ANNUAL REPORT 2018

OUR MISSION is to be a the reliable world leading shipping company. Acknowledged by our people, clients and other stakeholders by delivering high quality services to the global Oil & Gas, Renewable Energy and Aquaculture markets.

CONTENT

FINANCIAL CALENDAR 2019

Preliminary dates for quarterly reports and ordinary General Meeting in SOFF are:

Annual Report 2018:	**April 30, 2019**
Result 1. quarter 2019	**May 28, 2019**
Ordinary General Meeting:	**June 6, 2019**
Result 2. quarter 2019:	**August 28, 2019**
Result 3. quarter 2019:	**November 11, 2019**
Preliminary result 2019:	Ultimo **February, 2020**

KEY FIGURES

	Reference	2018	2017	2016	2015
PROFIT AND LOSS (NOK million)					
Freight income		4,673	3,626	2,468	3,546
Other operating income		238	151	114	110
Operating result before depreciation and impairment		422	654	876	1,429
Operating result		-3,987	694	-736	-335
Net financial items		-1,855	-1,024	-79	-1,244
Ordinary result before tax		-5,842	-330	-815	-1,579
Net result for the year		-5,888	-345	-827	-1,604
Hereof majority's share		-5,858	-314	-866	-1,581
BALANCE SHEET					
Deferred tax asset		2	-	42	38
Long term assets		28,599	32,295	19,318	14,212
Current assets		3,015	3 628	2,774	2,000
Total assets		31,615	36,111	22,286	16,236
Equity		-851	4,962	3,456	3,668
Deferred tax		-	-	-	-
Long-term liabilities and provisions		4,796	29,128	17,566	9,274
Current liabilities		27,669	2,021	1,006	3,141
Interest bearing liabilities	8	29,980	28,840	17,719	11,426
Bank overdraft		-	-	-	83
Free and restricted bank deposits	6	1,351	1,875	1,750	1,025
Net interest-bearing liabilities	9	28,629	26,965	15,968	10,483
PROFITABILITY					
Operating margin	1	9 %	17 %	34 %	39 %
Earning on equity	2,5	-286 %	-8 %	-23 %	-36 %
LIQUITDITY					
Liquid assets	6	1,351	1,875	1,750	1,025
Working capital	7	-24,654	1,607	1,768	-1,140
EBITDA - adjusted	3	1,005	925	1,009	1,555
Current ratio	4	0.1	1.8	2.8	0.6
CAPITAL					
Total assets		31,615	36,111	22,286	16,236
Equity		-851	4,962	3,456	3,668
Equity ratio	5	-3 %	14 %	16 %	23 %

References and definitions:
1. Operating result before depreciation and impairment in percentages of total operating income.
2. Result before tax, in percentage of average equity.
   including non-controlling interests
3. Operating result before depreciation and impairmen adjusted for Joint Ventures, excess values charter parties from mergers, operating leases and other non-cash related items
4. Current assets divided by current liabilities
5. Booked equity including non-controlling interests in percentage of total assets.
6. Cash and bank deposits (free and restricted)
7. Total current assets less total current liabilities (including current interest bearing liabilities)
8. Interest bearing liabilities is the total of the accounting lines "Interest bearing liabilities", "Current interest bearing liabilities" and "Leasing obligations"
9. Net interest bearing liabilities is interest bearing liabilities (10) less cash and bank deposits (8)

Solstad Offshore ASA has included the above Alternative Performance Measures (APM), which are commonly used in the business, as they are used internally by management to understand the Group's financial performance. Hence, it is deemed that the APM's also will provide useful information to the reader. For further definitions, refer to page 59.

THE BOARD OF DIRECTORS

HARALD ESPEDAL (b. 1972)

Harald Espedal is a graduate from The Norwegian School of Economic (NHH) in economics with additional studies in auditing. Today he is the Chairman of Lyse ASA, Sandnes Sparebank, Espedal & CO AS, Deputy Chair in Stavanger Concert Hall, and Board member in Aaspelin Ramm and The Norwegian National Opera & Ballet.

Espedal has a long career within the Finance and Investment industry including as CEO and Investor Director for SKAGEN and Investment Director for Vesta.

SHARES IN SOLSTAD OFFSHORE ASA: 738 438

ELLEN SOLSTAD (b. 1974)

Ellen Solstad has previously been working in RG Hagland AS and Solstad Offshore UK Ltd. Since 2003 she has been in charge of the Solstad family office. Ellen Solstad holds a bachelor degree from BI Norwegian Business School and is board member in several companies, among others, Wilson ASA and Solvang ASA. Ellen Solstad was elected board member at the Company's extraordinary general meeting 13 July 2016

SHARES IN SOLSTAD OFFSHORE ASA: 0

MERETE HAUGLI (b.1964)

Merete Haugli has been a board member since the company's extraordinary general meeting on March 3, 2017. She has experience as a board member of a number of companies, including Reach Subsea ASA, RS Platou ASA, Axactor AB and Norwegian Property ASA. Merete Haugli has her education from "Bankakademiet" and Norwegian School of Management (BI).

SHARES IN SOLSTAD OFFSHORE ASA: 0

FRANK O. REITE (b. 1970)

Frank O. Reite first joined Aker in 1995, and became CFO in Aker ASA in August 2015. He came from the position of President & CEO of Akastor, and has previously held a variety of executive positions in the Aker group, including overseeing and developing Aker's investments in Converto Capital Fund AS, Havfisk, Norway Seafoods AS and Aker Yards ASA. Frank O. Reite has experience from banking and has served as Director in Paine & Partners. He is boardmember of several companies within the Aker Group. Frank O. Reite holds a B.A. in business administration from Handelshøyskolen BI in Oslo. He was elected board member at the Company's extraordinary general meeting 13 July 2016.

SHARES IN SOLSTAD OFFSHORE ASA: 0

TORIL EIDESVIK (b. 1968)

Toril Eidesvik is a trained solicitor from UiO (1993) and has worked as solicitor with Simonsen Musæus Advokatfirma (from 1994 – 1998) and Gjensidige NOR Sparebank (1998 – 2002). In the period from 2003 to 2008 she worked as solicitor in Caiano AS. From 2009 until 2012 she was Managing Director of Green Reefers ASA and from 2013 to 2014 she was CEO in the ship supply company EMS Seven Seas ASA. She has long experience as a board member, and today Eidesvik work as CEO in TTS Group ASA. Toril Eidesvik has been a board member since 2005.

SHARES IN SOLSTAD OFFSHORE ASA: 3.488

HARALD THORSTEIN (b. 1979)

Harald Thorstein is currently employed by Frontline Corporate Services in London, a company indirectly controlled by trusts established by Mr John Fredriksen for the benefit of his immediate family, and thus affiliated with Hemen. Thorstein's experience includes corporate finance advisory services in DnB Markets, where he focused on the offshore and shipping sectors. Prior to that, Thorstein was partner in the strategic advisory firm Arkwright. Harald Thorstein has a Master of Science degree within Industrial Economics and Technology Management from the Norwegian University of Technology and Science. He was elected board member at the Company's extraordinary general meeting 25 April 2017.

SHARES IN SOLSTAD OFFSHORE ASA: 0

THE BOARD'S ANNUAL REPORT

Solstad Offshore ASA ("The Company", "The Group" or "Solstad") is a world leading owner and operator of offshore service vessels (OSVs), offering maritime services to the global offshore and renewable energy industry. The Company owns and operates a fleet of PSV's (platform supply vessels), AHTS (anchor handling tug support vessels) and CSVs (construction and subsea vessels). The supply vessels (AHTS and PSVs) mainly support oil fields in production as well as development and exploration activities. The Group's CSVs is partly working on long-term contracts and partly utilized for subsea project activities. The CSVs on long-term contracts are serving the IMR (Inspection, Maintenance & Repair) and the SURF (Subsea, Umbilicals, Risers & Flowlines) markets. Furthermore, the Company participates in a joint venture which owns and operates vessels for use in the aquaculture industry.

The market within the offshore industry has continued to be weak throughout the year, but in certain areas there are signs of increased activity. The overcapacity of OSVs affected the Company's revenue negatively in 2018 and the Company is in a financial distressed situation, please see section 12 below.

In 2018, the Group achieved operating revenues of MNOK 4,910 compared to MNOK 3,777 in 2017. Adjusted EBITDA for the year was MNOK 1,005 compared to MNOK 925 in 2017. The Company made impairments of the book value of the fleet of MNOK 2,896 for 2018. The result after tax was MNOK -5,888 compared to MNOK -345 in 2017 and the booked equity is negative with MNOK851 (1).

(1) Comparison between 2018 and 2017 is influenced by the merger between Solstad Offshore ASA, Farstad Shipping ASA and Deep Sea Supply Plc, which is reflected in the financial statement from 01.07.2017 onwards.

1. VISION AND VALUES

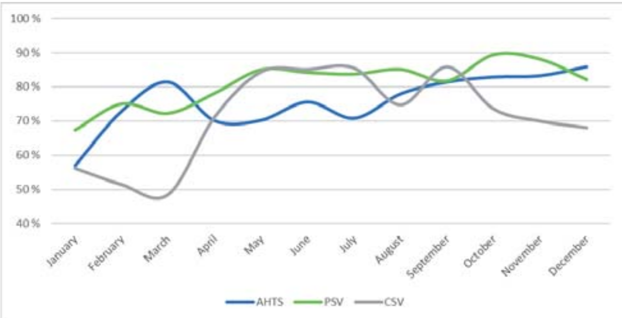
Solstad's vision is to be a reliable world leading shipping company, acknowledged by our clients, employees and other stakeholders by delivering high quality services to the global oil & gas, renewable energy and aquaculture markets. Our four core values are Safe – Reliable – Competent – Responsible. These values are our tools to create a common culture and define how we operate and how we interact with our clients, suppliers, partners and each other.

2. THE COMPANY'S ACTIVITIES

Solstad Offshore ASA's activities are primarily directed towards the offshore market for oil & gas and renewable energy. During the year, the operation has been organized in three business areas; International PSV & AHTS, Strategic PSV & AHTS and Construction and Renewable Energy worldwide. From 2019 the Company has reorganized its activities into two segments; 1) Subsea construction and renewable energy and 2) Global AHTS & PSV. In addition to the headquarter in Skudeneshavn, the Company has three other locations in Norway (Fosnavåg, Grimstad and Ålesund), Aberdeen, Rio de Janeiro, Macae, Perth, Singapore, Manila, Limassol and Odessa.

The Company's operating income in 2018 was divided into 53% (60%) from CSVs, 22% (22%) from AHTS and 25% (18%) from PSVs. Furthermore, the regional split of the revenues was 42% (39%) from the North Sea, 16% (18%) from South America, 12% (6%) from West Africa, 2% (4%) from Central and North America, 6 % (10%) from the Mediterranean / Europe and 22% (23%) from Asia/Australia.

Utilization for the operational fleet of vessels in 2018 (excluding vessels in layup):



Subsea construction and renewable energy

The CSV segment includes 33 vessels, whereof 7 vessels were in layup at year-end 2018. The CSV vessels operate world-wide and are mainly involved within oil & gas and renewable energy projects. The Solstad CSV fleet is versatile, and the vessels are designed and equipped to support a wide range of services. During 2018 the fleet has successfully been involved in decommissioning activities, SURF operations, cable laying, work within the offshore renewable sector, ROV support, installation of subsea equipment, survey work, IMR operations, diving, topside maintenance work and installation of floating and fixed production units. In addition, Solstad was awarded projects within deep sea mining operations and node based seismic operations.

The client portfolio for the CSV fleet includes a mix of energy companies, subsea construction companies, diving contractors, and seismic companies.

AHTS & PSV
The AHTS fleet includes 42 vessels, whereof 17 vessels were on term contracts, 7 vessels were trading the short-term market and 18 vessels were in layup in Norway and Asia at year-end 2018. The operational performance of the fleet has been good throughout the year. The AHTS' have mainly operated in Asia Pacific, South America, Africa and the North Sea.

The PSV fleet includes 61 vessels, with 41 vessels on term contracts and 20 vessels in layup in Norway/Asia at year-end 2018. The operational performance of the fleet has been good throughout the year. The PSVs have mainly operated in Asia Pacific, South America, Africa, Mediterranean, Russia and the North Sea.

In total 7 vessels have been sold and delivered to new owners during the year; Nor Chief, Sea Jackal, Sea Badger, Far Sailor, Far Senior, Far Supporter and Far Supplier.

Aquaculture
The Company holds a share of approximately 20% in an associated Company, Dess Aquaculture Shipping AS, together with MOWI ASA and Hemen Holding Ltd. At year-end 2018, the activity included 2 vessels in operation (1 Live Fish Carrier ("LFC") and 1 Harvest Vessel), and 7 LFCs and 3 service vessels under construction scheduled to be delivered in the period 2019 - 2021. All the vessels under construction have been awarded long-term contracts with commencement directly upon delivery from the shipyard. Solstad has full technical and commercial management of Dess Aquaculture Shipping AS.

For further details on the Company's fleet, please see the Fleet Overview in the Annual Report.

3. THE MARKET

The general expectation for the oil price in 2018 was a steady and stable increase towards a more sustainable level. After an upward trend the first 9 months of the year, the Brent Crude oil price was reduced from USD 85 per barrel to USD 52 in fourth quarter. Despite this, a number of new projects have been sanctioned and E&P spending seems to increase in 2019 compared with 2018. Drilling activity in established basins, particularly in mid-water areas like the North Sea, has been leading the increased activity.

The demand for offshore vessels has increased, but the combination of reactivation of vessels from layup and vessels mobilizing between regions, were the main reasons why day rates showed only a modest increase compared to previous year.

The number of vessels in layup was reduced during 2018. Reactivations were mainly done based on firm contract awards and less on a speculative basis. Globally, several hundred vessels are still in layup, many of which have been laid up for a period of more than three years. Newbuilds were scarce in 2018, both in terms of new orders and deliveries from yards.

The world fleet of AHTS larger than 15,000 bhp was at year-end 238 vessels, whereof 65 vessels (27%) in layup. There were 1,002 PSVs with a capacity of more than 3,000 dwt, whereof 207 vessels (21%) in lay-up. In total there were 5 AHTS larger than 15,000 bhp under construction, and 115 PSVs larger than 3,000 dwt under construction. A significant part of these vessels has been under construction for more than 5 years.

There are 29 larger CSVs under construction at shipyards in Europe, USA, Asia and the Middle East. Total fleet of CSVs at the end of 2018 was 394 vessels, whereof 35 vessels in layup (the vessel category includes both installation vessels and inspection, maintenance and repair (IMR) vessels with 70t+ cranes) (2).

(2) Sourse Clarkson Offshore & Energy

4. CORPORATE PARTICULARS

As of 31.12.2018, the number of shareholders was 10,458, whereof international shareholding was approximately 25%. The two largest shareholders, Aker Capital AS and Hemen Holding Ltd, hold 20.1% and 16.1%, respectively.

