

## **E Forland AS**

### **2<sup>nd</sup> half 2017 report**

#### **General information**

The interim accounts for the second half of 2017 has been prepared in accordance with NGAAP. The accounts are unaudited.

#### **Nature and location of activities**

E Forland AS is the owner of the Offshore Support Vessel *Fugro Saltire*. The vessel has with effect from 01 June 2016 been on an internal bareboat charter party to Forland Subsea II AS who has further employed the vessel on a time charter party with Fugro Subsea Services Ltd (until terminated as described below).

The commercial and technical management of the vessel was arranged by Forland Shipping AS in Bergen and OSM Offshore in Arendal respectively until the end of the year when both services were transferred to Rem Maritime AS in Fosnavåg. The transfer of management was the consequence of In Nord Vest Group being a new 50 % shareholder in Frode Bjørn AS, the holding company of E Forland AS.

Frode Bjørn AS is furthermore holding 100 % of the shares in Forland Subsea II AS, Forland Shipping AS and Seisranger AS. In Forland Subsea AS, the *Forland Inspector* registered owner, Frode Bjørn AS has lost its majority shareholding following a refinancing of the vessel in October 2017; currently holding 7,7 % of the shares.

#### **Operation and contract situation**

The time charter with Fugro Subsea Services Ltd. was originally for the period until July 2018. In August 2017 Fugro exercised their option to terminate the contract for convenience and the vessel was redelivered on 31 October 2017 in UK. Thereafter the vessel has been in lay up in Norway pending start of next employment expected early April 2018.

A termination compensation was agreed between Forland Subsea II AS and Fugro Subsea Services and this compensation was settled in full early January 2018. Following the termination of the Fugro timecharter the internal bareboat contract between E Forland AS and Forland Subsea II AS was terminated. Further employment of the vessel will now be contracted directly between the registered owner E Forland AS and the external charterers.

#### **Accounts second half of 2017**

##### E Forland AS

Operating income in the second half of 2017 was MNOK 65.4 compared to MNOK 28.9 for the same period last year. The figures in 2017 includes the compensation paid by Forland Subsea II AS to E Forland AS following the termination of the Fugro timecharter.

Operating expenses amounts to MNOK 0.7 (0). EBITDA was MNOK 64.7 and net result before taxes MNOK 49.1 (13.5). Vessel depreciation has been charged based upon a residual value of about 50 % of current market value at 20 years. Book values are supported by independent broker values; based upon a willing seller/willing buyer principle.

Net cash-flow is negative at MNOK 14.0 (+ 4.4) as payment of the Fugro termination compensation was made in January 2018.

A debt relief has been made by E Forland AS on loans to group companies Frode Bjørn AS and Forland Shipping AS with a total of MNOK 314.3 as there is no ability for the borrowers to repay the loans. The loans only impacted gross assets/liabilities in the different entities' accounts and represented no net value for E Forland AS as lender.

Following the termination of the Fugro timecharter, which was in NOK, it is expected that future earnings will be in EUR or USD. The operating cost is a mix of NOK, EUR and USD and the bond loan is in NOK. This implies that the company will increase its currency exposure going forward and needs to monitor more closely the necessity to apply hedging instruments. The loan is a floating interest loan with maturity in September 2018.

The company is in compliance with all loan covenants as per 31 December 2017.

#### Frode Bjørn AS

Operating expenses amounted to MNOK 2.2 for the second half 2017 (0) which also equals EBITDA and EBIT. Net result was negative at MNOK 155.4 following a write down on shares in Forland Subsea AS of MNOK 218.8. Net equity at 31.12.2017 was MNOK 81.3 (236.6)

#### Frode Bjørn AS, consolidated accounts

Operating income in the second half of 2017 was MNOK 118.3 (123.0). Operating expenses amounted to MNOK 76.3 (83.5). The gross income is positively impacted by the termination compensation from Fugro for the *Fugro Saltire* and the net result negatively impacted by the write down on shares in Forland Subsea AS. The income and opex figures furthermore includes the operation of the *Forland Inspector* for the period up to 30 November 2017 when the shareholding in Forland Subsea was reduced to 7,7 % following a refinancing of the company.

EBITDA was MNOK 42.0 (MNOK 39.6) and EBIT was negative at MNOK 128.1(-28.0) following an impairment charge on the *Forland Inspector* of MNOK 153.2 (52.7).

Net financial items were MNOK -22.8 (27.4) and pre-tax result amounted to MNOK -149.7 (-55.5).

