



# **Deep Sea Supply PLC**

Quarter 4 2016

Financial Report

# Deep Sea Supply Plc 4Q 2016 Financial Report

## BOARD OF DIRECTORS' REPORT

*Deep Sea Supply ("DESS" or "Company") reports unaudited results for 4Q 2016.*

### **Highlights**

- *Consolidated revenues of MUSD 9.2 and negative EBITDA of MUSD 3.8*
- *Extraordinary impairments of MUSD 78.9 and negative pre-tax profit of MUSD 104.5*
- *Awarded a 1 year contract for the AHTS vessel Sea Eagle 1. In addition, contracts extensions and new contracts have been awarded for another 8 PSVs and 1 AHTS vessel during Q4 2016 and YTD 2017*
- *On 6 February 2017 announced the plan to merge the Company with Farstad Shipping ASA and Solstad Offshore ASA*

Comparing 4Q 2016 financial figures with 3Q 2016, revenues decreased by MUSD 1.0. The main reason for this was lower utilization due to more vessels in lay-up and lower rates. The vessels' operating expenses increased with MUSD 1.8 from 3Q 2016 to 4Q 2016, due to all vessels being included on a 100% basis in the financials following the roll-up of DESS BTG in September 2016. Comparing operating expenses on a 100% basis in both 3Q 2016 and 4Q 2016, the expenses reduced by MUSD 1.8 due to more vessels in lay-up (MUSD 1.4) and reduced cost level for vessels in operation (MUSD 0.4).

### **Plans to merge Deep Sea Supply Plc with Farstad Shipping ASA and Solstad Offshore ASA**

On 6 February 2017, Deep Sea Supply Plc announced the plan to merge the company with Solstad Offshore ASA ("Solstad") and Farstad Shipping ASA ("Farstad"), with Solstad as the surviving entity and the sole listed entity of the combined company. Deep Sea Supply Plc is planned to merge with a newly established subsidiary of Solstad, and will following the suggested merger be a wholly owned subsidiary of Solstad. In relation to the suggested merger, the Company plans to call for an EGM to be held in 2Q 2017.

### **Reporting principles**

For the vessels previously owned by DESS BTG, 50% of total figures are incorporated "line by line" in the statement of comprehensive income and balance sheet in the presentation of 2016 financial figures and in this report from Board of Directors until 15 September 2016.

From 16 September 2016 onwards, all 37 vessels are 100% owned and therefore included on a 100% basis in the financial statements. The 31 December 2016 balance sheet therefore includes all 37 vessels on a 100% basis.

## **Balance sheet**

When testing the book value of all assets for possible impairments, the Company has considered both market valuations received from independent ship brokers and an internal cash flow valuation on a per vessel basis. Such cash flow valuation reflects the current low contract coverage, significant number of vessels in lay-up and a difficult market outlook.

The result of these tests shows an impairment of book values of MUSD 78.9 for the total fleet on a consolidated basis. For the full year 2016, the total impairments recorded are MUSD 96.5.

Following the impairments of MUSD 78.9 and ordinary depreciation of MUSD 13.2 in 4Q 2016, book value of the fleet was MUSD 702.5 by the end of 4Q 2016 compared to MUSD 683.6 end of 4Q 2015. The increased book value is reflecting the increased ownership in 21 vessels, but also the impairments of vessel values. Total shareholder's book equity is MUSD 129.6. Total number of outstanding shares in the Company was 291,330,216 at the end of the quarter.

## **Cash flow**

Cash flow from operations was MUSD 13.3 for the twelve months period ended 31 December 2016. Capital expenditure related to scheduled special surveys and upgrading was limited to MUSD 2.8. Net cash effect from the roll-up of and 100% ownership of DESS BTG was MUSD 0.4.

During the twelve month period, the Company has repaid borrowings of MUSD 19.2 and paid net interest expenses of MUSD 19.7. In addition to this, the sale of two vessels in February 2016 and the prepayment of borrowings relating to this sale, gave a net negative cash flow of MUSD 6.4.

The Company has given a loan to DESS Aquaculture Shipping AS of MUSD 1.4. In the balance sheet this loan is shown as loans to related parties as per 31.12.2016.

Cash and cash equivalents were MUSD 51.2 by the end of 4Q 2016, which is a decrease of MUSD 35.9 compared to MUSD 87.1 by the end of 4Q 2015.

Net interest bearing debt was MUSD 577.1 by the end of 4Q 2016, which is an increase of MUSD 169.9 from end of 4Q 2015 mainly due to the inclusion of 100% of the 21 DESS BTG vessels.