The Company's share price decreased from NOK 6,04 to NOK 1,72 (a reduction of 72%) per share during the year. The Company did not distribute dividends in 2018.

The Company will not be able to pay dividend for 2018.

At the Annual General Meeting (AGM) in May 2018 the Board was authorized to resolve to increase the share capital by up to MNOK 60. In addition, the Board is authorized to increase the share capital by up to KNOK 280. The authorizations, which are valid until the next AGM, have not been exercised. As of 31.12.2018, the Company holds 140,552 treasury shares, which is unchanged from last year.

The Board will propose that the AGM to be held on 6th June 2019 authorize the Board to resolve to increase the share capital by up to MNOK 60 (about 10% of the share capital), and furthermore that the authorization is valid for one year.

5. CORPORATE GOVERNANCE AND MANAGEMENT

Solstad Offshore ASA's governance and management are based on the Company's vision and values. The Company is listed on the Oslo Stock Exchange and is subject to the Norwegian companies act, accounting act and stock exchange listing and securities trading legislation. Solstad Offshore ASA adheres to the Norwegian Code of Practice for Corporate Governance dated 17th October 2017. More information on corporate governance is given in the separate chapter regarding Corporate Governance in the annual report and on www.solstad.com.

6. FINANCIAL POSITION AND DEVELOPMENT – THE GROUP

The financial statements for 2018 are prepared in accordance with IFRS (International Financial Reporting Standards), as adopted by the EU, with comparative figures for 2017. The merger between Solstad Offshore ASA, Farstad Shipping ASA and Deep Sea Supply Plc was effective from 22 June 2017. Farstad Shipping ASA and Deep Sea Supply Plc are included in the income statement from 1 July 2017. For the purpose of comparing the accounts from year to year, the mergers have a major influence on the figures.

Operating income in 2018 was MNOK 4,910 compared to MNOK 3,777 in 2017. The increase compared to 2017 is mainly related to the merger.

Operating expenses in 2018 amounted to MNOK 4,488 compared to MNOK 3,123 in 2017. The increase is related to the increased cost base due to a larger fleet as a result of the mergers.

Adjusted EBITDA for the year was MNOK 1,005 compared to MNOK 925 in 2017.

Operating result before financial items and tax was MNOK -3,987 compared to MNOK 694 in 2017, including impairments of book value of fixed assets of MNOK 2,896 compared to MNOK 395 in 2017. The main reasons for the impairments in 2018 are the significantly adjusted assumptions in the forecast (long term business plan) prepared. A large part of the impairments is related to the oldest and smallest vessels in the fleet, where the Company questions these vessels' earnings capacity even in a normalized market. The Company has collected independent valuations of vessels and other assets. 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. Vessels that the Company has identified as scrapping candidates have been impaired on the basis of scrapping price assumptions, and vessels that are assumed to be sold have been written down to what the Company sees as a realistic sales price.

Group result after tax for 2018 was MNOK -5,888 (MNOK -345 in 2017). Net financial items for 2018 was MNOK 1,855 (MNOK 1,025 in 2017), mainly consists of net interest expenses and currency loss.

Net earnings per share were NOK -20,20 (NOK -1,78 in 2017).

Operating result before depreciation amounted to 9% of revenues compared with 17% in 2017.Booked equity per 31.12.2018 was MNOK -851 (MNOK 4,962 in 2017) i.e. NOK -2,9 per share (NOK 17 per share in 2017).

Interest bearing debt as of 31.12.2018 was MNOK 29,980 (MNOK 28,840 in 2017), whereof MNOK 25,889 (MNOK 650 in 2017) is classified as current liabilities. The interest-bearing debt was divided with 45% NOK, 50% in USD, 3% in GBP and 2% in AUD. At the end of the year about 40% of the mortgage debt had fixed interest. Overview and details of amounts, interest rates, maturity, main covenants are included in the account notes 4 and 5.

At year-end, the Group held MNOK 1,351 in cash deposits (MNOK 1,875 at year-end 2017). The cash development has been negative during the year and measures has been put in place to preserve a minimum operational cash level for the Group.

Financially, the Company is organized in four separate silos, with no parent company guarantees issued by Solstad Offshore ASA on behalf of Solstad Invest 1 AS (former REM Offshore), Farstad Shipping AS (former Farstad Shipping ASA) or Solstad Invest 3 AS (former Deep Sea Supply Plc).

7. RESTRUCTURING PROCESS

July 2018, a number of entities in the Solstad Invest 3 AS silo entered into an agreement with their financial creditors for the deferral of scheduled instalments and bareboat payments until 31.12.2019 in a total amount of approximately MUSD 48. The financial restructuring also included a MUSD 27 loan from Sterna Finance Ltd. Later, in March 2019, all the relevant creditors except one also agreed to suspend interest payments until 20.06.2019. A unilateral suspension of principal and interest payment was implemented towards the dissenting creditor from the same time. The unilateral suspension of principal and interest payment means that one of the companies in the Group has defaulted on its financial obligations, but such obligations are without recourse to the Company.

In December 2018, certain of the companies in the Solstad and Farstad silos agreed with their financial creditors to suspend and defer payments of principal and interest under the companies' loan agreements (including under the Company's bond with ISIN NO 001 0713548) until 20.06.2019. The suspension and deferral agreement do currently not apply to the financial debt of the silo Solship Invest 1 AS.

However, the implemented measures are temporary only, and the Company has since second half of 2018 also been working together with its financial creditors to find a long-term solution to its financial challenges. If a long-term solution could be reached, this is expected to involve a comprehensive restructuring of the Company, see also section 12 below (Going Concern).

8. HEALTH, THE ENVIRONMENT, SAFETY AND QUALITY ASSURANCE

The Company operates in accordance with international regulations/standards and is certified to: ISM, ISO 14001: 2015, ISO 9001: 2015, MLC (Maritime Labour Convention) and ISPS (International Ship and Port Facility Security) the codes requirements. The crews are trained according to the Company's procedures approved pursuant to the requirements of the STCW 10 (Seafarers Training, Certification and Watchkeeping Code). Internal audits are carried out on all ships and offices on an annual basis.

The integration process following the mergers was completed in December 2018 for all offices and vessels in operations with one common Document of Compliance (DOC). A common global management system is seen as a key factor in relation to achieve safe and efficient operation of the Company's activities. The common management system (Solstad Internal Management System - SIMS) includes overall objectives and policies for the

Company. Further, it describes the various processes and activities to be performed and each employee's responsibilities/roles related to these.

A vital part in order to understand and improve safety is to focus on preventative measures to avoid injuries and operational accidents or interruptions. In 2018, approximately 31,000 HSE reports were recorded and processed at different levels in the organization. Conclusions from analysis are used as basis for further preventative measures to avoid future accidents.

Overall, the Company had seven work-related lost-time injuries that provide an H-factor (number of injuries per 1 million hours worked) of 0.56 for 2018 (0.36 in 2017). The goal of no lost-time injuries is maintained for 2019, and the Company focuses on the evaluation, facilitation, planning and preventative work to avoid all kinds of personnel-related injuries and incidents with adverse effect on the environment. The fleet had 679 liters of emissions of various types of oil products to sea in 2018. The Company has a program for sorting and reporting of all waste, and the program covers both ship and onshore organizations.

Solstad Green Operations is the Company's environmental program that aims to save the environment from emissions primarily through reduced fuel consumption. About 26,000 Green Operations were performed in 2018, resulting in 20,500 tons of fuel saved which prevented release of 65,298 tons of CO_2 emissions into the atmosphere.

The Company's Corporate Social Responsibility report (CSR) is available on www.solstad.com.

The working environment, onshore as well as onboard the ships, is considered satisfactory. There is a continued focus on improvements in the working environment, including the avoidance of any form of discrimination related to age, gender, religion or the like. Sick leave for the Company was 5,27% in 2018 (4.2%).

The Group administration consists of 59% men and 41% women. Out of a total of 3,513 marine crew, 136 were women at year-end. Gender, nationality, disability, religion and the like shall not influence the Company's recruitment of employees.

The Company takes part in recruitment and training of cadets/trainees and participates in measures towards encouraging young people to involve in maritime education.

9. MARKET OUTLOOK

According to several research analysts, the offshore activity is expected to increase gradually. The increased drilling activity in the North Sea is expected to eventually also expand into other regions like the Mediterranean, West Africa and the Middle East.

A recovery is not expected to come uniformly to all vessel types and in all regions at the same time. The winter months may still be challenging in the North Sea as rig and construction activity slows down. Structural changes in the industry that have resulted in greater efficiencies and therefore less demand for vessels will also be an important feature towards a more balanced market. This could particularly affect the AHTS market.

Other key markets like Brazil and Australia is lagging in the market recovery. Brazil has been an important source of vessel demand previously and the slow recovery in the region impacts the global fleet of offshore vessels. Though no further reduction in demand is expected in 2019, only a limited increase is expected. For Australia a moderate uptick in vessel demand may be seen towards the end of 2019.

Within the subsea segment, IMR work has shown a moderate increase. However, structural changes in how IMR work scopes are carried out have resulted in greater efficiencies. For construction work, the high level of development plans submitted over the past 18 months are starting to translate into demand for vessels. For mid-water North Sea, this is expected to result in more vessels being utilized in 2019.
The renewables sector has become important clients for the subsea fleet. As the activity within oil & gas markets increases, the pool of clients, work roles and opportunities for the subsea fleet is expected to grow.

10. RISK

The Solstad Offshore Group is exposed to market, commercial, operational and financial risks that affect the assets, liabilities, available liquidity and future cash flows. Given the difficult market situation within the offshore industry the last years, the Company considers that these risks have increased compared to previous years. There is established a risk mitigation framework based on identifying, assessing and managing risks. The Board monitors the overall risk picture for the Group, both through management's daily work and reporting. The Company continuously works to improve its risk management framework.

Market and operational risks are changes in demand for and prices of the services provided by the Company, and potential adverse effects of the provision of such services. Solstad Offshore ASA continually evaluates measures to reduce risk exposure as mentioned above. Since 2014, following the significant drop in oil prices, market volatility has been high. This has resulted in increased uncertainty in the oil and gas sector, which also affects the Company's counterparties. Handling of such risks has become increasingly important. Furthermore, the increased uncertainty also affects the valuation of the Company's assets, and The Group is therefore exposed to increased risk in this respect.

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

Since 2014, the start of the current downturn, the Company has experienced major changes. During the past two years, the Company has been part of three extensive mergers, and most of the mortgage debt and other obligations have been refinanced or amended. The circumstances have resulted in a complex and stringent financing regime in the interest of financial creditors. The level of complexity and the challenging market environment have increased the risk for a breach under the different agreements, and the stringency limits the Company´s option to take capital-intensive risk eliminations.

The Group is in a challenging financial position and has implemented measures to preserve liquidity. The cash position of the group is being monitored closely. The viability of the Company will require the establishment of a long-term financial platform. The Company is in discussions with the financial creditors of the group to secure such a platform, but the outcome of such discussions is not yet known (see also section 7 (Restructuring Process) and section 12 (Going Concern).

11. FINANCE – PARENT COMPANY

The result for Solstad Offshore ASA in 2018 was MNOK -4,357 (MNOK -1,137 in 2017). Net financial result of MNOK -4,360 (MNOK -1,116 in 2017) is mainly due to impairment of shares in subsidiaries of MNOK 3,951 (MNOK 946 in 2017) and impairment of intercompany receivable. Operating result was of MNOK 3 (MNOK -20 in 2017).

The Company's assets are mainly related to the value of shares in subsidiaries and associates, as well as loans to Group Companies. Booked equity at year end was MNOK 0 (MNOK 4.357 in 2017). The debt at the same date was MNOK 1,324 (MNOK 1,728 in 2017), of which MNOK 1,079 in bond loan.

12. GOING CONCERN

The annual accounts are prepared on the assumption of a going concern. However, the Company's and the Group's financial situation is unsustainable as equity is negative and liquidity is under pressure. The long-term viability of the Company's and the group's business depends on the Company finding a solution to its financial situation. The Company is in discussions with its key creditors, and the going concern assumption is based on the board's view that the Company's efforts in this respect have a possibility of success. A solution is expected to involve a comprehensive restructuring of the Company's balance sheet. The outcome of the discussions and the going concern assumption is nevertheless subject to material uncertainty. If the discussions are not successful, and in the event the Group should be forced to realize its assets, there is a risk that these will be realized at a significantly lower value than their carrying amount, as value in use is higher than estimated sales values for several of the vessels. . For further information, please see Note 1, Note 2, Note 4 and Note 29.

13. ALLOCATION OF LOSS

The Board proposed that the following distribution is made:

Transfer from retained profits	NOK	4,356,940,923
Net applied/transferred	NOK	4,356,940,923

AFFIRMATION BY THE BOARD AND MANAGING DIRECTOR

We hereby affirm that, to the best of understanding, the Annual Accounts for the period 1st January to 31st December 2018 have been prepared in accordance with current accounting standards; and that the information in the accounts represents a true and fair view of the Company's and the consolidated group's assets, liabilities, financial position and overall performance. We further affirm that the Annual Report provides a true and fair view of the development, earnings and standing of the Company and the consolidated group; outlining the most important risk factors and uncertainties facing the group.

Board of Directors in Solstad Offshore ASA
Skudeneshavn 30.04.2019

Harald Espedal
Chairman

Ellen Solstad	Toril Eidesvik	Frank O. Reite	Merete Haugli	Harald Thorstein	Lars Peder Solstad
Director	Director	Director	Director	Director	CEO

CORPORATE GOVERNANCE

Corporate governance in Solstad Offshore ASA is based on the Norwegian Code of Practice for Corporate Governance of 17th October 2018 (the Code). The Company is listed on the Oslo Stock Exchange (OSE) and is subject to Norwegian corporate, accounting, exchange listing and securities trading legislation.

Implementation and reporting

It is of importance to the Company to regulate the division or roles between Shareholders, the Board of Directors and the Executive Management. Hence, the Company has adhered to the principles of the Code

Business

Solstad Offshore ASA´s objective as set out in the Articles of Association, is to conduct integrated shipping operations with advanced vessels in its market segments, utilizing owned or chartered vessels. The operations are primarily the provision of maritime services to the oil and gas, renewable energy and aquaculture industries. The Company´s Articles are available online at www.solstad.com. More details about the Company´s objective and strategy are set out under Business, objectives and strategy in the Board's Annual Report.

Solstad Offshore ASA maintains its guidelines for ethical conduct and social responsibility aimed at securing values and corporate culture in the organization, in order to provide a basis for value creation, safe and green operations, workplace satisfaction, positive reputation and innovation.

Equity and dividends

At year end 2018, the Company's equity amounted to MNOK –851. In a longer perspective, the Company aims is to give the Shareholders an attractive return on invested capital, by increased share price and dividends.

Due to the current market situation and certain restrictions of the financial agreements with the Company´s lenders, it is not expected that the Company will pay dividends for 2018 or for the coming years.

