694
Interest bearing debt (*)	29,216,924	28,973,398	17,819,182
Total interes bearing debt	29,216,924	28,973,398	17,819,182
Bank deposits	1,875,482	2,113,677	1,750,450
Net interest bearing debt	27,341,442	26,859,721	16,068,732

Long-term debt is divided as follows: 44% NOK, 51% USD, 3% GBP and 2% AUD. At the end of the quarter, fixed interest agreement loans, in addition to hedging agreements with remain maturity of up to 3 years, were entered into for around 40% of the total long-term debt.

Of the total debt of MNOK 31,272, in total 13,227 MNOK is held by Solstad Farstad ASA and the remaining debt of MNOK 18,045 is held by subsidiaries and is non-recourse to the Company.

* Inclusive recognized debt relating to financial lease MNOK 3,030.

NOTES TO CONDENCED STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF FINANCIAL POSITION

PRELIMINARY ACCOUNTS (NOK 1,000)

NOTE 7 - TAX EXPENSE

The Group's operations are mainly subject to Norwegian tonnage tax. Estimated tax thus consists mainly of taxes on operations conducted abroad involving sedentary, local taxation. The tax is based on the best estimate.



Normand Vision - VARD 3 06



Far Solitaire - UT 754 WP

AHTS FLEET GALLERY AND EMPLOYMENT

(AT 15.02.18) For more information about each vessel visit: WWW.SOLSTADFARSTAD.COM/FLEET/AHTS-VESSELS/



BOS Topázio



BOS Turmalina



BOS Turquese



Elang Laut 1



Far Sabre



Far Saracen



Far Sailor



Far Saltire



Far Santana



Far Sapphire



Far Sagaris



Far Scimitar



Far Scorpion



Far Scout



Far Senator



Far Senior



Far Sigma



Far Sirius



Far Sound



Far Sovereign



Far Statesman



Far Strait



Far Stream



Far Sword



Lady Astrid



Lady Caroline



Nor Captain



Nor Chief



Nor Spring



Nor Tigerfish



Normand Atlantic



Normand Borg



Normand Drott



Normand Ferking



Normand Ivan



Normand Mariner



Normand Master



Normand Neptun



Normand Prosper



Normand Ranger



Normand Titan



Sea Badger



Sea Cheetah



Sea Fox



Sea Jackal



Sea Jaguar



Sea Leopard



Sea Ocelot



Sea Panther



Sea Stoat



Sea Tiger



Sea Vixen

Vessel name	Design	Year built	BHP	Employment *) at 15.02.18	2018	2019	2020	2021	2022
BOS Topázio	UT 728 L	2005	12 240	Se. 19 + opt.	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
BOS Turmalina	UT 722 L	2006	14 416	Sept. 19 + opt.	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
BOS Turquesa	UT 722 L	2007	18 088	July 18 + opt.	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Elang Laut 1	Khiam Chuan	2009	12 240	Spot	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Far Sabre	UT 712 L	2008	15 953	Dec. 18 + opt.	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Far Sagaris	UT 731 CD	2009	23 664	Feb. 19 + opt.	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Far Sailor	UT 722	1997	16 823	Lay-up	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Far Saltire	UT 728 L	2002	16 320	Lay-up	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Far Santana	UT 730	2000	19 203	Feb. 19	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Far Sapphire	UT 732 CD	2007	27 472	Spot	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Far Saracen	UT 731 CD	2010	23 664	July 18 + opt.	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Far Scimitar	UT 712 L	2008	15 950	May 18 + opt.	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Far Scorpion	UT 731 CD	2009	24 143	Aug. 19 + opt.	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Far Scout	UT 722 L	2001	16 823	Spot	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Far Senator	UT 731 CD	2013	24 371	Aug. 18 + opt.	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Far Senior	UT 722 L	1998	16 823	Lay-up	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Far Sigma	UT 731 CD	2014	24 371	Spot	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Far Sirius	UT 731 CD	2014	24 371	April 18 + opt.	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Far Sound	UT 712 L	2007	16 157	Lay-up	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Far Sovereign	UT 741	1999	27 401	Lay-up	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Far Statesman	UT 731 CD	2013	24 371	July 18 + opt.	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Far Strait	UT 712 L	2006	16 157	Spot	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Far Stream	UT 722 L	2006	16 005	June 18 + opt.	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Far Sword	UT 712 L	2006	16 005	Sept. 19 + opt.	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Lady Astrid	UT 722	2003	12 240	Lay-up	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Lady Caroline	UT 722	2003	12 240	Lay-up	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Nor Captain	Khiam Chuan	2007	10 880	Lay-up / June 18	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Nor Chief	Khiam Chuan	2008	10 728	Lay-up	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Nor Spring	Sasaship	2008	7 956	Oct. 18 + opt.	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Nor Tigerfish	Khiam Chuan	2007	5 422	Lay-up	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Normand Atlantic	UT 740	1997	18 600	Lay-up	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Normand Borg	UT 722 L	2000	16 800	Lay-up	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Normand Drott	AH 12	2010	32 792	Spot	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Normand Ferking	VS 490	2007	20 700	Sept. 18 + opt.	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Normand Ivan	VS 480	2002	20 000	Lay-up	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Normand Mariner	A 101	2002	23 330	Lay-up	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Normand Master	A 101	2003	23 478	Spot	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Normand Neptun	UT 740	1996	18 600	Lay-up	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Normand Prosper	AH 12	2010	32 600	Spot	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Normand Ranger	VS 490	2010	28 000	Spot	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Normand Titan	UT 712 L	2007	16 320	Lay-up	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Sea Badger	Seatech P-729	2011	6 800	Lay-up	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Sea Cheetah	Khiam Chuan	2007	15 000	Lay-up	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Sea Fox	SeaTech P-729	2010	6 800	Sold	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Sea Jackal	SeaTech P-729	2011	6 800	Lay-up	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Sea Jaguar	Khiam Chuan	2007	15 000	Lay-up	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Sea Leopard	KMAR 404	1998	15 000	Lay-up	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Sea Ocelot	Khiam Chuan	2007	10 880	Lay-up	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Sea Panther	KMAR 404	1998	15 000	Lay-up	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Sea Stoat	SeaTech P-729	2011	6 800	Sold	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Sea Tiger	KMAR 404	1998	15 000	March 18 + opt	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Sea Vixen	SeaTech P-729	2011	6 800	Sold	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>