## **OPERATIONS**

### **Fleet**

As per end of 4Q 2016, Deep Sea Supply had 12 AHTS vessels and 25 PSVs in the fleet, in total 37 vessels. Following the closing of the DESS BTG roll-up on 15 September 2016, all 37 vessels are owned 100% by the Company.

The Company's organizations in Singapore, Brazil and Norway perform the chartering activities and the technical management of DESS' fleet.

### **Newbuilding program**

DESS Aquaculture Shipping AS has two aquaculture vessels under construction; one wellboat to be delivered 4Q 2017 and one harvest vessel to be delivered in 1Q 2018.

### **Lay-up of vessels**

Deep Sea Supply has per end of February 2017 laid up in total 19 vessels, of which 12 are PSVs and 7 AHTS vessels.

## **Contracts**

The PSVs Sea Tortuga and Sea Triumph were awarded 7 month extensions of their bareboat contracts for operations in Australian waters and are firm until May 2017.

## **EVENTS AFTER END OF 4Q 2016**

The PSVs Sea Flyer and Sea Forth were awarded extensions of current contracts with Apache North Sea. For both vessels, the new contract firm period ends 31 December 2019, and the charterer has the option to extend the charter contract with additional 2 years.

The PSV Sea Tantalus has been awarded a 6 month firm + 3 x 1 month option period charter with Apache North Sea.

The AHTS vessel Sea Tiger has been awarded a 1 year + 60 days option period charter contract with OGP for operations in Brazil. The contract commenced 29 January 2017 in direct continuation of a previous contract with same charterer. The vessel has secured the Brazilian CAA license until end of the new contract.

The PSV Sea Supra has been awarded a short term charter in South-East Asia for an oil company for 35 firm days + 25 days option. The contract commenced 22 January 2017.

The PSV Sea Frost has been awarded a short term charter with BP Egypt (3 weeks firm + 4 weeks option). The contract commenced 27 January 2017. This vessel has also been awarded a second short term charter with BP Egypt with commencement end March 2017 (3 weeks firm + 4 weeks option), meaning that the vessel is expected to be onhire until June 2017.

The PSV Sea Swan has been awarded a short term (1 well + 1 well) charter in South-East Asia for an oil company commencing early March 2017.

The AHTS vessel Sea Eagle 1 (now renamed to Elang Laut 1) has been awarded a long term contract in South-East Asia for an international oil company. The contract included up to 10 wells and the expected duration is approx. 1 year. The contract is expected to commence early March 2017.

## **OUTLOOK**

Although there are still limited signs of improvement of the fundamentals of the global OSV markets, we have started to see a slight increase in tendering activity for OSVs in some regions. The contract coverage for the Company is not satisfactory, but the Board is pleased to see that the Company has been able to secure several contracts and reactivate vessels during the last months.

As a consequence of the weak market, Deep Sea Supply has laid up in total 19 vessels. In addition to laying up vessels to reduce cost, the Company is working hard to further reduce operating expenses for the vessels in operation. The Board is satisfied to recognize an underlying cost reduction for vessels in operation also in 4Q 2016 and expects this to continue also in 2017.

Even though rates are under severe pressure and the competition is fierce, the Company is not willing to enter into loss making term contracts. All new term contracts secured in 2016 and 2017 are expected to give a positive EBITDA contribution. With the current pipeline of tenders, the Company is confident that we are able to add more term work in the near future. As announced to the market on 6 February 2017, the Company plans to merge with Farstad Shipping ASA and Solstad

Offshore ASA to create a solid and world-leading OSV company with 154 vessels across all OSV subsectors and with a strong global footprint. The Company expects to call for an Extraordinary General Meeting (“EGM”) to be held in 2Q 2017.

Limassol, 28 February 2017  
Deep Sea Supply Plc

## **Quarter 4 2016 Financial Report**

### **Pages 7-10: Financial results as viewed by management**

The financial statements of DESS PLC are presented in the following way, as Management believes they give a clearer view to the reader:

- Consolidated Income Statement, Balance Sheet and Statement of Cash flows: The results (50%) of DESS BTG are added line by line to those of DESS PLC.
- This principle applies up to 15<sup>th</sup> of September 2016, at which date the remaining 50% of DESS BTG was acquired from DESS PLC, thus consolidating all of DESS BTG companies at a 100% basis.

The presentation is the same as Note 5 of the Annual Report 2015.