The General Meeting, held on 9th May 2018 authorized the Board of Directors to:

- Resolve to increase the share capital of Solstad Offshore ASA by maximum MNOK 60, by issuing of maximum 30,000,000 new shares, each of face value NOK 2,00. The authorization, which remains in force until the General Meeting in 2019, also covers a resolution to merge under the Public Companies Act, section 13-5.

- Resolve to increase the share capital by maximum KNOK 280 by issuing a maximum of 140,000 shares each of face value NOK 2. Within these limitations, the Board of Directors will determine whether to offer one or several issues and their respective size. The capital increase will be reserved for employees, and Shareholders waive all preemptive rights to these shares. The Board of Directors will determine the subscription price and other conditions. The authorization remains in force until the General Meeting in 2019.

Equal treatment of shareholders and transactions with close associates

Solstad Offshore ASA has one class of shares. All shares have equal rights.

The authorization of the Board of Directors to acquire treasury shares is contingent to take place at Oslo Stock Exchange.

During 2018 there were no transactions between the Company and its Shareholders, the Board of Directors or the Executive Management and their close associates, except as reported in relevant notes of the financial statements.

Freely negotiable shares

The shares in Solstad Offshore ASA are freely negotiable. The Articles of Association set no limitations on transactions.

General meeting and nomination committee

The Annual General Meeting is held in the month of May or June. According to the Articles of Association, the notice and related documents are posted on the Company's website no later than three weeks in advance. The Company endeavors to ensure that the documents contain all necessary information to enable Shareholders to vote on all matters. The Chairman of the Board takes part in the General Meeting, as does the Company Auditor. The Board aims for as many Shareholders as possible to attend. Shareholders who cannot attend, may be represented by proxy and the procedures for voting by proxy are described in the notice. The proxy authorization form is designed to allow Shareholders to vote on individual items and individual candidates for election/re-election. The agenda is determined by the Board of Directors, according to the article 6 of the Articles of Association. The Chairman of the Board opens the General Meeting and a chairperson for the meeting is elected. The minutes of the General Meeting are published as a Stock Exchange notice, as well as on the Company's website.

Nomination committee

The Articles of Association states that the Company shall have a Nomination Committee of 2-3 members, the final number to be decided by the General Meeting. The Nomination Committee shall propose candidates to the Board of Directors and to the nomination committee, and also propose remuneration of the Board of Directors and members of the nomination committee. The General Meeting will elect the members of the nomination committee, including the chairperson, and set their remuneration. The guidelines for the nomination committee and their contact details are published on the Company website.

Board of Directors, composition and independence

The nomination committee's primary goal is to propose candidates who will ensure that the Company has a Board of Directors with the most relevant expertise, capacity and diversity. The Board should be composed of Directors to act independently of special interests, and the majority of the Directors should be independent of any major Shareholder. The composition should also reflect gender equality, with at least 40% of the Directors being female. Directors are elected for a two-year term of office.

Work of the Board of Directors

Annually there are six to eight scheduled Board Meetings, augmented by telephone conferences as needed. Instructions for the Board and Executive Management are in place. Procedures for internal control is exercised according to the adopted guidelines and reviewed with the auditor and Board on an annual basis. The Board receives a monthly financial report. The Board elects one of the directors to chair the meeting in the absence of the Chairman. An audit committee consists of two independent directors, elected by the Board of Directors. The Board conducts a self-assessment of its work and qualifications on an annual basis.

The Company maintains rules to ensure that the Board of Directors and Executive Management report to the Board in case of any direct or indirect material interest in any contract signed by the Company.

Risk management and internal control

The Board seeks through its work to ensure that the Company maintains good standards of internal control and appropriate systems of risk management, in light of the scope and nature of the Company's business, and the provisions that govern the business. The Company has established a system of operation and administration that relies on work procedures and job descriptions. The system also covers social responsibility and ethical guidelines. There is a commitment to quality assurance. The Board receives information about operational, administrative and financial developments in monthly reports. Each year the Board reviews corporate strategy and the business plan, including analysis of the Company's risk exposure. Exposure is monitored monthly through the reports from the Administration.

Remuneration of directors

The remuneration of the Board of Directors reflects the Board's responsibilities, expertise, time commitment and complexity of the business, and is not linked to performance. The amounts involved are reported in the financial statements. The Directors do not have share options. In cases where members of the Board should undertake significant additional work for the Company all Directors are informed, fees to be approved by the Board and reported in the financial statements. The fees are reported in the financial statements. All transactions between Directors or employees (or companies that they represent or are associated with) on the one hand, and the Company on the other, are implemented in accordance with the arm's length doctrine.

Apart from the details included in the notes regarding remuneration of the Directors, companies that they represent or are associated with, the Company has no other obligations. Remuneration of the Directors is considered to reflect market conditions.

Remuneration to Executive Management

The remuneration of the Managing Director is determined by the Board. Other elements of the remuneration are reported in the notes to the financial statements. The guidelines for remuneration of the Executive Management are presented to the General Meeting for information purposes.

Apart from the details included in the notes regarding remuneration of the Executive Management, companies that they represent or are associated, the Company has no other obligations. Remuneration to the Managing Director is considered to reflect market conditions. There is no share option program for employees.

Information and communications

The Company has a policy of treating all its shareholders and other market participants equally, and communicates relevant information on significant developments of the Company´s business and standing in a timely manner.

Presentation of the financial reports is made according to the financial calendar posted on the Company website, and filed as a notice with the OSE. Furthermore, frequent briefings and discussions are held with analysts and investors. Information is disclosed through stock exchange notices, discussions with analysts, and general briefings for investors, as well as special briefings for stockbrokers and investors. The Company adheres to the recommendations of the OSE regarding Investor Relations reporting.

Take-overs

The shares in the Company are freely tradable, and the Articles of Association does not hold specific defense mechanisms against take-over situations. In a potential bid-situation, the Board will work to inform Shareholders and allow time to decide on the offer. Furthermore, the Board will issue a statement to the Shareholders with an assessment of the bid and a recommendation of whether to accept it or not.

Auditor

The Auditor of the Company is elected at the Annual General Meeting, which also approves its remuneration. Each year the Auditor sets out the highlights of the audit plan to the audit committee. The auditor also presents a report about his views and observations regarding the accounting principles, risk areas, internal control routines, and other aspects. Furthermore, the Auditor will each year deliver a written report to affirm his compliance with certain impartiality and objectivity standards. The Auditor attends Board Meetings to discuss the financial statements for the year and the Annual General Meeting.

Important consultancy work performed by the Auditor requires prior approval by the Directors. The remuneration to the auditor is reported in the financial statements. Once a year, the Board of Directors meets with the Auditor for discussions without the Managing Director or other representatives from the administration present.

GROUP ACCOUNTS

FOR

SOLSTAD OFFSHORE ASA

STATEMENT OF COMPREHENSIVE INCOME

1.1 - 31.12

GROUP (NOK 1,000)	NOTES	2018	2017
Freight income	3,28	4,673,356	3,626,078
Other operating income	3	236,739	150,666
Total operating income		**4,910,095**	**3,776,744**
Personnel costs	8,18	-2,182,039	-1,561,730
Administrative expenses		-481,791	-421,475
Operating lease vessels	6	-154,014	-84,513
Other operating expenses	8	-1,670,036	-1,055,386
Total operating costs		**-4,487,880**	**-3,123,104**
Operating result before depreciation and impairment		**422,215**	**653,640**
Ordinary depreciation	12	-1,150,680	-776,485
Depreciation capitalised periodic maintenance	12	-285,403	-216,614
Impairment fixed assets	12	-2,896,000	-394,720
Gain from business combinations	26	-	1,540,000
Net gain/ loss on sale of assets	2,12	-63,199	-243
Income from investment in joint ventures	11	-13,906	-111,222
Operating result		**-3,986,972**	**694,355**
Income from investment in associated companies	11	35,185	30,866
Interest income		12,271	10,216
Other financial income		13,422	273,879
Interest charges		-1,454,854	-1,129,583
Other finance costs		-460,917	-209,998
Net financial items	7	**-1,854,893**	**-1,024,620**
Ordinary result before taxes		**-5,841,865**	**-330,265**
Tax on ordinary result	17	-45,865	-14,751
Net result		**-5,887,730**	**-345,017**
Comprehensive income:			
Translation adjustments foreign currency		100,716	-148,286
Net gain on available for sale financial assets		549	1,500
Comprehensive income that may be reclassified in subsequent periods		**101,265**	**-146,786**
Actuarial gain/ (loss)	18	10,096	-34,239
Comprehensive income that may not be reclassified in subsequent peiods		**10,096**	**-34,239**
Comprehensive income		**-5,776,370**	**-526,041**
Net result attributable to:			
Non-controlling interests		-29,536	-31,242
Equity holders of the parent		-5,858,195	-313,774
Comprehensive income attributable to:			
Non-controlling interests		-29,536	-31,242
Equity holders of the parent		-5,746,834	-494,799
Earnings per share (NOK)	15	-20.20	-1.78

STATEMENT OF FINANCIAL POSITION

GROUP (NOK 1,000)	NOTES	31.12.18	31.12.17
ASSETS:			
Long-term assets:			
Intangible fixed assets:			
Deferred tax asset	17	1,968	5,678
Contracts	28	208,422	406,892
Total intangible fixed assets		**210,390**	**412,570**
Long-term fixed assets:			
Vessels and new build contracts	2,12	26,803,637	30,491,727
Capitalized periodic maintenance	12	579,100	574,177
Other tangible fixed assets	12	133,342	152,869
Total long-term fixed assets		**27,516,079**	**31,218,772**
Financial assets:			
Investment in joint ventures	11	135,992	271,787
Loans to associated companies and joint ventures	16	43,879	7,399
Investments in associated companies	11	510,157	290,360
Investments in shares	11	5,969	5,969
Other financial assets	4	1,843	32
Other long-term receivables	22	174,992	88,524
Total financial assets		**872,833**	**664,072**
Total long-term assets		**28,599,301**	**32,295,414**
Current assets:			
Inventory	24	170,186	219,267
Receivables:			
Account receivables	4,23	926,813	1,064,937
Other short-term receivables	23	555,046	453,826
Other current financial assets	4	-	2,613
Total receivables		**1,481,859**	**1,521,375**
Investments:			
Market based shares	11	11,907	11,687
Bank deposits and cash equivalents	19	1,351,346	1,875,482
Total current assets		**3,015,298**	**3,627,811**
Asset held for sale	12	-	187,554
TOTAL ASSETS		**31,614,599**	**36,110,779**

STATEMENT OF FINANCIAL POSITION

GROUP (NOK 1,000)	NOTES	31.12.18	31.12.17
EQUITY AND LIABILITIES:			
Equity:			
Paid-in equity:			
Share capital (291,532,299 a 2,-)	14	583,065	583,065
Treasury shares	14	-281	-281
Other paid-in capital		321,648	321,648
Share premium		3,698,350	3,698,350
Total paid-in equity		**4,602,782**	**4,602,782**
Retained earnings:			
Other equity		-5,455,881	327,659
Total retained equity		**-5,455,881**	**327,659**
Non-controlling interests		2,427	31,963
Total equity		**-850,672**	**4,962,404**
Liabilities:			
Long-term provisions:			
Deferred income	28	32,843	62,995
Pension obligations	18	119,428	120,842
Other financial liabilities	4	454,194	377,280
Total long-term provisions		**606,464**	**561,117**
Other long-term liabilities:			
Other long-term liabilities	4,5	97,779	376,480
Interest bearing liabilities	4,5	1,081,101	25,159,919
Leasing obligations	4,5	3,010,550	3,030,077
Total long-term liabilities		**4,189,430**	**28,566,475**
Current liabilities:			
Accounts payable		97,403	432,089
Taxes payable	17	77,502	67,335
Other current financial liabilities	4	282,807	48,239
Other current liabilities	25	1,322,943	822,672
Current interest bearing liabilities	4,5	25,888,722	650,449
Total current liabilities		**27,669,377**	**2,020,783**
Total liabilities		**32,465,271**	**31,148,375**
TOTAL EQUITY AND LIABILITIES		**31,614,599**	**36,110,779**

Skudeneshavn, April 30, 2019

Harald Espedal
Chairman

Ellen Solstad	Toril Eidesvik	Frank O. Reite	Merete Haugli	Harald Thorstein	Lars Peder Solstad
Director	Director	Director	Director	Director	CEO

STATEMENT OF CHANGES IN EQUITY

(NOK 1,000)	Notes	Share capital	Trea-sury shares	Share premium	Other paid-in capital	Other changes	Other equity	Total majority shares	Non-con-trolling interests	Total equity
Equity 31.12.2017		**583,065**	**-281**	**3,698,350**	**321,648**	**245,907**	**81,752**	**4,930,441**	**31,963**	**4,962,404**
IFRS 9 implementation effect							-43,614	-43,614		-43,614
Equity 01.01.2018		**583,065**	**-281**	**3,698,350**	**321,648**	**245,907**	**38,138**	**4,886,827**	**31,963**	**4,18,790**
Annual result							-5,858,195	-5,858,195	-29,536	-5,887,730
Actuarial gain/ loss (-)							10,096	10,096		10,096
Translation adjustments						100,716		100,716		100,716
Value changes in assets	11					549		549		549
Comprehensive income						**101,265**	**-5,848,099**	**-5,746,834**	**-29,536**	**-5,776,370**
Other adjustments							6,907	6,907		6,907
Equity 31.12.2018		**583,065**	**-281**	**3,698,350**	**321,648**	**347,172**	**-5,803,053**	**-853,099**	**2,427**	**-850,672**
Equity 01.01.2017		**177,374**	**-251**	**2,165,293**	**111,648**	**392,693**	**545,766**	**3,392,522**	**63,205**	**3,455,727**
Annual result							-313,774	-313,774	-31,242	-345,017
Actuarial gain/loss (-)							-34,239	-34,239		-34,239
Translation adjustments						-148,286		-148,286		-148,286
Value changes in assets available for sale	11					1,500		1,500		1,500
Comprehensive income						**-146,786**	**-348,013**	**-494,799**	**-31,242**	**-526,041**
Equity contribution	2,14	365,691		1,533,057				1,898,748		1,898,748
Convertion of convertible loan	2	40,000			210,000		-115,939	134,061		134,061
Other adjustments	14		-30				-62	-92		-92
Equity 31.12.2017		**583, 065**	**-281**	**3,698,350**	**321,648**	**245,907**	**81,752**	**4,930,441**	**31,963**	**4,962,404**

STATEMENT OF CASH FLOW

1.1 - 31.12

CASH FLOW FROM OPERATIONS (NOK 1,000)	Note	2018	2017
Result before tax		**-5,841,865**	**-330,265**
Taxes paid	17	-27,151	-12,382
Ordinary depreciation and write downs	12	4,332,083	1,387,819
Loss/ gain long-term assets		38,577	-1,341,361
Interest income	7	-12,271	-11,861
Interest expense	7	1,454,854	1,105,344
Terminated borrowing costs		-	8,844
Effect of change in pension assets	18	-13,889	-4,771
Change in value of financial instruments		-390	-39,021
Unrealised currency gain/loss		352,709	-183,772
Change in short-term receivables/payables		-147,482	-41,254
Change in other accruals		1,110,334	203,709
Net cash flow from operations		**1,245,508**	**741,029**
CASH FLOW FROM INVESTMENTS:			
Investment in tangible fixed assets	12	-65,745	-71,247
Payment of periodic maintenance	12	-288,754	-159,504
Sale of fixed assets		195,649	661,154
Payment of long-term receivables		-143,595	-19,653
Interests reveiced	7	10,293	12,569
Addition of cash related to merger		-	935,315
Investments in other shares/ interests		-71,116	-69,535
Realized shares and interests		20,648	-
Net cash flow from investments		**-342,620**	**1,289,099**
CASH FLOW FROM FINANCING:			
Paid-in capital	14	-	200,000
Interests paid	7	-1,283,723	-1,108,551
Long-term debt		1,052,566	588,972
Repayment of long-term debt		-1,215,839	-1,575,566
Net cash flow from financing		**-1,446,997**	**-1,895,145**
Effect of changes in foreign exchange rates		19,973	-9,951
Net change in cash and cash equivalents		-544,109	134,983
Cash and cash equivalents at 01.01		1,875,482	1,750,450
Cash and cash equivalents at 31.12	4	**1,351,346**	**1,875,482**

NOTES

NOTE 1 - ACCOUNTING PRINCIPLES

The Group, Solstad Offshore ASA ("SOFF" or "the Company"), operates a shipping business from its head office in Skudeneshavn, Norway, and its main activities are the operation of offshore service and construction vessels. The Group is listed on Oslo Stock Exchange. Solstad Offshore ASA consist of the four listed companies Rem Offshore, Deep Sea Supply, Farstad Shipping and Solstad Offshore. The Group changed its name to Solstad Offshore ASA on October 1, 2018, after using Solstad Farstad ASA subsequent to the merger in 2017. The financial statements were approved by the Board of Directors on April 30, 2019, and will be presented for approval in the Annual General Meeting.