The report includes accounts for the following group companies:

- E Forland AS – issuer
- Forland Subsea II AS
- Frode Bjørn AS – consolidated accounts
- Frode Bjørn AS – entity accounts
- Seisranger AS

### **Future outlook**

Earnings in the market for *Fugro Saltire* is expected to remain at current low levels throughout 2018 and 2019. Furthermore, it may be difficult to secure continuing employment for the vessel and lay up may have to be applied in between the contracts. The current backlog for the contract starting in April 2018 is MNOK 34.

The opex cost cutting process that was initiated during 2016 continues and an expected employment scenario with frequent short term lay up periods will require different system and procedures to keep the cost at a minimum level.

The vessels special survey is due in 1q 2018 with an expected total cost of MNOK 25. The next payment of interest and installments on the loan is due in March with MNOK 16. Free cash in E Forland AS/Forland Subsea II AS subsequent to completion and payment of above is estimated to be down towards MNOK 20. Considering the uncertainty in start up of the next employment and the cash-flow implications thereof, including working capital needs, it is uncertain if the company will have sufficient funds to fulfill payment obligations on the loan in full on 1 June.

Following the conclusion of the Forland Inspector refinancing during the autumn of 2017 a similar process was initiated towards the bondholders in the E Forland bond loan. The new shareholder, In Nord Vest, is prepared to inject additional equity into the group if certain concessions can be made by bondholders. To date it has not been possible to conclude a mutually agreed solution in this respect. The loan will be due in September 2018 with a scheduled remaining balance of MNOK 332.

### **Statement from the Board of Directors**

We hereby declare that to the best of our knowledge the interim accounts for the second half of 2017 are prepared in accordance with NGAAP, and that the information in the financial statements and this report gives a fair picture of the companies' and group's assets, liabilities, financial position and result as a whole, as well as the most important risk and uncertainty factors to which the companies might be exposed in the next financial period.

**Bergen, 28 February 2018**

Board of Directors of  
E FORLAND AS

**E Forland AS**  
**Profit & Loss 2H FY17**

<i>Figures in NOK 1,000</i>	1H 2017	2H 2017	2017	2H 2016
Operating revenue, BB hire	28 414	65 385	93 800	28 885
<b>Total operating revenue</b>	<b>28 414</b>	<b>65 385</b>	<b>93 800</b>	<b>28 885</b>
Payroll expenses	-	-	-	-
Operating expenses - interco	-	-	-	-
Operating expenses	-19	-703	-722	-27
<b>EBITDA</b>	<b>28 395</b>	<b>64 682</b>	<b>93 077</b>	<b>28 859</b>
Depreciation	-5 707	-6 894	-12 601	-4 992
Impairment	-	-	-	-
<b>EBIT</b>	<b>22 688</b>	<b>57 788</b>	<b>80 476</b>	<b>23 866</b>
Interest income from group entities	-	6 773	6 773	6 639
Other interest income	118	183	301	271
Other interest expenses	-15 239	-13 823	-29 062	-15 620
Other financial expenses	-1 643	-1 846	-3 489	-1 655
<b>Net financial items</b>	<b>-16 764</b>	<b>-8 713</b>	<b>-25 478</b>	<b>-10 364</b>
<b>EBT</b>	<b>5 924</b>	<b>49 075</b>	<b>54 999</b>	<b>13 502</b>
Taxes	-	-	-	-
<b>Profit</b>	<b>5 924</b>	<b>49 075</b>	<b>54 999</b>	<b>13 502</b>

**E Forland AS**  
**Balance Sheet 2H FY17**

<i>Figures in NOK 1,000</i>	30.06.17	31.12.17	31.12.16
Vessel	355 369	348 475	361 076
<b>Operational fixed assets</b>	<b>355 369</b>	<b>348 475</b>	<b>361 076</b>
Loan to group entities	310 794	-	295 597
Capitalized costs refinancing	4 107	2 464	5 750
<b>Financial fixed assets</b>	<b>314 901</b>	<b>2 464</b>	<b>301 346</b>
<b>Total fixed assets</b>	<b>670 269</b>	<b>350 939</b>	<b>662 422</b>
Receivables on group companies	-	50 042	13 904
Bank deposits, cash	31 981	17 948	37 975
<b>Total current assets</b>	<b>31 981</b>	<b>67 991</b>	<b>51 879</b>
<b>TOTAL ASSETS</b>	<b>702 251</b>	<b>418 929</b>	<b>714 302</b>
			-
<i>Figures in NOK 1,000</i>	30.06.17	31.12.17	31.12.16
Paid-in equity	168 100	168 100	168 100
Retained earnings	163 753	-101 503	157 830
<b>Total equity</b>	<b>331 853</b>	<b>66 597</b>	<b>325 930</b>
Long-term interest-bearing debt	368 000	-	386 000
<b>Total long-term debt</b>	<b>368 000</b>	<b>-</b>	<b>386 000</b>
Bond Loan	-	350 000	-
Other short-term debt	2 397	2 333	2 372
<b>Total short-term debt</b>	<b>2 397</b>	<b>352 333</b>	<b>2 372</b>
<b>Total debt</b>	<b>370 397</b>	<b>352 333</b>	<b>388 372</b>
<b>TOTAL EQUITY AND DEBT</b>	<b>702 251</b>	<b>418 929</b>	<b>714 302</b>