### **Pages 11-17: Financial results as per IAS 34**

As per IFRS the proportionate method of presentation of the financial statements is not allowed therefore they are presented in pages 11-17 as follows:

- Consolidated Income Statement: The result of DESS BTG is apportioned to DESS PLC (50%) and is shown under line "Share of Profit/Loss from JV"
- Consolidated Balance Sheet: Share (50%) of Net Assets/liabilities of DESS BTG are shown as one line called "Investment in Joint Venture"
- Consolidated Statement of Cash Flows: This includes only Cash flows of DESS PLC

## FINANCIAL RESULTS

Income Statement, Balance Sheet and Statement of cash flows of DESS BTG (50%) added on a line by line basis

<b>CONSOLIDATED INCOME STATEMENT</b>					
<i>(Unaudited figures in USD 1,000)</i>	<b>YTD 2016</b>	<b>YTD 2015</b>	<b>4Q 2016</b>	<b>4Q 2015</b>	<b>3Q 2016</b>
Sales - freight revenue	47,559	132,425	9,213	22,899	10,234
Operating expenses vessels	-35,213	-55,009	-10,363	-10,745	-8,537
Other operating expenses	-9,340	-11,117	-2,747	-2,739	-1,994
Other gains/(losses)	7,496	1,912	91	353	7,569
Profit/(loss) from sale of vessels	-17,337	0	0	0	0
<b>Operating profit before dep'n (EBITDA)</b>	<b>-6,835</b>	<b>68,211</b>	<b>-3,805</b>	<b>9,768</b>	<b>7,272</b>
Depreciation and amortization	-41,707	-47,110	-13,168	-12,502	-9,697
Impairment effect	-96,481	-117,693	-78,893	-117,693	0
Impairment of investment in Joint venture	0	-30,894	0	-30,894	0
<b>Total dep'n, amortization and impairment</b>	<b>-138,188</b>	<b>-195,697</b>	<b>-92,060</b>	<b>-161,089</b>	<b>-9,697</b>
<b>Operating profit (EBIT)</b>	<b>-145,024</b>	<b>-127,486</b>	<b>-95,866</b>	<b>-151,321</b>	<b>-2,425</b>
Financial income	571	653	51	179	166
Financial expenses	-23,761	-20,969	-8,314	-5,472	-5,258
Currency (losses)/gains	-458	-2,988	-404	-698	-423
<b>Net financial items</b>	<b>-23,648</b>	<b>-23,304</b>	<b>-8,667</b>	<b>-5,991</b>	<b>-5,515</b>
<b>Profit/(Loss) before income tax</b>	<b>-168,672</b>	<b>-150,790</b>	<b>-104,532</b>	<b>-157,312</b>	<b>-7,940</b>
Income tax expenses	569	-732	774	-230	-31
<b>Profit/(Loss) for the period</b>	<b>-168,103</b>	<b>-151,522</b>	<b>-103,759</b>	<b>-157,542</b>	<b>-7,971</b>
Average number of shares	270,006,575	261,197,194	291,330,216	261,197,194	266,110,187
Earnings per share	-0.62	-0.58	-0.36	-0.60	-0.03
Earnings per share diluted	-0.62	-0.58	-0.36	-0.60	-0.03

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>					
	<b>YTD 2016</b>	<b>YTD 2015</b>	<b>4Q 2016</b>	<b>4Q 2015</b>	<b>3Q 2016</b>
Profit/(Loss) for the period	-168,103	-151,522	-103,759	-157,542	-7,971
Other comprehensive income	312	126	143	441	87
<b>Total comprehensive income for the period</b>	<b>-167,791</b>	<b>-151,396</b>	<b>-103,616</b>	<b>-157,101</b>	<b>-7,884</b>

**CONSOLIDATED BALANCE SHEET***(Unaudited figures in USD 1,000)***31.12.2016**   **31.12.2015****Non-current assets**

Vessels cost	702,536	683,606
Equipment	798	745
<b>Total property, plant and equipment</b>	<b>703,334</b>	<b>684,351</b>
CIRR deposit	9,459	13,258
<b>Total non-current assets</b>	<b>712,793</b>	<b>697,609</b>

**Current assets**

Inventories	3,538	3,374
Loans to related parties	1,424	15,000
Other short term receivables	6,263	9,780
CIRR deposit	3,366	2,684
Trade receivables	9,852	15,286
Cash and cash equivalents	51,202	87,079
<b>Total current assets</b>	<b>75,645</b>	<b>133,203</b>

<b>Total assets</b>	<b>788,438</b>	<b>830,813</b>
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**Long term liabilities**