Statement of Compliance and basis for preparation
The consolidated financial statements have been prepared in accordance with the Norwegian Accounting Act, International Financial Reporting Standards (IFRS) and interpretations by the International Accounting Standards Board (IASB) which is approved by the European Union (EU).

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and listed shares that have been measured at fair value, on the going concern assumption, and are presented in Norwegian Kroner. Throughout the Notes all figures are stated in NOK thousand unless clearly stated otherwise.

The annual accounts are prepared on the assumption of a going concern. However, the Company's and the Group's financial situation is unsustainable as equity is negative and liquidity is under pressure. The long-term viability of the Company's and the group's business depends on the Company finding a solution to its financial situation. The Company is in discussions with its key creditors, and the going concern assumption is based on the board's view that the Company's efforts in this respect have a possibility of success. A solution is expected to involve a comprehensive restructuring of the Company's balance sheet. The outcome of the discussions and the going concern assumption is nevertheless subject to material uncertainty. If the discussions are not successful, and in the event the Group should be forced to realize its assets, there is a risk that these will be realized at a significantly lower value than their carrying amount, as value in use is higher than estimated sales values for several of the vessels. . For further information, please see Note 2, Note 4 and Note 29.

Changes in accounting principles
The following new IFRS's are adopted with effect from January 1, 2018:

IFRS 9 Financial Instruments
IFRS 9 Financial Instruments replaced IAS 39 Financial Instruments: Recognition and Measurement from January 1, 2018. In order to expedite the replacement of IAS 39, the IASB divided the project into phases: classification and measurement, hedge accounting and impairment. The parts of IAS 39 that have not been amended as part of this project has been transferred into IFRS 9.

Implementation of IFRS 9 had, in addition to increased disclosures, an effect on the opening balance of 2018, as the standard was implemented without restating comparative financial statements. Due to modified terms for parts of the Company's debt in 2017, a modification loss of MNOK 43 was identified. Instalments for about 30% of the debt was reduced from 25% to 10% of original instalments. The effect of the reduced instalments did not exceed the 10% threshold that applied under IAS 39.

NOK million	Classification under original IAS 39	Classification under new IFRS 9	Carrying amount under IAS 39	IFRS 9
Financial assets				
Investments	Available for sale	FVTPL	11.7	11.7
Trade and other receivables	Loans and receivable	Amortized cost	1,521.4	1,521.4
Bank deposits	Loans and receivable	Amortized cost	1,875.5	1,875.5
Total financial assets			**3,408.5**	**3,408.5**
Financial liabilities				
Interes-bearing loans	Loans and receivable	Other financial liabilities at amortized cost	25,810.4	25,810.4
Financial instruments	Fair value	FVTPL	13.1	13.1
Trade and other liabilities	Loans and receivable	Other financial liabilities at amortized cost	1,290.0	1,290.0
Total financial liabilities			**27,113.4**	**27,113.4**

IFRS 15 Revenue from Contracts with Customers
The Group adopted IFRS 15 effective 1 January 2018, using the modified retrospective approach with the date of transition being 1 January 2018. IFRS 15 Revenue from Contracts with Customers replaces existing IFRS revenue requirements. The core principle of IFRS 15 is that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard applies to all revenue contracts and provides a model for the recognition and measurement of sales of some non-financial assets (e.g., disposals of property, plant and equipment). The new standard was effective for annual periods beginning on or after January 1, 2018 or later.

The standard has not altered the Company's timing for recognition of revenue from the Company's operations. However, it has resulted in increased disclosures.

Approved IFRS and IFRIC interpretations not yet implemented

IFRS 16 Leases
IFRS 16 Leases replace existing IFRS standard for leases, IAS 17 Leases. IFRS 16 sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties in a lease, i.e. the customer (lessee) and provider (lessor). The new standard requires that the lessee recognizes the assets and liabilities of most leases, which is a significant change from current policies. For the lessor IFRS 16 continues essentially all existing principles in IAS 17. In line with this, should a lessor continue to classify their leases as operating leases or finance leases, and accounting for these two types of leases differ. IFRS 16 is effective for financial years starting January 1, 2019 or later. The Group plan to adopt IFRS 16 from 1 January 2019 using the modified retrospective method.

In addition to increased disclosures, the balance sheet will be affected by the leases listed under Other leases in Note 6. In total long-term fixed assets and long-term liabilities will increase by approximately MNOK 900-1,000 as per 1.1.2019. The discount rates applied in the estimate ranges from 3-9%. The incremental borrowing rate applicable to the leased assets is currently an estimate that may change when the assessment of IFRS 16 effects is finalized. Consequently, the estimated effect on assets and liabilities may also be subject to changes

Consolidation
The consolidated financial statements comprise of the financial statements of Solstad Offshore ASA and its subsidiaries as at 31st December each year. Any deviating accounting principles are adjusted for in this consolidation.

The Group accounts state the total profit & loss and financial position of Solstad Offshore ASA and its controlling interests as a whole. The consolidated accounts include companies in which Solstad Offshore ASA has direct or indirect ownership of more than 50% of the voting shares, or otherwise has direct control, according to IFRS 10. Share options, convertibles and other equity instruments are evaluated when assessing whether control exists.

Subsidiaries are consolidated 100% line by line in the group accounts. A subsidiary is an entity where the Group has controlling interest, direct or indirect, of more than 50% of the voting shares.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. The purchase price is allocated to identifiable assets and liabilities from the subsidiary, and is recognized at fair value in the consolidated accounts at the acqusition date. Any excess cost of acquisition over the fair value of the net identifiable assets of the subsidiary or joint venture acquired calculated at the date of handover, will be recognized as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary or joint venture acquired calculated at the date of handover, a day-one-gain will be recognized as income.

All inter-company transactions, receivables, liabilities and unrealized profits, as well as intra-group profit distributions, are eliminated. In the consolidation, the profit and loss accounts of foreign subsidiaries, not using NOK as functional currency, are translated using the exchange rate on the day of transaction. The balance sheet is translated using the balance sheet date exchange rate. Translation adjustments between local currency and functional currency are classified as financial items, while adjustments arising from translation from functional to presentation currency are booked in equity.

The non-controlling interest in equity as well as net income is reported separately in the consolidated financial statements.

Investment in associates and joint ventures
The Group's investment in its associates and joint ventures are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence but which is not a subsidiary. A joint venture is an entity in which the Group has significant influence, but where agreement of joint control is entered, requiring strategic decisions to be unanimous.

The reporting dates of the associates, joint venture and the Group are the same and the same accounting principles are applied.

Investments in an associate and joint ventures are recorded in the balance sheet at cost plus post-acquisition changes in the

Group's share of net assets of the associate or joint venture, less any impairment in value. The profit and loss for the Group reflects the associates' or joint ventures' share of profits under operating costs. Changes recorded directly in the associates' or joint ventures' comprehensive income or equity, are recognized pro-rata in the Group accounts, and are, where applicable, disclosed in other income and in the statement of changes in equity. Profit and loss on transactions in the associated company or joint venture are eliminated in the Group accounts in the Group's equity.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
The Group's financial assets are: derivatives, trade- and financial lease receivables and cash and cash equivalents. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Except for trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, (in the case of a financial asset not at fair value through profit or loss), transaction costs.

The Group classifies its financial assets in two categories:

• Financial assets at amortised cost
• Financial assets at fair value through profit or loss (FVTPL)

Financial assets at amortised cost
The Group measures financial assets at amortised cost if both of the following conditions are met:

• The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Groups financial assets at amortised cost includes trade and other receivables, finance lease and other non-current assets. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers.

Financial assets at fair value through profit or loss
Derivatives at fair value are carried in the statement of financial position at fair value with net changes in fair value through profit or loss. The category includes foreign exchange contracts and interest rate swaps.

Derecognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

• The rights to receive cash flows from the asset have expired, or
• The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
a. the Group has transferred substantially all the risks and rewards of the asset, or
b. the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Impairment of financial assets
For trade and other receivables, finance lease and other noncurrent assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime Estimated Credit Losses (ECLs) at each reporting date, based on its historical credit loss experience.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when the Group has no reasonable expectations of recovering the contractual cash flows. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. This assessment is based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Financial liabilities
Financial liabilities are classified as subsequently measured at amortised cost except for financial liabilities at fair value through profit of loss (FVTPL). Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derivatives are financial liabilities when the fair value is negative, accounted for similarly as derivatives as assets.

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Derecognition of financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

Classification of items in the balance sheet
Current assets and short term debt are items which mature within one year of the balance sheet date as well as any items relating to inventory turnover if this occurs later. The short-term portion of the long-term debt is classified as current liability. Investments in shares hold for trading, not considered as strategic, or are expected to be sold are classified as current assets. Cash and cash equivalents are classified as current assets, unless restricted from being used during the following 12 months. All other assets are classified as long-term assets.

Foreign currency translation
The functional and reporting currency of Solstad Offshore ASA is Norwegian Kroner (NOK). Transactions in foreign currencies are recorded at the currency rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet date. Non-monetary items such as vessels that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of initial transaction. Non-monetary items in companies where the functional currency deviates from the reporting currency are measured at the exchange rate at the date of the balance sheet. Any translation adjustments are included in comprehensive income.

The Group's most used currencies had the following exchange rates at the balance sheet date:

	GBP	USD	EUR	BRL	AUD
Per 31.12.17	11.091	8.205	9.840	2.247	6.412
Per 31.12.18	11.121	8.688	9.948	2.238	6.133

Segment information
The Group's reporting formats are business segments and geographical segments. The Group's main business is divided into the following three segments:

- Strategic markets (AHTS's and PSV's operating in Australia, Brazil and Norway)
- International markets (AHTS's and PSV's operating outside Australia, Brazil and Norway)
- Subsea (vessels operating subsea construction and renewable contracts world wide)

Any other activities, including vessels under construction, are included in a separate segment. Overhead costs are apportioned between these segments in the same way as any other operating expenses. All accounting policies applied in the segment reporting are the same as used in the Group reporting.

The Group's geographical segments are determined by the location of the Group's vessels and operations throughout the year.

Property, plant and equipment – impairment charges and depreciation
Property, plant and equipment acquired by Group companies are stated at historical cost, except the assets of acquired subsidiaries that are stated at the fair value at the date of acquisition. Depreciation is calculated on a straight-line basis and adjusted for residual value and impairment, if any. Residual value is the current estimated amount that would be obtained from disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition anticipated at the end of its useful lifespan. The book value of the property, plant and equipment on the balance sheet represents the cost less accumulated depreciation and any impairment.

Each part of a fixed asset that is significant to the total cost of the item are separately identified and depreciated over that component's useful lifetime. The ships are divided into the following components: hull, anchor handling, loading and unloading equipment, thrusters, DP and lifting equipment and other equipment. Based on the Group's periodic maintenance program and running replacement the vessels vital parts, the expected lifetime of the assets is set to 30 years for all of the components, except for planned periodic maintenance.

The residual value and expected useful lifetime assumptions of long-lived assets are reviewed at each balance sheet date, and where they differ significantly from previous estimates, depreciation charges are amended accordingly.

Ordinary repairs and maintenance costs are charged to the income statement in the period in which they are incurred. The cost of major conversions and periodic maintenance of vessels is capitalised and depreciated over the useful lifespan of the parts replaced. The useful lifespan of periodic maintenance will normally be the period until the next interim- or main classification of the vessel, which usually is 5 years.

The book values of plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the booked value may not be recoverable. If any such indications exist and where the book value exceeds the estimated recoverable amount, the asset or cash-generating units are depreciated to their recoverable amount. The recoverable amount of plant and equipment is the greater of the net selling price and their recoverable value. When assessing recoverable value, estimated future cash flows are discounted to their current value using a pre-tax discount rate that reflects current market assessments of the monetary value and the specific

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risk to the asset. For an asset that does not generate cash inflow, a recoverable amount is calculated for the cash-generating unit to which the asset belongs. Any previously calculated depreciation is reversed if there are any amendments to the estimates used to calculate the recoverable amount. Reversal of previously calculated depreciation is limited to the book value of the asset if its value had not been impaired.

The business segments are the Group's strategic units of control. However, while calculating the recoverable amount, each vessel is treated as one cash-generating unit.

Gains and losses on disposal are determined by comparing the disposal proceeds with the book value and any profit or loss is included in operating profit.

New build contracts

Installments on new build contracts are recorded in the balance sheet as fixed assets. Costs related to the on-site supervision and other pre-delivery construction costs including construction loan interest are capitalized per vessel. The depreciation starts from when a new build is delivered from the yard.

Leases

Lease of property, plant and equipment where the Group has all the risks and rewards of ownership, are classified as financial leases. Financial leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term interest-bearing liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful lifetime of the asset or the lease term.

Any leases where a significant amount of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases net of any incentives received from the lessor are charged to profit and loss on a straight-line basis over the period of the lease.