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

Contract Charterer's option Spot

PSV FLEET GALLERY AND EMPLOYMENT

(AT 15.02.18) For more information about each vessel visit: www.solstadfarstad.com/fleet/psv-vessels/



Far Scotsman



Far Searcher



Far Seeker



Far Serenade



Far Server



Far Sitella



Far Skimmer



Far Solitaire



Far Spice



Far Spirit



Far Splendour



Far Star



Far Starling



Far Strider



Far Sun



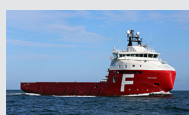
Far Supplier



Far Supporter



Far Swan



Far Sygna



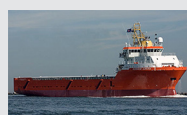
Far Symphony



Lady Melinda



Normand Arctic



Normand Aurora



Normand Corona



Normand Falnes



Normand Flipper



Normand Fortune



Normand Leader



Normand Naley



Normand Provider



Normand Server



Normand Sira



Normand Skipper



Normand Skude



Normand Supplier



Normand Supporter



Normand Trym



Normand Vibran



Sea Angler



Sea Bass



Sea Brasil



Sea Falcon



Sea Flyer



Sea Forth



Sea Frost



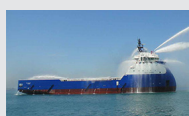
Sea Halibut



Sea Pike



Sea Pollock



Sea Spark



Sea Spear



Sea Spider



Sea Springer



Sea Supra



Sea Surfer



Sea Swan



Sea Swift



Sea Tantalus



Sea Titus



Sea Tortuga



Sea Triumph



Sea Trout



Sea Turbot



Sea Witch

Vessel name	Design	Year built	DWT	Employment *) at 15.02.18	2018	2019	2020	2021	2022
Far Scotsman	PSV 08 CD	2012	4 000	Aug. 18 + opt.	<div></div>	<div></div>	<div></div>		
Far Searcher	UT 751 E	2008	5 127	Aug. 22 + opt.	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Far Seeker	UT 751 E	2008	4 905	Jan. 19 + opt.	<div></div>	<div></div>			
Far Serenade	UT 751 CD	2009	5 944	Aug. 18 + opt.	<div></div>	<div></div>	<div></div>		
Far Server	HY 832 CD	2010	3 735	Lay-up	<div></div>				
Far Sitella	PSV 08 CD	2013	4 000	Feb. 20	<div></div>	<div></div>			
Far Skimmer	PSV 08 CD	2012	4 000	Jan. 19 + opt.	<div></div>	<div></div>			
Far Solitaire	UT 754 WP	2012	6 336	March 18 + opt.	<div></div>				
Far Spica	PSV 08 CD	2013	4 000	Oct. 19 + opt.	<div></div>	<div></div>	<div></div>		
Far Spirit	VS 470 Mk II	2007	3 624	Lay-up	<div></div>				
Far Splendour	P 106	2003	3 503	Lay-up	<div></div>				
Far Star	UT 745	1999	4 403	March 19 + opt.	<div></div>	<div></div>	<div></div>		
Far Starling	PSV 08 CD	2013	4 000	March 18 + opt.	<div></div>				<div></div>
Far Strider	VS 483	1999	3 965	April 20 + opt.	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Far Sun	Vard 1 07	2014	5 635	July 20 + opt.	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Far Supplier	VS 483	1999	4 709	May 19	<div></div>	<div></div>			
Far Supporter	UT 750	1996	4 680	March 18 / Sold	<div></div>				
Far Swan	VS 470 Mk II	2006	3 628	Feb. 18 + opt.	<div></div>				
Far Sygna	Vard 1 07	2014	5 700	Sept. 20 + opt.	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Far Symphony	P 105	2003	4 929	Oct. 18 + opt.	<div></div>	<div></div>			
Lady Melinda	UT 755	2003	2 777	Lay-up	<div></div>				