Borrowings	622,590	345,678
CIRR loan	9,459	13,258
Deferred gain	299	401
Financial derivatives	0	221
<b>Total long term liabilities</b>	<b>632,348</b>	<b>359,557</b>

**Short term liabilities**

Borrowings	7,153	156,146
Loans from related parties	0	7,500
CIRR loan	3,366	2,684
Trade and other payables	15,852	13,219
Deferred gain	120	122
<b>Total short term liabilities</b>	<b>26,490</b>	<b>179,672</b>

<b>Total liabilities</b>	<b>658,838</b>	<b>539,229</b>
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<b>Net assets</b>	<b>129,600</b>	<b>291,584</b>
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**Shareholders equity**

Share capital, share premium and treasury shar	213,313	207,506
Retained earnings and other reserves	-83,713	84,078
<b>Total shareholders equity</b>	<b>129,600</b>	<b>291,584</b>



**CONSOLIDATED STATEMENT OF CASH FLOWS***(Unaudited figures in USD 1,000)*

	Period ended	
	Dec 16	Dec 15
<b>Cash flows from operating activities</b>		
Cash generated from operations	13,295	77,865
<b>Net cash generated from operations</b>	<b>13,295</b>	<b>77,865</b>
<b>Cash flows from investing activities</b>		
Acquisitions and upgrades of property, plant and equipment	-2,829	-5,553
Net cash effect from acquisition of joint venture	386	0
<b>Net cash used in investing activities</b>	<b>-2,443</b>	<b>-5,553</b>
<b>Cash flows from financing activities</b>		
Interest and finance expenses paid	-20,185	-17,861
Interest received	494	456
Loans to related parties	-1,424	10,000
Repayments of borrowings	-19,241	-39,666
Net cash from sale of vessel and prepayment of borrowings	-6,373	0
<b>Net cash used in financing activities</b>	<b>-46,729</b>	<b>-47,071</b>
<b>Total changes in liquidity in the year</b>	<b>-35,877</b>	<b>25,241</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>87,079</b>	<b>61,839</b>
<b>Cash and cash equivalents at end of year</b>	<b>51,202</b>	<b>87,079</b>

## Segment reporting

### Segments- Area of Operations & Type of Vessel

The segment results for the period ended 31 December 2016 are as follows:

	North				South		Mediterranean		Unallocated <sup>2</sup>	Total
	sea	Africa	Asia	Australia	America	Russia	and Black Sea	Caribbean		
<b>AHTS</b>										
Operating revenues	1,537	8	621	0	14,353	0	0	0	0	16,519
Vessel operating expenses	-1,277	0	-2,403	0	-10,653	0	0	0	0	-14,333
<b>GROSS OPERATING PROFIT AHTS</b>	<b>260</b>	<b>8</b>	<b>-1,782</b>	<b>0</b>	<b>3,700</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,186</b>
<b>MARGIN AHTS</b>	<b>17%</b>	<b>100%</b>	<b>N/A</b>	<b>N/A</b>	<b>26%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>13%</b>
<b>PSVs</b>										
Operating revenues	13,901	298	-547	6,004	1,391	4,612	3,466	1,915	0	31,040
Vessel operating expenses	-8,307	-1,774	-2,388	-16	-3,002	-1,683	-2,560	-1,150	0	-20,880
<b>GROSS OPERATING PROFIT PSVs</b>	<b>5,594</b>	<b>-1,476</b>	<b>-2,935</b>	<b>5,988</b>	<b>-1,611</b>	<b>2,929</b>	<b>906</b>	<b>765</b>	<b>0</b>	<b>10,160</b>
<b>MARGIN PSVs</b>	<b>40%</b>	<b>N/A</b>	<b>N/A</b>	<b>100%</b>	<b>N/A</b>	<b>64%</b>	<b>26%</b>	<b>40%</b>	<b>N/A</b>	<b>33%</b>
<b>AHTS &amp; PSVs</b>										
Operating revenues	15,438	306	74	6,004	15,744	4,612	3,466	1,915	0	47,559
Vessel operating expenses	-9,584	-1,774	-4,791	-16	-13,655	-1,683	-2,560	-1,150	0	-35,213
<b>GROSS OPERATING PROFIT AHTS &amp; PSVs</b>	<b>5,854</b>	<b>-1,468</b>	<b>-4,717</b>	<b>5,988</b>	<b>2,089</b>	<b>2,929</b>	<b>906</b>	<b>765</b>	<b>0</b>	<b>12,346</b>
<b>MARGIN AHTS &amp; PSVs</b>	<b>38%</b>	<b>N/A</b>	<b>N/A</b>	<b>100%</b>	<b>13%</b>	<b>64%</b>	<b>26%</b>	<b>40%</b>	<b>N/A</b>	<b>26%</b>
Other operating expenses	0	0	0	0	0	0	0	0	-9,340	-9,340
Other gains/(losses)	0	0	0	0	0	0	0	0	7,496	7,496
Profit/(loss) from sale of vessels	0	0	0	0	0	0	0	0	-17,337	-17,337
<b>EBITDA</b>	<b>5,854</b>	<b>-1,468</b>	<b>-4,717</b>	<b>5,988</b>	<b>2,089</b>	<b>2,929</b>	<b>906</b>	<b>765</b>	<b>-19,181</b>	<b>-6,835</b>
										-14%