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, short-term deposits and other short-term highly liquid investments with maturity dates of less than three months. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

Restricted bank deposits are funds on separate bank accounts for tax deductions.

Treasury shares

The nominal value of treasury shares held is deducted from registered share capital. Any differences between the nominal value and the acquisition price of treasury shares, together with any gains or losses on transactions therein, are recorded directly to reserves.

Provisions

Provisions are made in the financial statements if the Group considers it likely, based on the legal provisions or business liabilities of past events, that an outflow of resources will be required to cover its liabilities and if the amount can be accurately estimated. All provisions are reviewed at balance sheet date and adjusted, if necessary, to reflect best estimate. In instances where the timeframe may be of significance, a provision is made for the current value of future payments to cover liabilities.

Excess values contracts

Identified excess values in charter contracts acquired through business combinatios are classified as intangble fixed assets, and are amortised over the remaining duration of each charter contract.

Tax

The tax expense in the Financial Statement consists of payable tax and changes in deferred tax.

Companies taxed under The Norwegian Tonnage Tax Regime will not be taxed on its net operating profit. Taxation under the shipping tax regime requires compliance to stringent requirements, and voluntary or compulsory exit from the regime will result in taxation of net profits based on ordinary taxation. Net taxable financial income is taxed according to the shipping tax regime (23%).

Operations on foreign continental shelves are, in a number of cases, taxable to the state of operation. In such cases the tax is computed according to the tax legislation of the current state, combined with any double taxation avoidance agreement between the state where the ship owner is registered and the state where the operation is performed. Income tax based on a net result is classified as income tax. Other taxes are classified as contract related expenses.

Deferred tax is calculated using the liability method at 22% of all temporary differences between the taxable value of assets and liabilities and their booked amounts at the end of the accounting year. Any temporary differences that may increase or decrease tax are offset and recorded as a net figure.

Deferred tax is calculated for assets and liabilities for which future realization will lead to tax payable.

The recognized amount of deferred tax assets is reviewed at each balance sheet date. If it is no longer likely that adequate taxable profit will be generated, then the deferred tax asset will be reduced. Anticipated utilization of tax losses are not discounted when calculating the deferred tax asset.

Tonnage tax paid under the tonnage tax regime is classified as operational expenses.

Pension obligations

The Group has a defined benefit plan for seafarers and administrative personnel, and a contribution plan for administrative personnel hired after 1.1.2007, which is recognized in profit and loss when incurred. The liability of the defined benefit pension plan is the present value of the defined benefit liability at the balance sheet date minus the fair value of plan assets, together with adjustments for actuarial gains and losses and administration costs. The defined benefit liability is calculated by independent actuaries using the projected unit credit method and is measured as the present value of the estimated future cash outflows using interest rates of government securities that have terms maturing at the same time as the liability.

The cost of providing pensions is charged to profit and loss to spread the regular cost over the working lives of the employees. Actuarial gains and losses are recognised in comprehensive income in the period they occur.

Charter income

Revenue and expenses relating to charter contracts are apportioned according to the number of days for each contract occurring before and after the end of the accounting period. The contract begins when the vessel is "delivered" to the charterer, and ends when the vessel is "redelivered". Freight revenue is recorded net after deduction for direct, contract-related freight costs. Any loss on contracts is accrued when a loss is probable.

Rental income

Revenue classified as rental income is recognized in the period the service is performed, and is accrued at the end of the accounting period.

Dividends

Dividends are recognized when the shareholder's right to receive the payment is established (by resolution at the general meeting).

Other income

Other income, such as commissions, provisions, management fees, are recognized in the period in which they are performed.

Government grants

Grants related to the net tax agreement and crew subsidiaries are recorded as a reduction in cost.

Insurance claims

For damage and averages on the Group's vessels and equipment, resulting in payments from insurance companies, compensation is presented net with the corresponding expense. Reimbursable and expenses are recognized and classified in accordance with the type of cost, while compensation is presented separately as a reduction in costs.

Related party transactions

All transactions and agreements with related parties are on an "arm's length" basis in the same way as transactions with third parties.

Stock

Stock consists mainly of bunkers onboard the vessels. Stock is valued at the lower of cost price and fair value. First-in-first-out method is used.

Earnings per share

The calculation of basic earnings per share is based on the majority's share of the result using number of shares outstanding at the end of the year after deduction of the average number of treasury shares held over the period.

Cash Flow

The Group applies the indirect method. Investment in shares and other liquid assets with maturity over three months are not included under cash equivalents.

Use of estimates and key measuring items

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Accounting estimates are employed in the financial statements to determine reported amounts. Useful lifespan and residual value of vessels, depreciation of planned maintenance, depreciations and impairment, pensions, contingent liabilities and taxes are items where the use of estimates may have significant impact on reported amounts.

Useful lives of vessels affect the ordinary depreciation. Useful life of the vessel's different components is based on the condition and experience of wear and tear of each group of components. The main change is an assumption to operate the vessels for 20 years instead of the full physical lifetime.

Residual value of vessels will affect ordinary depreciation. The vessels market values are used as basis for the residual value. Market values, less any sales related expenses, are multiplied with a percentage dependent on the age of the vessel. The factor is 50% for a newbuild, increasing to 100% for a 20 year old vessel.

Depreciation of planned maintenance is affected by the estimated interval between each dry docking. This interval is determined based on experience for the Groups' fleet combined with official requirement for classification of the vessels.

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Pension is an estimate impacted by several assumptions. The discounted rate and expected regulation of salary has a significantly high impact. The regulation of salaries is based on experience and anticipation related to subsequent salary regulation in the business. The discounted rate is based on the Norwegian Covered Bonds Market interest rate.

Provision for contingent liabilities and taxes is based on collating information on a case by case basis. The probability of a contingent liability occurring which would affect the provision is evaluated. The discounting rate used for liabilities is based on a risk-free interest rate, adjusted to the maturity date.

Impairment testing is based on numerous estimates. Main elements are future revenues (rates), expected prolonging of existing contracts, level of running costs, expected return on equity, general marked prospects and useful life of fixed assets. Relating to financial assets, measurements are based on observable marked prices, public accounting information and general and specific marked prospects relevant to the certain financial asset.

Allocation of excess value relating to any business combinations is, amongst other, based on expected cash flows and results from the certain items of the acquired assets. Refer to note 26.

Although these estimates are based on Management's best knowledge at the time of submitting the accounts, actual figures may differ from the estimates.

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NOTE 2 - MAJOR TRANSACTIONS/EVENTS

Major transactions/ events in 2018:

The Group sold AHTS's Sea Badger, Sea Jackal, Far Senior, Far Sailor and Nor Chief and PSV Far Supporter in the second quarter. Further, the AHTS's Sea Fox, Sea Vixen and Sea Stoat, sold in 2017, were delivered to the new owner in the second quarter. All vessels were defined outside the Group's core vessels.

In March 2018 one of the subgroups under Solstad Offshore ASA, Solship Invest 3 AS, agreed a standstill with the banks to avoid a breach of the minimum cash requirement under the loan covenants. An agreement with all financial creditors was reached and signed in August 2018. The agreement included deferral of scheduled installmets, interests and bareboat payments until December 31, 2019.

In July 2018, a number of entities in the Solstad Invest 3 AS silo entered into an agreement with their financial creditors for the deferral of scheduled instalments and bareboat payments until 31.12.2019 in a total amount of approximately MUSD 48. The financial restructuring also included a MUSD 27 loan from Sterna Finance Ltd.

In October the company changed its name from Solstad Farstad ASA back to the original Solstad Offshore ASA, in accordance with the decision by the Annual General Meeting.

In the fourth quarter the PSV Far Supplier was sold. The vessel was categorized as non-core.

In December 2018, certain of the companies in the Solstad and Farstad silos agreed with their financial creditors to suspend and defer payments of principal and interest under the companies' loan agreements (including under the Company's bond with ISIN NO 001 0713548) until 20.06.2019.

Major transactions/ events in 2017:

Announcement of the merger of Solstad Offshore ASA, Farstad Shipping ASA and Deep Sea Supply Ltd into the new Solstad Farstad ASA was released in February 2017. The Companies' General Meetings approved the merger plans in April 2017, while completion of the formal part of the merger took place in June 2017. Control over these two entities was transferred to the Group on June 22, 2017. For additional information, refer to Note 26.

The Group sold AHTS Normand Vester and PSV Normand Carrier in the second quarter. Both vessels were defined outside the Group's core vessels.

The 50% owned joint venture, Dess Aquaculture Shipping AS, contracted two new well boats in the third quarter. Following the completion of the two contracts, the Joint Venture has 4 well boats and 1 harvest vessel under construction.

During the third quarter the CSV Rem Etive and AHTS Far Shogun were delivered to new owners. Rem Etive was sold under a call-option to the Charterer, and was presented as held-for-sale already at December 31, 2016. Far Shogun was agreed sold before the merger was completed as a part of the refinancing of Farstad Shipping ASA.

The AHTS's Nor Star, Sea Fox, Sea Vixen and Sea Stoat were sold during the third quarter, with delivery in the fourth quarter of 2017 for Nor Star and first half year of 2018 for the three latter. All vessels were defined outside the Groups's core vessels.

Renegotiated agreements for five of the Group's vessels that were hired on long-term financial leases were concluded in the third quarter. A consequence of the renegotiated leases was that four lease agreements no longer qualified as financial leases under IFRS. Assets and liabilities of MNOK 400 were thus derecognized from the balance sheet.

In the fourth quarter, the Group entered into an agreement with Subsea 7 on the sale of Solstad Offshore's share in the jointly controlled company Normand Oceanic AS. The company owned the construction service vessel "Normand Oceanic". As a result of the agreement, the shares in the jointly controlled company was written down by MNOK 147 to reflect the sales consideration.

The PSV Far Service was sold and delivered to new owners in the fourth quarter. The Group also sold the AHTS Far Grip and PSV Far Supporter during the fourth quarter. The first was delivered to new owner in 2017, while the latter was handed over in 2018. The vessels were defined outside the Groups's core vessels.

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NOTE 3 - OPERATING INCOME, REPORTING BY SEGMENTS AND GEOGRAPHICAL MARKETS

The Group's revenues mainly derives from offering vessels and maritime personnel to customers world wide. Basically all contracts with customers are contracts with day rate. Contracts with day rate is contracts where income is eared on a day-by-day basis, based on an agreed day rate with the customer. Revenue from contracts with day rate is recognized accordingly.

The agreed day rate is divided into a service element and a lease element. The service element includes the maritime services provided to navigate the vessel according to the customers requirements, while the lease element is the estimated rental of the vessel (equipment).

Some of the contracts also includes victualling and onshore project management. Victualling is meals and bedding provided to the customers personnel onboard the vessel. The Group also provides ordinary management services, such as technical services, crewing, incurance and commercial management for vessels not owned by the Group. Revenue on services, mentioned above, are recognized over time, as the performance obligation is satisfied over time.

Operating income	2018	2017
Service element from contracts with day rate	1,879,289	1,510,698
Management fees	17,667	10,968
Victualling	108,576	69,449
Project management	35,457	36,558
Other	75,039	33,691
Revenue from contracts with customers	**2,116,028**	**1,661,364**
Lease element from contracts with day rate	2,794,067	2,115,380
Total operating income	**4,910,095**	**3,776,744**
Contract balances		
Trade receivables from charters (Note 4)	926,813	1,064,937
Contract assets	-	-
Contract liabilities (Note 28)	32,843	62,995

For the majority of contracts, payment is generally due within 30-60 days after the end of each month or 30-60 days after the service is completed. Payment terms for all other services is normally 30 days after services is invoiced.

Revenue recognised in 2018 that was included in the contract liability balance at the beginning of the year amounts to MNOK 30.2.

EBITDA	2018	2017
Operating result before depreciations	422,215	653,640
Excess values charter parties from mergers	198,470	146,864
Operating leases	154,014	84,513
EBITDA	**774,698**	**885,016**
Onerous contracts	193,125	31,000
Accrued loss on Accounts Receivable	36,800	8,959
EBITDA - adjusted	**1,004,623**	**924,975**

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REPORTING BY SEGMENTS AND GEOGRAPHICAL MARKETS

The Group's main activity is to offer ships and maritime personnel in all geographical regions.

The business was in 2017 divided into three 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) delivering services relating to transportation of material to offshore installations and Construction Service Vessels (CSV) delivering services relating to development of both sub sea and floating installations.

From 2018 the internal reporting segments was changed from the classic vessel types to the following segments:
- Strategical markets (AHTS's and PSV's operating in Australia, Brazil and Norway)
- International markets (AHTS's and PSV's operating outside Australia, Brazil and Norway)
- Subsea (vessels operating subsea construction and renewable contracts world wide)

Starting from 2019 the aim is to streamline the commercial and operational teams further by combining the two segments of AHTS/PSV International and AHTS/PSV Strategic into one segment. Comparative figures for 2017 are restaded according to the new segments.

Results from associated companies (TS) are allocated to the segments based on number of ships per segment while the allocation of investments is based on book value of each ship in its current segment.

	AHTS / PSV		CSV	
Revenue, opex and result	**2018**	**2017**	**2018**	**2017**
Revenue from contracts with customers	1,224,531	508,926	891,497	1,152,438
Lease element from contracts with day rate	1,324,388	1,002,690	1,469,679	1,112,690
Total operating income	**2,548,918**	**1,511,617**	**2,361,176**	**2,265,127**
Crew expenses	1,523,867	960,130	809,823	769,969
Other expenses	1,279,921	682,129	755,254	639,869
Total operating expenses	**2,803,788**	**1,642,259**	**1,565,077**	**1,409,838**
Bunkers	**86,178**	**26,326**	**32,838**	**44,681**
Operating result before depreciation and impairment	-341,047	-156,969	763,262	810,608
Assets and liabilities				
Fixed assets	13,543,270	16,376,696	13,842,010	15,029,629
Investments in associated companies			646,149	562,147
Total assets	**13,543,270**	**16,376,696**	**14,488,160**	**15,591,777**
Segment liabilities	15,929,580	15,712,552	12,163,121	12,111,620
Total liabilities	**15,929,580**	**15,712,552**	**12,163,121**	**12,111,620**
Other segment information				
Investment in tangible fixed assets	52,066	11,159,380	4,080	2,871,335
Payment of periodic maintenance	200,379	311,230	88,375	89,417
Translation adjustment	251,428	-49,228	271,070	-257,401
Depreciations and write-downs (1)	2,911,615	703,031	1,399,283	684,788

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Revenue, opex and result	Total 2018	2017
Revenue from contracts with customers	2,116,028	1,661,364
Lease element from contracts with day rate	2,794,067	2,115,380
Total operating income	**4,910,095**	**3,776,744**
Crew expenses	2,333,690	1,730,100
Other expenses	2,035,175	1,321,998
Total operating expenses	**4,368,864**	**3,052,097**
Bunkers	119,016	71,007
Operating result before depreciation and impairment	422,215	653,640
Assets and liabilities		
Fixed assets	27,385,281	31,406,326
Investments in associated companies	646,149	562,147
Unallocated assets	3,583,169	4,142,306
Total assets	**31,614,599**	**36,110,779**
Segment liabilities	28,092,701	27,824,172
Unallocated liabilities	4,372,571	3,324,204
Total liabilities	**32,465,271**	**31,148,375**
Other segment information		
Net investment in tangible fixed assets	56,145	14,030,716
Net addition of periodic maintenance	288,755	400,648
Translation adjustment	522,498	-306,629
Depreciations and write-downs (1)	4,310,899	1,387,819

(1) Depreciation includes vessel related ordinary depreciation and depreciation of periodic maintenance.