**E Forland AS**  
**Cash flow statement 2H FY17**

<i>Figures in NOK 1,000</i>	1H 2017	2H 2017	2017	2016
<b>Cash flow from operating activities</b>				
Profit before income taxes	5 924	49 075	54 999	29 350
Depreciation and impairment	5 707	6 894	12 601	9 408
Changes in receivables from group entities	-1 293	-50 295	-51 588	-8 922
Changes in other short-term receiv./liab.	25	-64	-39	-13 815
<b>Net cash flow from operating activities</b>	<b>10 363</b>	<b>5 610</b>	<b>15 973</b>	<b>16 021</b>
<b>Cash flow from investing activities</b>				
Purchase/sale of intangible fixed assets	-	-	-	8 922
Purchase/sale of fixed assets	-	-	-	-865
<b>Net cash flow from investing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8 057</b>
<b>Cash flow from financing activities</b>				
Change in long-term liabilities	-18 000	-18 000	-36 000	-24 000
Change in long-term financial assets	1 643	-1 643	-	3 286
Change in loans to group companies	-	-	-	1 048
<b>Net cash flow from financing activities</b>	<b>-16 357</b>	<b>-19 643</b>	<b>-36 000</b>	<b>-19 666</b>
<b>Net changes in cash and cash equivalents</b>	<b>-5 994</b>	<b>-14 033</b>	<b>-20 027</b>	<b>4 412</b>
Cash and cash equivalents start	37 975	31 981	37 975	33 563
<b>Cash and cash equivalents end</b>	<b>31 981</b>	<b>17 948</b>	<b>17 948</b>	<b>37 975</b>

**Forland Subsea II AS (IBC)  
Profit & Loss 2H FY17**

<i>Figures in NOK 1,000</i>	1H 2017	2H 2017	2017	2H 2016
Operating revenue, TC hire	57 801	82 873	140 674	57 325
Other income	1 376	11 991	13 366	2 302
<b>Total operating revenue</b>	<b>59 176</b>	<b>94 864</b>	<b>154 040</b>	<b>59 627</b>
Payroll expenses	-14 393	-14 227	-28 620	-16 449
Operating expenses	-41 759	-75 555	-117 314	-40 473
<b>EBITDA</b>	<b>3 024</b>	<b>5 082</b>	<b>8 106</b>	<b>2 705</b>
Depreciation	-2 059	-1 029	-3 088	-2 059
Impairment	-	-3 432	-3 432	-
<b>EBIT</b>	<b>965</b>	<b>621</b>	<b>1 586</b>	<b>646</b>
Interest income from group entities	-	-	-	51
Other financial income	7	12	19	172
Interest expenses to group companies	-	-148	-148	-115
Other financial expenses	-82	-62	-144	-323
<b>Net financial items</b>	<b>-75</b>	<b>-163</b>	<b>-238</b>	<b>-215</b>
<b>EBT</b>	<b>890</b>	<b>458</b>	<b>1 348</b>	<b>431</b>
Taxes	-	-	-	-
<b>Profit</b>	<b>890</b>	<b>458</b>	<b>1 348</b>	<b>431</b>