The corresponding segment results for the period ended 31 December 2015 are as follows:

	North				South		Mediterranean		Unallocated <sup>2</sup>	Total
	sea	Africa	Asia	Australia	America	Russia	and Black Sea	Caribbean		
<b>AHTS</b>										
Operating revenues	2,814	-43	11,007	0	31,734	0	4,040	0	0	49,552
Vessel operating expenses	-3,714	-313	-5,369	0	-13,694	0	-825	0	0	-23,915
<b>GROSS OPERATING PROFIT AHTS</b>	<b>-900</b>	<b>-356</b>	<b>5,638</b>	<b>0</b>	<b>18,040</b>	<b>0</b>	<b>3,215</b>	<b>0</b>	<b>0</b>	<b>25,637</b>
<b>MARGIN AHTS</b>	<b>N/A</b>	<b>N/A</b>	<b>51%</b>	<b>N/A</b>	<b>57%</b>	<b>N/A</b>	<b>80%</b>	<b>N/A</b>	<b>N/A</b>	<b>52%</b>
<b>PSVs</b>										
Operating revenues	22,503	7,033	-151	29,474	12,960	0	11,054	0	0	82,873
Vessel operating expenses	-9,677	-5,454	-1,642	-703	-9,526	0	-4,092	0	0	-31,094
<b>GROSS OPERATING PROFIT PSVs</b>	<b>12,826</b>	<b>1,579</b>	<b>-1,793</b>	<b>28,771</b>	<b>3,434</b>	<b>0</b>	<b>6,962</b>	<b>0</b>	<b>0</b>	<b>51,779</b>
<b>MARGIN PSVs</b>	<b>57%</b>	<b>22%</b>	<b>N/A</b>	<b>98%</b>	<b>26%</b>	<b>N/A</b>	<b>63%</b>	<b>N/A</b>	<b>N/A</b>	<b>62%</b>
<b>AHTS &amp; PSVs</b>										
Operating revenues	25,317	6,990	10,856	29,474	44,694	0	15,094	0	0	132,425
Vessel operating expenses	-13,391	-5,767	-7,011	-703	-23,220	0	-4,917	0	0	-55,009
<b>GROSS OPERATING PROFIT AHTS &amp; PSVs</b>	<b>11,926</b>	<b>1,223</b>	<b>3,845</b>	<b>28,771</b>	<b>21,474</b>	<b>0</b>	<b>10,177</b>	<b>0</b>	<b>0</b>	<b>77,416</b>
<b>MARGIN AHTS &amp; PSVs</b>	<b>47%</b>	<b>17%</b>	<b>35%</b>	<b>98%</b>	<b>48%</b>	<b>N/A</b>	<b>67%</b>	<b>N/A</b>	<b>N/A</b>	<b>58%</b>
Other operating expenses	0	0	0	0	0	0	0	0	-11,117	-11,117
Other gains/(losses)	0	0	0	0	0	0	0	0	1,912	1,912
Profit/(loss) from sale of vessels	0	0	0	0	0	0	0	0	0	0
<b>EBITDA</b>	<b>11,926</b>	<b>1,223</b>	<b>3,845</b>	<b>28,771</b>	<b>21,474</b>	<b>0</b>	<b>10,177</b>	<b>0</b>	<b>-9,205</b>	<b>68,211</b>
										52%