Normand Arctic	PSV 12 LNG	2011	4 900	Lay-up	<div></div>				
Normand Aurora	P 105	2005	4 929	July 18	<div></div>				
Normand Corona	MT 6000 MK II	2006	4 348	Lay-up	<div></div>				
Normand Falnes	VS 485	2011	5 492	Lay-up	<div></div>				
Normand Flipper	UT 745 E	2003	4 340	Spot	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Normand Fortune	VS 485	2013	5 275	Spot	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Normand Leader	VS 499	2013	6 164	April 22 + opt.	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Normand Naley	VS 485	2011	5 506	May 18 + opt.	<div></div>	<div></div>	<div></div>	<div></div>	
Normand Provider	UT 755	2007	3 326	Lay-up	<div></div>				
Normand Server	PSV 06 CD	2011	5 300	Jan. 22 + opt.	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Normand Sira	MT 6009	2008	3 642	Lay-up	<div></div>				
Normand Skipper	VS 4420	2005	6 608	Aug. 18 + opt.	<div></div>	<div></div>			
Normand Skude	VS 485	2015	5 347	May 18 + opt.	<div></div>	<div></div>			
Normand Supplier	UT 755	2010	3 268	Lay-up	<div></div>				
Normand Supporter	PSV 06 CD	2012	5 300	Dec. 21 + opt.	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Normand Trym	UT 755 LN	2006	3 298	Lay-up	<div></div>				
Normand Vibran	UT 755 LN	2008	3 375	Lay-up	<div></div>				
Sea Angler	UT 755 L	2007	3 250	Lay-up	<div></div>				
Sea Bass	UT 755 L	2008	3 250	Lay-up	<div></div>				
Sea Brasil	PSV 09 CD	2012	4 700	Dec. 19 + opt.	<div></div>	<div></div>	<div></div>	<div></div>	
Sea Falcon	PX 105	2013	4 419	Oct. 18 + opt.	<div></div>	<div></div>	<div></div>	<div></div>	
Sea Flyer	PX 105	2013	4 419	Dec. 19 + opt.	<div></div>	<div></div>	<div></div>	<div></div>	
Sea Forth	PX 105	2013	4 419	Dec. 19 + opt.	<div></div>	<div></div>	<div></div>	<div></div>	
Sea Frost	PX 105	2013	4 419	July 19 + opt.	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Sea Halibut	UT 755 L	2007	3 250	Lay-up	<div></div>				
Sea Pike	UT 755 L	2007	3 250	Lay-up	<div></div>				
Sea Pollock	UT 755 L	2008	3 250	Lay-up	<div></div>				
Sea Spark	PX 105	2013	4 419	March 18	<div></div>				
Sea Spear	PX 105	2014	4 459	March 18	<div></div>				
Sea Spider	PX 105	2014	4 459	Spot	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Sea Springer	PX 105	2014	4 459	Lay up	<div></div>				
Sea Supra	PX 105	2014	4 459	April 18 + opt.	<div></div>	<div></div>			
Sea Surfer	PX 105	2014	4 459	April 18 + opt.	<div></div>	<div></div>			
Sea Swan	PX 105	2014	4 459	April 18 + opt.	<div></div>	<div></div>			
Sea Swift	PX 105	2014	4 459	July 18 + opt.	<div></div>	<div></div>			
Sea Tantalus	PSV 05-L CD	2013	4 047	Feb. 18 + opt.	<div></div>				
Sea Titus	PSV 05-L CD	2014	4 047	April 19	<div></div>	<div></div>			
Sea Tortuga	PSV 05-L CD	2014	4 047	Spot	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Sea Triumph	PSV 05-L CD	2014	4 047	April 18 + opt.	<div></div>	<div></div>			
Sea Trout	VS 470 MK II	2007	3 570	Lay-up	<div></div>				
Sea Turbot	UT 755 L	2008	3 250	Lay-up	<div></div>				
Sea Witch	UT 755 L	2008	3 520	Lay-up	<div></div>				