**Forland Subsea II AS (IBC)  
Balance Sheet 2H FY17**

<i>Figures in NOK 1,000</i>	30.06.17	31.12.17	31.12.16
Other fixed assets	4 461	-	6 520
<b>Total fixed assets</b>	<b>4 461</b>	<b>-</b>	<b>6 520</b>
Stores	-	1 364	537
Accounts receivable	10 758	28 343	
Other short-term receivables	-	7 130	5 343
Bank deposits, cash	166	23 203	2 365
<b>Total current assets</b>	<b>10 924</b>	<b>60 040</b>	<b>8 245</b>
<b>TOTAL ASSETS</b>	<b>15 385</b>	<b>60 040</b>	<b>14 765</b>
<i>Figures in NOK 1,000</i>	30.06.17	31.12.17	31.12.16
Paid-in equity	30	30	30
Retained earnings	1 563	2 021	830
<b>Total equity</b>	<b>1 593</b>	<b>2 051</b>	<b>860</b>
Long-term debt to group companies	3 641	-	9 037
<b>Total long-term debt</b>	<b>3 641</b>	<b>-</b>	<b>9 037</b>
Accounts payable	-	3 197	4 867
Payables to group companies		54 170	-
Other short-term debt	10 151	622	
<b>Total short-term debt</b>	<b>10 151</b>	<b>57 989</b>	<b>4 867</b>
<b>Total debt</b>	<b>13 792</b>	<b>57 989</b>	<b>13 904</b>
<b>TOTAL EQUITY AND DEBT</b>	<b>15 385</b>	<b>60 040</b>	<b>14 764</b>



**Consolidated Frode Bjørn AS  
Profit & Loss 2H FY17**

<i>Figures in NOK 1,000</i>	1H 2017	2H 2017	2017	2H 2016
Operating revenue	92 564	106 120	198 684	116 280
Other income	8 024	12 177	20 201	6 766
<b>Total operating revenue</b>	<b>100 588</b>	<b>118 297</b>	<b>218 885</b>	<b>123 046</b>
Payroll expenses	-34 222	-26 332	-60 554	-38 910
Operating expenses	-37 302	-35 538	-72 840	-44 575
Write down - shares in subsidiaries		-14 477	-14 477	
<b>EBITDA</b>	<b>29 064</b>	<b>41 951</b>	<b>71 015</b>	<b>39 561</b>
Depreciation	-16 306	-16 801	-33 107	-14 879
Impairment		-153 240	-153 240	-52 726
<b>EBIT</b>	<b>12 758</b>	<b>-128 090</b>	<b>-115 332</b>	<b>-28 044</b>
Interest income	204	281	485	688
Financial income	87	181	268	268
Interest expenses	-25 437	-21 082	-46 519	-21 419
Financial expenses	-1 876	-2 194	-4 070	-6 985
<b>Net financial items</b>	<b>-27 022</b>	<b>-22 813</b>	<b>-49 835</b>	<b>-27 448</b>
<b>EBT</b>	<b>-14 264</b>	<b>-150 903</b>	<b>-165 167</b>	<b>-55 492</b>
Taxes		-	-	-
<b>Profit</b>	<b>-14 264</b>	<b>-150 903</b>	<b>-165 167</b>	<b>-55 492</b>

**Consolidated Frode Bjørn AS**  
**Balance Sheet 2H FY17**

<i>Figures in NOK 1,000</i>	<b>30.06.17</b>	<b>31.12.17</b>	<b>31.12.16</b>
Vessels	902 320	348 475	918 576
Operating equipment, furnishings, IT	421	-	400
<b>Operational fixed assets</b>	<b>902 741</b>	<b>348 475</b>	<b>918 975</b>
Long-term receivables	4 107	7 964	5 750
<b>Financial fixed assets</b>	<b>4 107</b>	<b>7 964</b>	<b>5 750</b>
<b>Total fixed assets</b>	<b>906 848</b>	<b>356 439</b>	<b>924 725</b>
Stores	892	1 364	1 452
Accounts receivable	23 751	29 210	19 609
Other short-term assets	1 097	10 737	595
Bank deposits, cash	52 266	44 707	100 340
<b>Total current assets</b>	<b>78 006</b>	<b>86 018</b>	<b>121 995</b>
<b>TOTAL ASSETS</b>	<b>984 854</b>	<b>442 457</b>	<b>1 046 720</b>
<i>Figures in NOK 1,000</i>	<b>30.06.17</b>	<b>31.12.17</b>	<b>31.12.16</b>
Paid-in equity	1 444	1 444	1 444
Retained earnings	230 700	79 639	244 964
<b>Total equity</b>	<b>232 144</b>	<b>81 083</b>	<b>246 408</b>
Long-term interest-bearing debt	732 213	-	771 637
<b>Total long-term debt</b>	<b>732 213</b>	<b>-</b>	<b>771 637</b>
Accounts payable	2 516	4 525	6 461
Bond Loan		350 000	
Other short-term debt	17 982	6 849	22 214
<b>Total short-term debt</b>	<b>20 498</b>	<b>361 374</b>	<b>28 675</b>
<b>Total debt</b>	<b>752 711</b>	<b>361 374</b>	<b>800 312</b>
<b>TOTAL EQUITY AND DEBT</b>	<b>984 855</b>	<b>442 457</b>	<b>1 046 720</b>