## RESULTS AS PER IFRS

CONSOLIDATED INCOME STATEMENT						
<i>(Unaudited figures in USD 1,000)</i>						
	Note	YTD 2016	YTD 2015	4Q 2016	4Q 2015	3Q 2016
Sales - freight revenue		32,594	70,155	9,213	14,553	7,395
Management fee income from related parties		2,676	3,038	131	783	856
Operating expenses vessels		-23,302	-27,354	-10,363	-5,263	-4,919
Other operating expenses		-9,101	-9,519	-2,878	-2,322	-2,074
Share of profit/(loss) from JV	7	-19,351	-60,924	782	-66,174	-5,859
Other gains/(losses)	9	6,975	-257	91	-1,574	7,349
Profit/(loss) from sale of vessels		-17,337	0	0	0	0
<b>Operating profit before depreciation and impairments (EBITDA)</b>		<b>-26,846</b>	<b>-24,862</b>	<b>-3,024</b>	<b>-59,997</b>	<b>2,748</b>
Depreciation and amortization	4	-30,008	-26,277	-13,168	-6,636	-6,321
Impairment effect	4	-92,361	-56,897	-78,893	-56,897	0
Impairment of investment in Joint Venture		0	-30,894	0	-30,894	0
<b>Operating profit (EBIT)</b>		<b>-149,215</b>	<b>-138,930</b>	<b>-95,084</b>	<b>-154,424</b>	<b>-3,572</b>
Financial income		919	1,124	51	286	296
Financial expenses		-18,558	-12,246	-8,314	-3,205	-4,289
Currency (losses)/gains		-1,096	-1,296	-404	-199	-405
<b>Net financial items</b>		<b>-18,735</b>	<b>-12,417</b>	<b>-8,667</b>	<b>-3,118</b>	<b>-4,399</b>
<b>Profit/(Loss) before income tax</b>		<b>-167,949</b>	<b>-151,347</b>	<b>-103,751</b>	<b>-157,542</b>	<b>-7,971</b>
Income tax expenses		-154	-175	-8	-0	-0
<b>Profit/(Loss) for the period</b>		<b>-168,103</b>	<b>-151,522</b>	<b>-103,759</b>	<b>-157,542</b>	<b>-7,971</b>
Average number of shares	6	270,006,575	261,197,194	291,330,216	261,197,194	266,110,187
Average number of shares diluted	6	270,683,266	261,197,194	291,931,608	261,197,194	267,194,668
Earnings per share		-0.62	-0.58	-0.36	-0.60	-0.03
Earnings per share diluted		-0.62	-0.58	-0.36	-0.60	-0.03

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME						
	YTD 2016	YTD 2015	4Q 2016	4Q 2015	3Q 2016	
Profit/(Loss) for the period	-168,103	-151,522	-103,759	-157,542	-7,971	
Other comprehensive income	312	126	143	441	87	
<b>Total comprehensive income for the period</b>	<b>-167,791</b>	<b>-151,396</b>	<b>-103,616</b>	<b>-157,101</b>	<b>-7,884</b>	

**CONSOLIDATED BALANCE SHEET***(Unaudited figures in USD 1,000)*

	Note	31.12.2016	31.12.2015
<b>Non-current assets</b>			
Vessels cost	4	702,536	462,851
Equipment	4	798	393
<b>Total property, plant and equipment</b>		<b>703,334</b>	<b>463,244</b>
Investment in Joint Ventures	7	0	31,637
Pensions		0	45
CIRR deposit		9,459	13,258
<b>Total non-current assets</b>		<b>712,793</b>	<b>508,184</b>
<b>Current assets</b>			
Inventories		3,538	2,108
Other short term receivables		6,263	3,979
Loans to related parties		1,424	15,000
CIRR deposit		3,366	2,684
Freight income not received		9,852	10,012
Cash and cash equivalents		51,202	74,186
<b>Total current assets</b>		<b>75,645</b>	<b>107,969</b>
<b>Total assets</b>		<b>788,438</b>	<b>616,153</b>
<b>Liabilities</b>			
Borrowings	5	622,590	206,240
CIRR loan		9,459	13,258
Deferred gain		299	401
<b>Total long term liabilities</b>		<b>632,348</b>	<b>219,899</b>
Borrowings	5	7,153	95,443
CIRR loan		3,366	2,684
Trade and other payables		15,852	6,200
Financial derivatives		0	221
Deferred gain		120	122
<b>Total short term liabilities</b>		<b>26,490</b>	<b>104,670</b>
<b>Total liabilities</b>		<b>658,838</b>	<b>324,569</b>
<b>Net assets</b>		<b>129,600</b>	<b>291,584</b>
<b>Shareholders equity</b>			
Share capital, share premium and treasury shares	8	213,313	207,506
Retained earnings and other reserves		-83,713	84,078
<b>Total shareholders equity</b>		<b>129,600</b>	<b>291,584</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