The Group's vessels operate in several geographical areas during a year. Allocation between the different areas is based on freight income.

Freigth income (excluding Other income) **is allocated to the following areas:**

		2018		2017
North Sea	42 %	1,964,369	39 %	1,407,771
North- and Central America	2 %	111,625	4 %	132,968
Mediterranean/remaining part of Europe	6 %	271,345	10 %	349,482
West Africa	12 %	564,332	6 %	226,832
South America	16 %	749,236	18 %	660,372
Asia and Australia	22 %	1,012,565	23 %	848,653
Total	**100 %**	**4,673,356**	**100 %**	**3,626,078**

The Group's vessels may operate in more than one geographic region during the year. Therefore assets cannot be allocated per segment in accordance with IFRS 8.

In the table below, revenues, operating expenses and net results are shown based on the 2018 segment reporting to management.

2018	AHTS/PSV Strategic	AHTS/PSV International	Subsea Construction	Total
Total operating income	**2,046,290**	**502,628**	**2,361,176**	**4,910,095**
Crew expenses	1,251,324	260,906	790,661	2,302,891
Other expenses	997,735	291,319	776,920	2,065,974
Total operating costs	**2,249,059**	**552,225**	**1,567,581**	**4,368,864**
Bunkers	58,266	27,912	32,838	119,016
Operating result before depreciation and impairment	**-261,034**	**-77,509**	**760,758**	**422,215**

2017	AHTS/PSV Strategic	AHTS/PSV International	Subsea Construction	Total
Total operating income	**1,217,221**	**294,395**	**2,265,127**	**3,776,744**
Crew expenses	786,628	173,502	769,969	1,730,100
Other expenses	528,432	153,697	639,869	1,321,998
Total operating costs	**1,315,060**	**331,962**	**1,409,838**	**3,052,097**
Bunkers	6,412	19,914	44,681	71,007
Operating result before depreciation and impairment	**-104,251**	**-52,718**	**810,608**	**653,640**

NOTE 4 - FINANCIAL MARKET RISK, FINANCIAL INSTRUMENTS

GENERAL:
The Group is exposed to several types of financial risks through its operations. Financial market risks, such as currency rates, interest rates and freight rates, influence the value of the Group's financial assets, liabilities and future cash flows.

Management continuously monitors the financial market risks. When a risk factor is identified, action is taken to reduce this risk. The main strategy to reduce financial market risk is the use of financial derivatives, both for the specific exposure and for the net exposure of the Group. Where financial derivatives are appropriate, only conventional derivatives are used. The Group only uses recognized financial institutions. Given its current financial position, the Group has limitid possibility to enter into new financial derivatives.

Derivatives are only used to manage the risk to fluctuations in interest and currency rates. The Group does not use financial derivatives to achieve financial income if no underlying exposure exists.

Management performs a continuous evaluation of the effect of financial instruments on the accounts with a view to hedge accounting. Based on this evaluation, hedge accounting is not used. The use of financial instruments is not significant when compared to the Group's level of activity, revenues and equity.

The Group is in a challenging financial position and has implemented short term measures to preserve liquidity. The cash position of the group is being monitored closely. The viability of the Company will require the establishment of a long-term financial platform. The Company is in a process with the financial creditors of the group in order to secure such a platform.

CREDIT RISK:
Due to the downturn in the business the Group's exposure to losses on trade accounts receivables is significantly higher compared to recent years. The counter party exposure is deemed to be higher. However, no material losses have been recognized the last two years. Status for accounts receivables is shown in the table below. The Group is also exposed to losses if a counter party in a financial derivative contract fails to fulfill their payment obligations on the settlement date. Non-fulfillment of such contracts is not anticipated as the Group only uses well known conventional derivatives with recognized financial institutions.

The Group is also exposed through guarantees issued on behalf of subsidiaries, joint ventures and associated companies. As the value of the assets placed as security for the guaranteed mortgages exceeds the loans, the credit risk related to the guarantees is considered to be acceptable. However, a potential forced sale situation could have a significant impact on the value of the mortgaged vessels. For further details refer to note 5.

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The following table shows the ageing trade accounts receivables:

per 31.12.2018	Not yet due	0 - 1 month over due	1- 3 months over due	Older than 3 months	Total
Trade accounts receivable	**709,330**	**156,922**	**41,550**	**19,011**	**926,813**

The top 10 customers amount to 72% of total trade accounts receivable. The Group had one customer with more than 10% of total revenue in 2018. Not disclosed customer.

per 31.12.2017	Not yet due	0 - 1 month over due	1- 3 months over due	Older than 3 months	Total
Trade accounts receivable	**507,294**	**167,349**	**118,017**	**272,276**	**1,064,937**

The top 10 customers amount to 46% of total trade accounts receivable.
The Group had no customers with more than 10% of total revenue in 2017.

An accrual of MNOK 67 is booked relating to bad debt at 31.12.2018. As per 31.12.2017 the accrual was MNOK 69.

INTEREST RISK:

The Group's exposure to changes in interest rates relates primarily to the Group's long-term loans and leasing obligations with floating interest rates. To mitigate exposure to interest rate fluctuations fixed interest rate contracts are entered for parts of the long-term liabilities.

As of 31.12.2018, the Group has entered into four fixed rate contracts with maturities up to 1.5 years for some 5% of the debt. Several of the Group's loan agreements have with fixed interest rates through CIRR financing, representing 26% of the debt with maturities up to some 10 years. The remaining 74% of the debt has floating interest rates. Per 31.12.2018 interest swaps have an overall negative value of about MNOK 6,2 (negative MNOK 23 in 2017). As of 31.12.2018, the Group has six interest rate swaps and two currency swaps with a remaining average maturity of ~0,5 years. The currency swaps have a negative value of MNOK 133 as of 31.12.2018 (negative MNOK 123 in 2017) and comprises less than 0,5% of the total debt.

The following table shows the sensitivity of the Group's result before taxes at a reasonable change in the interest rate, while all other variables are unchanged:

Increase/ decrease in basis points		Effect on result before tax
+ / - 100	2018	+ / - 269,581
+ / - 100	2017	+ / - 256,682

FOREIGN CURRENCY RISK:

The Group's reporting currency is NOK. Revenues are earned in NOK, USD, BRL, AUD, GBP and EUR. The Group's future freight revenues are partly hedged using foreign currency loans. Furthermore, parts of the revenues are exchanged though forward contracts. This hedging reduces the effect of fluctuation in currency rates on the profit and loss account.

The following table shows the sensitivity of the Group's profit and loss before tax due to changes in USD, GBP and EUR versus NOK. All other variables remain unchanged. These variations are mainly due to changes in the Group's freight income.

Change in all currencies		Effect
+ / - 10%	2018	+ / - 482,151
+ / - 10%	2017	+ / - 402,698

Change in USD		Effect
+ / - 10%	2018	+ / - 262,074
+ / - 10%	2017	+ / - 260,612

Change in GBP		Effect
+ / - 10%	2018	+ / - 56,844
+ / - 10%	2017	+ / - 44,250

Change in AUD		Effect
+ / - 10%	2018	+ / - 61,033
+ / - 10%	2017	+ / - 38,375

Change in EUR		Effect
+ / - 10%	2018	+ / - 35,790
+ / - 10%	2017	+ / - 30,638

Change in BRL		Effect
+ / - 10%	2018	+ / - 66,410
+ / - 10%	2017	+ / - 28,823

Except for translation adjustments relating to foreign entities in foreign currency, further effect on equity is considered immaterial.

NOTES

LIQUIDITY RISK:
Liquidity risk is the risk that the Group will be unable to fulfill its operational- and financial obligations as they fall due. Liquidity risk has become the most significant risk, both for the Group and the business in general. The offshore shipping business has been through a severe downturn, which has had a major impact on cash reserves. Previous strategies with goals for unrestricted funds exceeding current portion of long-term debt have been replaced by a reality where minumum cash covenants in the loan agreements being the measuring point. The Group monitors the risk of lack of available capital through continues evaluation of its liquidity position combined with a rolling cash flow forecast of its operational activities.

Most of the Group's mortgage debt has been renegotiated during the last few years. As per 31.12.18 the Group has entered into standstill agreements with the financial creditors in the Solstad and Farstad silos. The standstill agreements are entered on the grounds that the group will need some time to implement a long-term financial solution for the entire group. The standstill agre-ements in Solstad and Farstad silos both expire on the 20.06.2019.

As per 31.12.18 the Solship Invest 3 silo has entered into a financial restructuring agreement with its financial creditors for a defer-ral of scheduled instalments, interests and bareboat payments until December 31st, 2019. The agreement also entails suspension of the majority of financial covenants in the same period.

The following table shows the maturity of the Group's financial obligations based on contractual, undiscounted cash flows, ref also Note 1:

per 31.12.2018	Less than 3 months	3 to 12 months	2 to 3 years	4 to 5 years	over 5 years	Total
Interest bearing loans	54,185	618,964	15,957,245	5,758,034	4,442,027	26,830,454
Lease obligations	91,294	278,955	740,499	744,305	1,189,078	3,044,132
Other debt			1,957	85,607	10,215	97,779
Trade accounts payable	97,403					97,403
Interest payments	119,980	999,692	2,293,063	859,095	543,631	4,815,461
	362,862	**1,897,611**	**18,992,764**	**7,447,041**	**6,184,951**	**34,885,229**

per 31.12.2017	Less than 3 months	3 to 12 months	2 to 3 years	4 to 5 years	over 5 years	Total
Interest bearing loans	79,807	364,644	1,437,935	15,743,712	8,184,269	25,810,368
Lease obligations	41,179	129,402	363,422	409,677	2,086,397	3,030,077
Other debt			42,728	333,752		376,480
Trade accounts payable	432,089					432,089
Interest payments	279,929	960,927	2,423,325	1,603,904	856,928	6,125,014
	833,004	**1,454,973**	**4,267,410**	**18,091,044**	**11,127,595**	**35,774,027**

CAPITAL STRUCTURE AND EQUITY:
The governing principle for the Group is that the company should have a solid balance sheet and liquidity reserves sufficient to support its business, future liabilities and maximize shareholder value at all times. The past 2-3 years these principles have been very difficult to fulfill. A declining equity ratio is a consequence of lower operating margins and vessel impairments due to declining vessel valuations. Current equity ratio is at a very critical level.

	31.12.2018	31.12.2017
Total equity	-850,672	4,962,404
Total assets	31,614,599	36,110,779
Equity ratio	-3 %	14 %

FAIR VALUE:
Estimated market values on financial instruments nominated in other currencies than NOK are determined using the currency rate at the balance sheet date. Fair value of the Groups interest- and interest-/currency swaps are determined using the currency - and interest rate at the balance sheet date. Nominal value of cash and loan obligations are a reasonable estimate of the items' market value. The estimated fair value of the Group's long-term loan obligations is based on the interest level at the balance sheet date. The fair value of the shares in a non registered organisation is estimated on the organisations latest financial report, focusing on the Group's share of booked equity, and therefore a thorough evaluation is required prior to estimating the market value.

NOTES

INTEREST RATE RISK:
The following table shows the book value and maturity of the Group's financial instruments exposed to changes in interest rates.

Fixed rate contracts	Nominal value	Yearly regulation	Currency	Interest rate	Maturity	Value at 31.12.2018	Value at 31.12.2017
Contract 1	14,754	7,377	USD	1.98 %	05.01.2018		-140
Contract 2	55,000	10,000	USD	0.93 %	09.04.2018		284
Contract 3	11,000	1,000	GBP	1.40 %	28.06.2018		-504
Contract 4	41,624	5,705	USD	1.35 %	28.10.2020	1,843	32
Contract 5	100,000	543	NOK	1.55 %	04.12.2019	-186	-955
Contract 6	250,000	2,187	NOK	1.88 %	04.12.2019	-1,294	-4,041
Contract 7	180,000	11,581	NOK	2.78 %	27.07.2020	-4,973	-9
Contract 8	200,000		NOK	2.31 %	29.05.2018		-1,241
Contract 9	500,000		NOK	1.07 %	29.05.2018		-525
						-4,610	**-7,099**

Interest- and currency swap contracts	Nominal value	Yearly regulation	Currency	Maturity	Value at 31.12.2018	Value at 31.12.2017
NOK/USD	45,000	45,000	NOK	21.06.2019	-19,136	-29,110
NOK/USD	300,375	40,050	NOK	21.06.2019	-114,794	-94,233
					-133,929	**-123,344**

FINANCING RISK:
The following table shows the total mortgage loan based on existing financing and their maturity dates as per 31.12.2018:

Loan	Drawn	Maturity interval		Interest interval		Average interest
Loan, fixed interest	7.219.980	29.03.2019	10.04.2031	2,82 %	7,06 %	4,93 %
Loan, floating interest	19.300.104	20.12.2019	07.03.2029	1,26 %	13,06 %	4,65 %
Bond loans	1.287.379	25.06.2021	09.12.2024	5,00 %	5,10 %	5,05 %

The following table shows the total mortgage loan based on existing financing and their maturity dates as per 31.12.2017:

Loan	Drawn	Maturity interval		Interest interval		Average interest
Loan, fixed interest	8,746,991	18.06.18	10.04.31	2.81%	7.02%	4.70%
Loan, floating interest	16,176,102	28.12.18	07.03.29	1.28%	12.05%	4.20%
Bond loans	1,239,687	25.06.21	09.12.24	5.00%	5.01%	5.00%

FOREIGN CURRENCY RISK:
The following table shows the booked value of forward contracts. All active forward contracts are:

Purchase / sale currency	Value based on forward contract	Value as at 31.12.18	Value based on forward contract	Value as at 31.12.17
Currency contract NOK/USD (current)		-	11,785	1,897
Currency contract NOK/USD (current)		-	8,243	-10,816
Currency contract NOK/EUR (current)		-	4,500	432
Total currency contracts		**-**	**24,528**	**-8,487**

FAIR VALUE:
The following table shows the booked and fair value of financial assets and obligations.
For items that are not included in the table below fair value is considered equal to the carrying value.