**Frode Bjørn AS**  
**Profit & Loss 2H FY17**

<i>Figures in NOK 1,000</i>	1H 2017	2H 2017	2017	2H 2016
<b>Total operating revenue</b>	-	-	-	-
Operating expenses	-69	-2 157	-2 226	-34
<b>EBITDA</b>	<b>-69</b>	<b>-2 157</b>	<b>-2 226</b>	<b>-34</b>
Depreciation			-	
Impairment			-	
<b>EBIT</b>	<b>-69</b>	<b>-2 157</b>	<b>-2 226</b>	<b>-34</b>
Other interest income	64	62	126	360
Net revenue from investment in subsidiaries	-9 802	71 789	61 987	137
Interest expenses to group entities		-6 277	-6 277	-58 438
Write down - shares in subsidiaries		-218 783	-218 783	
<b>Net financial items</b>	<b>-9 738</b>	<b>-153 208</b>	<b>-162 946</b>	<b>-64 220</b>
<b>EBT</b>	<b>-9 807</b>	<b>-155 365</b>	<b>-165 172</b>	<b>-64 254</b>
Taxes	-	-	-	-
<b>Profit</b>	<b>-9 807</b>	<b>-155 365</b>	<b>-165 172</b>	<b>-64 254</b>

**Frode Bjørn AS**  
**Balance Sheet 2H FY17**

<i>Figures in NOK 1,000</i>	<b>30.06.17</b>	<b>31.12.17</b>		<b>31.12.16</b>
<b>Operational fixed assets</b>	-	-		-
Loan to group entities	34 014	-		-
Investment in subsidiaries	475 359	76 005		328 349
Investment - other		5 500		156 812
<b>Financial fixed assets</b>	<b>509 373</b>	<b>81 505</b>		<b>485 161</b>
<b>Total fixed assets</b>	<b>509 373</b>	<b>81 505</b>		<b>485 161</b>
Other short-term receivables	609	1 509		16 114
Bank deposits, cash	5 537	2 843		41 177
<b>Total current assets</b>	<b>6 146</b>	<b>4 352</b>		<b>57 291</b>
<b>TOTAL ASSETS</b>	<b>515 519</b>	<b>85 857</b>		<b>542 452</b>
<i>Figures in NOK 1,000</i>	<b>30.06.17</b>	<b>31.12.17</b>		<b>31.12.16</b>
Paid-in equity	1 444	1 444		1 444
Other equity	235 193	79 828	-	245 000
<b>Total equity</b>	<b>236 637</b>	<b>81 272</b>	-	<b>246 444</b>
Long-term debt to group companies	278 846	-		281 307
<b>Total long-term debt</b>	<b>278 846</b>	<b>-</b>		<b>281 307</b>
<b>Total short-term debt</b>	<b>36</b>	<b>4 585</b>		<b>14 701</b>
<b>Total debt</b>	<b>278 882</b>	<b>4 585</b>		<b>296 008</b>
<b>TOTAL EQUITY AND DEBT</b>	<b>515 519</b>	<b>85 857</b>		<b>542 452</b>

**Seisranger AS**  
**Profit & Loss 2H FY17**

<i>Figures in NOK 1,000</i>	1H 2017	2H 2017	2017	2H 2016
Operating expenses	-	0	0	-4
<b>EBITDA</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>-4</b>
Depreciation	-	-	-	
<b>EBIT</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>-4</b>
Interest income	-	-0	-0	
Net financial items	-	-0	-0	-
<b>EBT</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>-4</b>
Taxes		-	-	
<b>Profit</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>-4</b>

**Seisranger AS**  
**Balance Sheet 2H FY17**

<i>Figures in NOK 1,000</i>	30.06.17	31.12.17	31.12.16
Bank deposits, cash	386	386	386
<b>Total current assets</b>	<b>386</b>	<b>386</b>	<b>386</b>
<b>TOTAL ASSETS</b>	<b>386</b>	<b>386</b>	<b>386</b>
<i>Figures in NOK 1,000</i>	30.06.17	31.12.17	31.12.16
Paid-in equity	100	100	100
Retained earnings	267	267	267
<b>Total equity</b>	<b>367</b>	<b>367</b>	<b>367</b>
Other short-term debt	19	19	19
<b>Total short-term debt</b>	<b>19</b>	<b>19</b>	<b>19</b>
<b>Total debt</b>	<b>19</b>	<b>19</b>	<b>19</b>
<b>TOTAL EQUITY AND DEBT</b>	<b>386</b>	<b>386</b>	<b>386</b>