(Unaudited figures in USD 1,000)	Share Capital	Reverse acquisition reserves	Share premium reserves	Other paid-in-equity	Other comprehensive income reserve	Retained earnings	Total
<b>Balance at 1 January 2015</b>	<b>5,224</b>	<b>-123,386</b>	<b>324,183</b>	<b>1,654</b>	<b>-438</b>	<b>235,912</b>	<b>443,149</b>
Profit for the period/year						-151,522	-151,522
Valuation of share option scheme				-168			-168
Other comprehensive income					126		126
<b>Balance at 31 December 2015</b>	<b>5,224</b>	<b>-123,386</b>	<b>324,183</b>	<b>1,486</b>	<b>-312</b>	<b>84,390</b>	<b>291,584</b>
<b>Balance at 1 January 2016</b>	<b>5,224</b>	<b>-123,386</b>	<b>324,183</b>	<b>1,486</b>	<b>-312</b>	<b>84,390</b>	<b>291,584</b>
Profit for the period/year						-168,103	-168,103
Valuation fo share option scheme				21			21
Share capital increase	603		4,544	638			5,785
Other comprehensive income					312		312
<b>Balance at 31 December 2016</b>	<b>5,827</b>	<b>-123,386</b>	<b>328,727</b>	<b>2,145</b>	<b>0</b>	<b>-83,713</b>	<b>129,600</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**
*(Unaudited figures in USD 1,000)*

	Note	Period ended	
		Dec 16	Dec 15
<b>Cash flows from operating activities</b>			
Cash generated from operations		9,242	42,003
<b>Net cash generated from operations</b>		<b>9,242</b>	<b>42,003</b>
<b>Cash flows from investing activities</b>			
Acquisitions of vessels, contraction contracts and other PPE	4	-1,907	-4,530
Cash at acquisition of BTG group		2,773	0
Borrowings to related parties		0	20,000
<b>Net cash used in investing activities</b>		<b>866</b>	<b>15,470</b>
<b>Cash flows from financing activities</b>			
Interest and finance expenses paid		-15,078	-9,225
Interest received		988	456
Loans to related parties		-1,424	0
Repayments of borrowings		-11,205	-21,099
Net cash from sale of vessel and prepayment of borrowings		-6,373	0
<b>Net cash used in financing activities</b>		<b>-33,092</b>	<b>-29,868</b>
<b>Total changes in liquidity in the year</b>		<b>-22,984</b>	<b>27,605</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>74,186</b>	<b>46,582</b>
<b>Cash and cash equivalents at end of year</b>		<b>51,202</b>	<b>74,186</b>

## **1. General information**

Deep Sea Supply PLC (“the Company”) and its subsidiaries’, here after collectively (“the Group”) principal activities are to engage and invest, directly or indirectly, by itself or through subsidiaries or part-owned companies, partnerships or other forms of entities, in the international offshore supply vessel business.

The Company has its primary and only listing on the Oslo Stock Exchange.

These unaudited condensed consolidated financial statements have been approved for issue by the Board of Directors on 28 February 2017.

## **2. Basis of preparation**

These condensed unaudited consolidated interim financial information for the year ended 31 December 2016 have been prepared in accordance with IFRS as adopted by the E.U. applicable to interim financial reporting, IAS 34 ‘Interim Financial Reporting’ and the regulations of Oslo stock exchange. The interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with IFRS as adopted by the European Union.

## **3. Summary of significant accounting policies**

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those financial statements.

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings.

At the date of approval of these financial statements a number of accounting standards were issued by the International Accounting Standards Board but were not yet effective. The effect of those standards is not expected to be material for the Group.

There has been no further impact on the measurement of the Group’s assets and liabilities

#### 4. Property Plant and equipment

	Vessels	Finance lease vessels	Vehicles & equipment	Total
<b>Opening net book value as at 1 January 2015</b>	<b>519,074</b>	<b>22,420</b>	<b>519</b>	<b>542,013</b>
Additions	3,103	27	99	<b>3,229</b>
Vessels relocation cost capitalized	1,176	0	0	<b>1,176</b>
Vessels impairment	-52,802	-4,095	0	<b>-56,897</b>
Depreciation and amortization	-24,035	-2,017	-225	<b>-26,277</b>
<b>Closing net book value as at 31 December 2015</b>	<b>446,516</b>	<b>16,335</b>	<b>393</b>	<b>463,244</b>