Financial assets		2018		2017	
	Note	Booked value	Fair value	Booked value	Fair value
Cash at bank	5,19	1,351,346	1,351,346	1,875,482	1,875,482
Investments in shares (long-term)	11	516,127	516 127	296,329	296,329
Other current financial investments				2,613	2,613
Other long-term financial investments		176,835	176,835	88,556	88,556
Total financial assets		**2,044,307**	**2,044,307**	**2,262,980**	**2,262,980**

Financial liabilities		2018		2017	
	Note	Booked value	Fair value	Booked value	Fair value
Mortgage loan with floating interest	5	18,462,464	18,328,534	15,823,690	15,700,346
Mortgage loan with fixed interest	5	7,219,980	7,215,370	8,746,991	8,739,892
Bond loan	5	1,287,379	396,088	1,239,687	621,024
Leasing obligation with floating interest	5	3,010,550	3,010,550	3,030,077	3,030,077
Total financial liabilities		**29,980,373**	**28,950,543**	**28,840,444**	**28,091,339**
Hereby current part of long-term debt		*25,888,722*	*25,753,313*	*650,449*	*648,322*

NOTES

FAIR VALUE HIERARCHY:
The Group use the following hierarchy for valuation and presentation of financial instruments:

Level 1: quoted prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data

The Group's level 1 includes shares in listed companies, refer to note 11 for further details.
Level 2 includes fixed interest contracts, interest and currency swap contracts, currency contracts and mortgage debt, refer above for further details.
Level 3 includes non-registered shares, refer to note 11 for further details.

The following table show book value of financial instruments according to the hierarchy above:

		2018			2017	
Current financial assets	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Shares	11,907			11,687		
Total per level	11,907			11,687		
Total all levels	**11,907**			**11,687**		
Fixed interest contracts					284	
Currency swap contracts					2,329	
Total per level					**2,613**	
Total all levels				**2,613**		

		2018			2017	
Non current financial assets	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Shares			5,969			5,969
Total per level			**5,969**			**5,969**
Total all levels	**5,969**			**5,969**		
Fixed interest contracts		1,843			32	
Interest- and currency swaps						
Currency swap contracts						
Total per level		**1,843**			**32**	
Total all levels	**1,843**			**32**		

		2018			2017	
Current financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Fixed interest contracts		1,479			2,269	
Onerous contracts			147,398			35,153
Debt to credit institutions		25,888,722			650,449	
Currency swap contracts		133,929			10,816	
Total per level		**26,024,131**	**147,398**		**663,534**	**35,153**
Total all levels	**26,171,529**			**698,688**		

		2018			2017	
Non current financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Fixed interest contracts		4,973			5,144	
Interest- and currency swaps					123,344	
Currency swap contracts						
Guarantees			21,018			21,018
Onerous contracts			340,347			227,775
Debt to credit institutions		1,081,101			25,159,919	
Leasing liability		3,010,550			3,030,077	
Other liabilities						
Total per level		**4,096,625**	**361,364**		**28,318,484**	**248,792**
Total all levels	**4,457,989**			**28,567,276**		

NOTES

ONEROUS CONTRACTS:

The Group has 6 vessels hired in on long term leases classified as operational leases. All 6 leasing agreements were originally classified as financial leases under IFRS. Due to changes in terms as a result of re-negotiations, the leases were reclassified to operational leases in 2017. Two of the reclassifications were done in the former Farstad Group prior to the merger, while the remaining four was reclassified after the merger.

Value-in-use calculations based on the terms under the amended agreements, concludes that 4 of the lease agreements are onerous contracts.

Further, the Group has a long-term leasing agreement of offices in Ålesund, Norway. Due to relocation of management there is a significant excess of office space in the leased premisis. As per the end of 2018 an onerous contracts accrual of NOK 27 million is recognized for this contract.

In accordance with IAS 37 onerous contracts accruals totalling NOK 461 million (NOK 276 million in 2017), wherof NOK 147 million (NOK 35 million in 2017) is classified as current liability, are included in the financial statement.

NOTE 5 - MORTGAGE DEBT AND OTHER LIABILITIES

	2018	2017
Mortgages	1,081,101	25,159,919
Other liabilities	97,779	376,480
Leasing obligations	3,010,550	3,030,077
Total long-term debt	**4,189,432**	**28,566,477**
Short-term portion of long-term debt (1st year instalment)	25,888,722	650,449

For maturity profile, please refer to Note 4,

Reclassification of long-term liabilities to current liabilities
Long term liabilities recognized in the silos Solstad Offshore, Farstad Shipping and Solship Invest 3, of about MNOK 21,500, have in accordance with IFRS been classified as current liabilities as per December 31, 2018. The reclassification is based on standstill agreements of debt service with the banks and bond holders where the covenant waiver period is less than 12 months. The waiver periods end in June and December 2019. In addition, long-term liabilities amounting to about MNOK 3,600 recognized in the silo Solship Invest 1 has been classified as current liabilities as per December 31, 2018. This reclassification is based on the assumption that this silo might not be in a position to honor its current debt service in accordance with the agreed installment structure in the next 12 months.

Book value of pledged assets:	2018	2017
Account receivables	926,813	1,064,937
Vessels	24,294,566	28,025,783
Total booked value	**25,221,379**	**29,090,719**

The majority of the vessels are placed as security for the mortgages.

The Group's debt has the following allocation as at December 31, 2018; NOK 45%, USD 50%, GBP 3% and AUD 2%. The corresponding allocation for 2017 was 45% USD, 50% NOK and 3% GBP and 2% AUD.

NOTES

The current Solstad Offshore Group was established through various mergers. The Group used its following subsidiaries in the mergers; Solship Invest 1 AS (Rem Offshore ASA), Farstad Shipping AS (Farstad Shipping ASA) and Solship Invest 3 AS (Deep Sea Supply Plc). On the acquisition date each of the companies had its own financing. These financing arrangements were carried forward into the new Group. The Group's funding is structured on the basis of "non-recourse" towards Solstad Offshore ASA (for the merged companies) combined with isolated cross-default provisions within each merged entity. Hence, a breach of a debt obligation within a subsidiary group may only trigger breach of debt obligations in other companies within the same group.

Each of the four sub-groups have separate financial covenants related to minimum liquidity levels, minimum working capital requirements, marked value clauses towards the financed fleet and debt service cover ratio (solely for the Farstad Shipping group). In addition to the financial covenants, all loan agreements include assignment provisions related to insurance, long term charter parties as well as accounts receivables. Further, shares including in the ship owning companies, are pledged.

The groups loan agreements contain covenants both on Solstad Offshore ASA as borrower and guarantor and on towards the borrowers in the four "silos". The prevailing financial covenants for Solstad Offshore ASA are mainly summarized as follows:

Solstad Offshore ASA on a consolidated basis – Borrower
Minimum liquidity of NOK 400 million,
Working capital minimum NOK 100 million. When calculating working capital, next 12 months installments (including balloon payments) on long term debt, to be excluded when calculating current debt.
Book equity minimum NOK 1,500 million.

The above covenants are suspended as per bondholder meeting 19.12.2018, until 20.06.2019.

Solstad Offshore ASA on a consolidated basis - Guarantor
As guarantor for Solstad Rederi Group, Solstad Offshore Asia Pacific and Normand Maximus Ltd, Solstad Offshore ASA have to maintain a minimum liquidity of NOK 400 million, working capital minimum NOK 100 million and booked equity minimum NOK 1,500 million. When calculating minimum liquidity and working capital, Solship Invest 1 AS, Farstad Shipping AS and Solship Invest 3 AS are excluded from the calculation.

The above covenants are suspended as per suspension agreements with its financial creditors dated 19.12.2018, until 20.06.2019.

Solstad Silo
Solstad Rederi Group on a consolidated basis: Minimum liquidity covenant NOK 200 million
Solstad Offshore Asia Pacific on a consolidated basis: Minimum liquidity covenant USD 9.5 million
The market value of the vessels (MVC) shall be at least 100 % of the outstanding debt.

The above covenants are suspended as per suspension agreements with its financial creditors dated 19.12.2018, until 20.06.2019.

NOTES

Solship Invest 1 Silo
Solship Invest 1 AS: Minimum liquidity covenant NOK 4 million
Rem Ship AS: Minimum liquidity covenant NOK 125 million
SOFO Skude AS: Minimum liquidity covenant NOK 4 million
SOFO Falnes AS: Minimum liquidity covenant NOK 4 million
Rem Supply AS: Minimum liquidity covenant NOK 8 million
SOFO Tonjer AS: Minimum liquidity covenant NOK 4 million

The Solship Invest 1 Silo are in compliance with the above covenants as per 31.12.2018, until 20.06.2019.

Farstad Silo
Farstad Shipping AS on a consolidated basis: Debt Service Cover Ratio (DSCR): Requirement > 1
Farstad Shipping AS on a consolidated basis: Minimum liquidity covenant NOK 250 million
Farstad Subsea AS on a consolidated basis: DSCR>1
Farstad Subsea AS on a consolidated basis: Minimum liquidity covenant of NOK 20 million at all times.

The above covenants are suspended as per suspension agreements with its financial creditors dated 19.12.2018, until 20.06.2019.

Solship Invest 3 Silo
Solship Invest 3 AS on a consolidated basis – Minimum liquidity requirement: The higher of MUSD 20 and 5 % of the Total Debt
Positive working capital in Solship Invest 3 AS on a consolidated basis, and in the respective shipowning entities
The market value of the vessels (MVC) shall be at least 100 % of the outstanding debt

The above covenants are temporarily suspended and the minimum liquidity covenant temporary reduced to USD 12,5 until 31.12.2019. The Solship Invest 3 Silo is in compliance with the reduced covenant as per 31.12.2018.

Borrowing cost and interest relief:	2018	2017
Capitalized borrowing cost	116,668	143,072
Capitalized interest relief	147,756	206,486

Borrowing cost and interest relief are presented net with the loans and is amortizised until maturity of the loan.

Other long-term liabilities:
Other long-term liabilities of NOK 98 million (NOK 376 million in 2017) are mainly loan from minority interests and accrued bare-boat.

The parent companies in the different silos has guaranteed for the following (NOK millon):

Solstad Offshore ASA	12,294	- for financing of vessels and bare-boat rental of vessels
Solship Invest 1 AS	-	- no issued guarantees
Farstad Shipping AS	8,750	- for financing of vessels and bare-boat rental of vessels
Solship Invest 3 AS	6,359	- for financing of vessels and bare-boat rental of vessels

Changes in liabilities from financing activities

	1 January 2018	Cash flows	Non-cash movements	Other	31 December 2018
Current interest bearing liabilities	650,449	-163,273	25,378,520	23,026	25,888,722
Non-current interest bearing liabilities	28,189,996	-	-25,378,520	1,280,176	4,091,651
Total liabilities from financing activities	**28,840,444**	**-163,273**	**-**	**1,303,202**	**29,980,373**

	1 January 2017	Cash flows	Business combinations	Refinancing	Other	31 December 2017
Current interest bearing liabilities	330,694	-926,959	617,025		629,689	650,449
Non-current interest bearing liabilities	17,261,497	-184,677	12,814,231	-505,009	-1,196,046	28,189,996
Total liabilities from financing activities	**17,592,191**	**-1,111,636**	**13,431,256**	**-505,009**	**-566,357**	**28,840,444**

The category other includes transfer from non-current liabilities to current portion and currency effects.

NOTES

NOTE 6 - LEASES

Operational lease:
Some of the Group's vessels are rented out on long-term charter parties. Revenue from these vessels is recognized as operational leases.

	31.12.2018		31.12.2017	
	Minimum payment	Present value minimum payment	Minimum payment	Present value minimum payment
Next year	3,186,159	3,108,448	3,155,873	3,078,901
Next 2-5 years	3,810,539	3,545,500	4,540,119	4,219,584
Over 5 years	367,620	316,998	768,617	655,404
Finance cost	-	393,373	-	510,721
Total minimum lease payment	**7,364,319**	**7,364,319**	**8,464,609**	**8,464,609**

Financial lease:
The Group has two vessels, one AHTS and one CSV, long term leasing agreements recognized as financial leasing agreements under IFRS.

	31.12.2018		31.12.2017	
	Minimum payment	Present value minimum payment	Minimum payment	Present value minimum payment
Next year	370,250	361,219	352,743	343,838
Next 2-5 years	1,485,788	1,363,197	1,399,541	1,276,740
Over 5 years	358,303	300,889	701,197	554,166
Finance cost	-	189,035	-	278 738
Total minimum lease payment	**2,214,340**	**2,214,340**	**2,453,481**	**2,453,481**

Operating lease:
The Group has 6 vessels, 2 PSV's and 4 AHTS's, on long-term leasing agreements recognized as operational leasing agreements under IFRS. All 6 vessels were originally accounted for as financial lease agreements, but due to renegotiated term derecognized as such, and recognized as operating leases. Onerous contracts are identified for 4 of the vessels. For further details refer to note 4.

	31.12.2018		31.12.2017	
	Minimum payment	Present value minimum payment	Minimum payment	Present value minimum payment
Next year	138,343	134,969	124,888	121,842
Next 2-5 years	903,646	822,248	687,391	627,068
Over 5 years	402,019	338,565	727,640	611,445
Finance cost	-	148,225	-	179,564
Total minimum lease payment	**1,444,008**	**1,444,008**	**1,539,920**	**1,539,920**

Other lease agreements:
The Group has entered the following lease agreements:

	Yearly payment	Maturity	Extension	Adjustment of rent
Offices Skudeneshavn	6,466	2026	4 times 5 years	Consumer price and 5 years swap-rate
Offices Fosnavåg	1,612	2019		Consumer price
Offices Ålesund	14,583	2030		Consumer price
Offices Grimstad	523	2020	3 years	Consumer price
Offices Limassol	561	2019	3 years	5% from 2019
Offices Aberdeen	349	2023		3% from 2020
Offices Singapore	2,627	2022	5 years	Fixed for the next 2 years
Offices Perth	1,072	2023		Consumer price
Offices Ukraine	150	2019	Annually	Annually
Offices Rio de Janeiro and Macae	1,204	2020		Consumer price
Workshop Husøy, Karmøy	3,500	2029		Consumer price

Future minimum payments of lease agreements:

During the next year	31,851
In next 2-5 years	106,712
Beyond 5 years	115,200
Total minimum lease payments	**253,763**

NOTES

NOTE 7 – FINANCIAL ITEMS

Financial items	**2018**	**2017**
Interest expense	1,454,854	-1,129,583
Interest income	12,271	10,216
Currency loss	-944,545	-1,112,441
Currency gain	562,473	1,288,152
Income from investment in associated companies	35,185	30,866
Loss sale shares in Joint Ventures	-	-148,653
Gain financial derivatives	13,422	64,487
Loss financial derivatives	-23,203	-23,863
Other financial income/ -expense (-)	-55,642	-36,101
Net financial items	**-1,854,893**	**-1,024,620**

Currency gain and -loss is mainly relating unrealized currency gain and -loss on assets and liabilities in foreign currency, change in currency rates in the period from posting of invoices and actual timing of payments and realised currency gain and -loss related to refinancing og loan.