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

Contract Charterer's option Spot

CSV FLEET GALLERY AND EMPLOYMENT

(AT 15.02.18) For more information about each vessel visit: WWW.SOLSTADFARSTAD.COM/FLEET/OCVCSV-VESSELS/



Far Saga



Far Samson



Far Scotia



Far Sentinel



Far Sleipner



Far Superior



Far Swift



Nor Australis



Nor Valiant



Norce Endeavour



Normand Baltic



Normand Clipper



Normand Commander



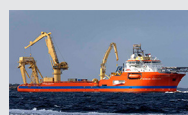
Normand Cutter



Normand Flower



Normand Fortress



Normand Installer



Normand Jarl



Normand Jarstein



Normand Maximus



Normand Mermaid



Normand Ocean



Normand Pacific



Normand Pioneer



Normand Poseidon



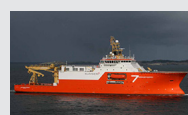
Normand Progress



Normand Reach



Normand Seven



Normand Subsea



Normand Tonjer



Normand Vision



Normand Reach - VARD 3 03 and Normand Subsea VS 4710

Vessel name	Design	Year built	BHP	Employment *) at 15.02.18	2018	2019	2020	2021	2022
Far Saga	UT 745 L	2001	10 812	May 20 + opt.					
Far Samson	UT 761 CD	2009	47 627	Sept. 18 + opt.					
Far Scotia	UT 755	2001	5 454	Lay-up					
Far Sentinel	Vard 3 07	2015	22 794	June 20 + opt.					
Far Sleipner	Vard 3 07	2015	22 549	July 18 + opt.					
Far Superior	Vard 3 17	2017	15 667	Nov. 21 + opt.					
Far Swift	UT 755 L	2003	5 454	Oct 18					
Nor Australis	Conan Wu	2009	5 400	Spot					
Nor Valiant	Conan Wu	2008	5 470	April 18 + opt.					
Norce Endeavour	VS 1040	2011	N/A	July 18 + opt.					
Normand Baltic	STX 06 CD	2010	11 736	April 18 + opt.					
Normand Clipper	VS 4125	2001	22 195	Spot					
Normand Commander	MT 6016 MK II	2006	10 196	Feb. 23 + opt.					
Normand Cutter	VS 4125	2001	22 204	Lay-up					
Normand Flower	UT 737	2002	14 000	Aug. 18 + opt.					
Normand Fortress	MT 6016 MK II	2006	10 759	Lay-up					
Normand Installer	VS 4204	2006	31 360	Spot					
Normand Jarl	MT 6022	2013	14 552	Jan. 19 + opt.					
Normand Jarstein	MT 6022 L	2014	17 232	Dec. 18 + opt.					
Normand Maximus	Vard 3 19	2016	39 111	Oct. 24 + opt.					
Normand Mermaid	P 103	2002	14 400	Spot					
Normand Ocean	MT 6022	2014	17 476	Oct. 21 + opt.					
Normand Pacific	ST 257 L CD	2010	22 073	Oct. 18 + opt.					
Normand Pioneer	UT 742	1999	27 920	June 18					
Normand Poseidon	MT 6016	2009	10 196	Feb. 20 + opt.					
Normand Progress	UT 742	1999	27 920	Lay-up					
Normand Reach	Vard 3 03	2014	20 651	Aug. 19					
Normand Seven	VS 4220	2007	25 017	Lay-up					
Normand Subsea	VS 4710	2009	19 800	Dec. 19 + opt.					
Normand Tonjer	VS 495	2010	11 600	Lay-up					
Normand Vision	Vard 3 06	2014	27 850	June 22 + opt.					

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

■ Contract
 ■ Charterer's option
 ■ Spot
▨ Framework Agreement
 ▨ Charterer's option



Far Superior - VARD 3 17



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