<b>Opening net book value as at 1 January 2016</b>	<b>446,516</b>	<b>16,335</b>	<b>393</b>	<b>463,244</b>
Additions via acquisition of joint venture	317,955	73,399	580	<b>391,934</b>
Additions	2,076	23	63	<b>2,162</b>
Vessels relocation cost capitalized	662	0	0	<b>662</b>
Disposals	-15,964	-16,335	0	<b>-32,299</b>
Vessels impairment	-87,785	-4,575	0	<b>-92,360</b>
Depreciation and amortisation	-27,887	-1,883	-238	<b>-30,008</b>
<b>Closing net book value as at 31 December 2016</b>	<b>635,572</b>	<b>66,964</b>	<b>798</b>	<b>703,334</b>

#### 5. Borrowings and loans

	31 Dec 2016	31 Dec 2015
<b>Borrowings</b>		
Non-current	622,590	206,240
Current	7,153	95,443
	<b>629,743</b>	<b>301,683</b>

**Movements in borrowings are analyzed as follows:**

<b>Period ended:</b>	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
Opening Balance as at 1 January	301,683	320,637
Replacement of loans (Sea Bear)	-9,923	0
Repayments of loans	-22,911	-21,099
Additions via acquisition of joint venture	359,042	0
Borrowing costs	1,852	2,145
<b>Closing amount end of period</b>	<b>629,743</b>	<b>301,683</b>

6. Earnings per share	YTD 2016	YTD 2015	4Q 2016	4Q 2015	3Q 2016
<b>Basic</b>					
Profit attributable to equity holders of the company	-168,103	-151,522	-103,759	-157,542	-7,971
Weighted average number of ordinary shares (thousands)	270,007	261,197	291,330	261,197	266,110
<b>Basic earnings per share (USD per share)</b>	<b>-0.62</b>	<b>-0.58</b>	<b>-0.36</b>	<b>-0.60</b>	<b>-0.03</b>
<b>Diluted</b>					
Profit attributable to equity holders of the company	-168,103	-151,522	-103,759	-157,542	-7,971
Weighted average number of ordinary shares (thousands)	270,683	261,197	291,932	261,197	267,195
<b>Diluted earnings per share (USD per share)</b>	<b>-0.62</b>	<b>-0.58</b>	<b>-0.36</b>	<b>-0.60</b>	<b>-0.03</b>

## 7. Investment in Joint Venture (JV)

	2016	2015
<b>At 1 January 2016</b>	31,637	115,718
Increase in share capital of JV Companies	0	7,737
Deferred gain amortized in year	0	1,756
Deferred gain released in year	0	6,520
Share of (loss)/profit from joint venture excluding deferred gain	-19,349	-69,200
Impairment of investment in JV	0	-30,894
Acquisition of equity of joint venture at 100%	-12,289	0
<b>At 31 December 2016</b>	<b>0</b>	<b>31,637</b>

## 8. Share capital

	Number of Shares (thousands)	Share Capital	Share premium	Other paid-in- equity	Total
<b>Opening balance as at 1 January 2015</b>	<b>261,179</b>	<b>5,224</b>	<b>200,796</b>	<b>1,654</b>	<b>207,674</b>
<b>At 31 December 2015</b>	<b>261,179</b>	<b>5,224</b>	<b>6,877</b>	<b>1,654</b>	<b>207,674</b>
<b>Opening balance as at 1 January 2016</b>	<b>261,197</b>	<b>5,224</b>	<b>200,796</b>	<b>1,486</b>	<b>207,506</b>
Share capital increase	30,133	603	4,544	638	5,785
Valuation of Share option scheme				21	21
<b>At 31 December 2016</b>	<b>291,330</b>	<b>5,827</b>	<b>205,340</b>	<b>2,145</b>	<b>213,313</b>



## 9. Other Gains and losses

	<b>2016</b>
Effect from acquiring remaining 50% in JV	8,219
Other Gains & losses	<u>-1,244</u>
	<u>6,975</u>

### Analysis of Effect of acquiring remaining 50% in Joint Venture

#### Calculation of goodwill/negative goodwill

Fair value of consideration paid	7,785
Fair value of existing 50%	<u>7,785</u>
Fair value of 100% based on consideration paid	15,570
Fair value of acquired net assets (After PPA adjustment)	28,293
Negative goodwill	12,723

#### Effect of remeasurement of interest in joint venture

Book value prior to acquisition	12,289
Remeasured Value	7,785
Loss on equity interest	-4,504

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<b>Net effect</b>	<u>8,219</u>
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