NOTE 8 - OTHER EXPENSES, WAGES, EMPLOYEES AND DISTINCTIVE CONTRIBUTIONS

Other operating expenses:	**2018**	**2017**
Technical cost	594,583	394,427
Bunkers and lube oil	159,432	90,106
Insurance	92,960	82,450
Onerous contracts	193,124	31,000
IT, communications and other costs	629,936	457,404
Total other operating expense	**1,670,036**	**1,055,386**

Wages and personnel costs:	**2018**	**2017**
Employees, vessels	2,182,039	1,561,730
Employees, administration	317,645	258,776
Total employee cost	**2,499,685**	**1,820,506**

Wages and employee cost:	**2018**	**2017**
Wages	1,818,327	1,371,773
Social security	264,054	163,725
Pension costs	55,457	35,479
Other benefits	137,943	87,483
Travelling costs, courses and other personnel costs	223,903	162,045
Total employee cost	**2,499,685**	**1 820,506**

Average number of employees	**3,620**	**2,022**

NOTES

REMUNERATION TO DIRECTORS, MANAGING DIRECTOR AND AUDITORS

Charged cost during the year	Wages	Other benefits	Pension cost
2018			
Lars Peder Solstad (CEO)	2,178	154	97
Sven Stakkestad (Deputy CEO)	1,992	102	173
Anders Hall Jomaas (CFO)	1,863	11	95
Hans Knut Skår (EVP Subsea Construction)	1,781	11	97
Kenneth Lande (EVP AHTS & PSV Strategic regions)	1,765	11	103
Jon Are Gummedal (EVP AHTS & PSV International)	1,679	11	95
Tor Inge Dale (COO)	1,772	11	98
	13,030	**310**	**758**
2017			
Lars Peder Solstad (CEO)	2,480	153	78
Sven Stakkestad (Deputy CEO)	1,796	100	170
Anders Hall Jomaas (CFO) *	658	4	25
Hans Knut Skår (EVP Subsea Construction)	1,428	83	78
Kenneth Lande (EVP AHTS & PSV Strategic regions)	1,460	11	86
Jon Are Gummedal (EVP AHTS & PSV International) *	993	4	26
Tor Inge Dale (COO)	1,510	11	80
	10,325	**365**	**543**

* hired during 2017

There are no distinctive agreements regarding remuneration for the Chairman of the Board and neither are there any distinctive bonus or option programmes for any Board Member or Group Management. No loans have been given to the company management. The Chief Executive Officer has an agreement securing 12 months salary.

Board of Directors:	Directors fee
Terje Vareberg	341
Toril Eidesvik	210
Frank O. Reite	138
Ellen Solstad	138
Anders Onarheim	45
Merete Haugli	138
Harald Thorstein	138

Auditors EY	2018	2017
Audit - statutory accounts	6,892	5,113
Other attestation services	13	687
Tax related services	5,220	6,335
Other services	1,779	782
Total	**13,904**	**12,916**

Audit fees relates to statutory audit of accounts. Fee for tax advice is mainly assistance related to tax reporting to authorities in other countries. For 2018 and 2017 these services are mainly realted to crew, and hence, they are viewed as compliance services.Auditor-related services include consultancy, reports and assistance on accounting matters.

NOTE 9 - GOVERNMENT GRANTS

Government grants	2018	2017
Net pay scheme at NOR-vessels	177,655	144,384
Governments grants to reduction of payroll expenses	**177,655**	**144,384**

NOTES

NOTE 10 - SHARES IN SUBSIDARIES

The Group accounts consists of the financial statements of Solstad Offshore ASA and the following subsidiaries.

Name of Entity:	Country of incorporation:	Ownership held by the Group 2018	2017
Ownership through direct interest:			
Solstad Management AS	Norway	100 %	100 %
Solstad Shipping AS	Norway	100 %	100 %
Solstad Rederi AS	Norway	100 %	100 %
Normand Drift AS	Norway	100 %	100 %
Solstad Operations AS	Norway	100 %	100 %
Trym Titan AS	Norway	100 %	100 %
Normand Skarven AS	Norway	100 %	100 %
Solstad Brasil AS	Norway	100 %	100 %
Normand Vision Chartering AS	Norway	100 %	100 %
Solstad Mexico AS	Mexico	100 %	100 %
Solstad Offshore (UK) LTD	UK	100 %	100 %
Normand Maximus Limited	UK	100 %	100 %
Solstad Offshore Asia Pacific Pte Ltd	Singapore	100 %	100 %
Solstad Offshore Asia Pacific Labuan Ltd	Labuan	100 %	100 %
Solship AS	Norway	100 %	100 %
Solship Invest 1 AS	Norway	100 %	100 %
Farstad Shipping AS	Norway	100 %	100%
Solship Invest 3 AS	Norway	100 %	100%
Ownership through Solstad Rederi AS:			
Normand Flower AS	Norway	100 %	100 %
Ownership through Solstad Offshore (UK) LTD:			
Solstad Cable (UK) LTD	UK	100 %	100 %
Solstad Offshore Service Vessel (UK) LTD	UK	100 %	100 %
PIOPRO (UK) Ltd	UK	100 %	100 %
Ownership through Solstad Offshore Service Vessel (UK) LTD (99.998%) and PIOPRO (UK) Ltd (0.002%):			
Pioneer Offshore LP	UK	100 %	100 %
Progress Offshore LP	UK	100 %	100 %
Ownership through PIOPRO (UK) LTD			
Pioneer Offshore Ltd	UK	100 %	100 %
Progress Offshore Ltd	UK	100 %	100 %
Ownership through Normand Maximus Limited:			
Normand Maximus Operations Limited	UK	100 %	100 %
Ownership through Solstad Offshore Asia Pacific Pte Ltd:			
Solstad Offshore Pty Ltd	Australia	100 %	100 %
Solstad Offshore Singapore Pte Ltd	Singapore	100 %	100 %
Solstad Offshore Crewing Services Pte	Singapore	100 %	100 %
Nor Offshore Labuan Pte Ltd	Labuan	100 %	100 %
Norce Offshore Pte Ltd	Singapore	100 %	100 %
Ownership through Norce Offshore Pte Ltd:			
Norce Offshore Pty Ltd	Australia	100 %	100 %
Norce Offshore Thailand Ltd	Thailand	49.5 %	49.5 %
Ownership through Solstad Brasil AS:			
Solstad Offshore Ltda	Brazil	100 %	100 %
Ownership through Solstad Offshore Ltda:			
Solstad Servicos Maritimos Ltda	Brazil	100 %	100 %
Ownership through Solship Invest 1 AS:			
Solstad Maritime AS	Norway	100 %	100 %
SOFO Tonjer AS	Norway	100 %	100 %
SOFO Falnes AS	Norway	100 %	100 %
SOFO Skude AS	Norway	100 %	100 %
Rem Ship AS	Norway	100 %	100 %
Rem Supply AS	Norway	73.34 %	73.34 %
Rem Crewing AS	Norway	100 %	100 %
Rem Star AS	Norway	100 %	100 %
Rem Norway AS	Norway	100 %	100 %
Ownership through Rem Ship AS (55%) and SOFO Tonjer AS (1%)			
SOFO Tonjer IS	Norway	56 %	56 %

NOTES

Name of Entity:	Country of incorporation:	Ownership held by the Group 2018	2017
Ownership through Farstad Shipping AS:			
Farstad Offshore AS	Norway	100 %	100 %
Farstad Supply AS	Norway	100 %	100 %
Farstad Marine AS	Norway	100 %	100 %
Farstad Construction AS	Norway	100 %	100 %
Farstad Shipping Pte Ltd	Singapore	100 %	100 %
Farstad Subsea AS	Norway	100 %	100 %
Farstad Shipping Aalesund AS	Norway	100 %	100 %
Farstad Shipping Ltd	UK (Scotland)	100 %	100 %
Farstad Brasil AS	Norway	100 %	100 %
Farstad Australia AS	Norway	100 %	100 %
Ownership through Farstad Supply AS:			
Farstad International AS	**Norway**	**100 %**	100 %
Ownership through Farstad Supply AS (50 %) and Farstad International AS (50 %):			
Partrederiet International Offshore Services ANS	**Norway**	**100 %**	100 %
Ownership through Farstad Shipping Pte Ltd:			
Farstad Shipping Crewing Services Pte Ltd	Singapore	100 %	100 %
Ownership through Farstad Subsea AS:			
Far Superior AS	Norway	100 %	100 %
Farstad Africa AS	Norway	100 %	100 %
Ownership through Farstad Brasil AS:			
Farstad Shipping Ltda	Brasil	100 %	100 %
Ownership through Farstad Shipping AS (10 %) and Farstad Brasil AS (90 %):			
Farstad do Brasil Navegação Ltda	**Brasil**	**100 %**	100 %
Ownership through Farstad Australia AS:			
Farstad Shipping Pty Ltd	Australia	100 %	100 %
Ownership through Farstad Shipping Pty Ltd:			
Farstad Shipping Offshore Simulator Center Pty Ltd	Australia	100 %	100 %
Ownership through Solship Invest 3 AS:			
Deep Sea Supply Management AS	Norway	100 %	100 %
Deep Sea Supply Management (Cyprus) Ltd	Cyprus	100 %	100 %
Deep Sea Supply Management (Singapore) PTE Ltd	Singapore	100 %	100 %
DESS Invest Ltd	Cyprus	100 %	100 %
DESS Cyprus Ltd	Cyprus	100 %	100 %
DESS PSV Ltd	Cyprus	100 %	100 %
DESS Finance Ltd	Cyprus	100 %	100 %
DESS PSV II Ltd	Cyprus	100 %	100 %
DESS PSV III Ltd	Cyprus	100 %	100 %
DESS PSV IV Ltd	Cyprus	100 %	100 %
Deep Sea Supply Serviços Marítimos Ltda	Brazil	100 %	100 %
Deep Sea Supply Shipowning AS	Norway	100 %	100 %
Deep Sea Supply AS	Norway	100 %	100 %
DESS Aquaculture Shipping AS*	Norway	26.53%	50 %
Ownership through Deep Sea Supply Management AS:			
Deep Sea Supply Navegação Marítima Ltda.	Brazil	100 %	100 %
Ownership through DESS Invest Ltd:			
DESS Labuan Ltd	Malaysia	100 %	100 %
DESS Labuan II Ltd	Malaysia	100 %	100 %
DESS Sea Supply Management (Malaysia) SDN. BHD.	Malaysia	100 %	100 %
Deep Sea Supply Crew (Ukraine) Ltd	Ukraine	100 %	100 %
Ownership through Deep Sea Supply AS:			
Deep Sea Supply Shipowning AS	**Norway**	**100 %**	**100 %**
Deep Sea Supply Shipowning I AS	Norway	100 %	100 %
Deep Sea Supply Shipowning II AS	Norway	100 %	100 %
Deep Sea Supply Shipowning III AS	Norway	100 %	100 %
Ownership through DESS Aquaculture Shipping AS:			
DESS Aqua I AS	Norway	26.53 %	50 %
DESS Aqua II AS	Norway	26.53 %	50 %
DESS Aqua III AS	Norway	26.53 %	50 %
DESS Aqua Crew AS	Norway	26.53 %	50 %

* DESS Aquaculture Shipping AS was reduced due to dilution (50%-26.53%) in 2018.
Solstad Offshore ASA is the ultimate owner of all the listed companies.

NOTES

NOTE 11 - SHARES IN JOINT VENTURES, ASSOCIATED COMPANIES AND OTHER INVESTMENTS

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

		Place of Business	Owner-ship	Date of Financial statement
Deep Well AS (DWAS)	AC	Karmøy	22%*	31.12.2017
Solstad Offshore Crewing Services Philippines (SOCS)	AC	Manilla, Philippines	25%	31.12.2018
Maximus Limited (MAXL)	AC	George Town, Cayman Islands	25%	31.12.2018
Normand Installer SA (NISA)	JV	Marly, Sveits	50%	31.12.2018
DESS Aquaculture Shipping AS (AQUA)	AC	Grimstad	26.53%	31.12.2018
Normand Oceanic AS (NOCE)	JV	Karmøy	0%**	31.12.2016
Normand Oceanic Chartering AS (NOCH)	JV	Karmøy	0%**	31.12.2016

* sold i 2018

** sold in 2017

Normand Installer SA owns one contruction service vessel hired on time charter to a company associated with the other part of the joint venture.
DESS Aquaculture Shipping AS is engaged to build, own and operate aquaculture vessels.
Solstad Offshore Crewing Services Philippines deliver crewing services to the Group.
Maximus Limited is the legal owner of the vessel Normand Maximus which the Group has on financial lease.

All the above investments are strategic for the Group.

Deep Well AS performs well intervention services.

Joint ventures		**2018**	
	NISA	AQUA	Total
Cost price 01.01.	1,631	122,875	124,506
Acc result and adjustments	149,167	-1,886	147,282
Book value 01,01,	150,798	120,989	271,787
Capital contribution		104,858	104,858
Share of result	-13,906		-13,906
Reclassification from JV to AC		-225,041	-225,041
Other adjustments	-901	-806	-1,707
Book value 31,12,	**135,992**	-	**135,992**
Balance sheet:			
Bank deposits and cash equivalents	2,622		2,622
Current assets	45,572		45,572
Long-term assets	430,517		430,517
Financial liabilities			
Short-term liablilities	-425,642		-425,642
Long-term financial liabilities			
Other long-term liabilities			
Net assets	**53,069**		**53,069**
Share of balance sheet:	**26,535**		**26,535**
Revenues and profit:			
Revenues	67,463		67,463
Operating expense	-57,868		-57,868
Depreciations	-24,378		-24,378
Interest income			
Financial income			
Interest expense	-13,028		-13,028
Financial expense			
Result before tax	-27,811		-27,811
Taxes			
Result	**-27,811**		**-27,811**
Share of revenues and profit:	**-13,906**		**-13,906**

NOTES

Joint ventures	NISA	NOCE	2017 NOCH	AQUA	Total
Cost price 01.01.	1,631	173,808	23	-	175,463
Acc result and adjustments	**145,227**	**84,188**	**3,931**	**-**	**233,347**
Book value 01.01.	146,859	257,996	3,954	-	408,809
Share of result	3,961	-113,206	-92	-1,886	-111,222
Other adjustments	-22	-144,790	-3,863	122,875	-25,800
Book value 31.12.	**150,798**	**-**	**-**	**120,989**	**271,787**

Balance sheet:					
Bank deposits and cash equivalents	40,222			97 193	137,415
Current assets	21,626			5 362	26,988
Long-term assets	423,953			140 346	565,299
Financial liabilities	-65,640				-65,640
Short-term liablilities	-87,090			-922	-88,012
Long-term financial liabilities	-287,175				-287,175
Other long-term liablilities					
Net assets	**45,895**			**241 978**	**287,874**
Share of balance sheet:	**22,948**			**120 989**	**143,937**

Revenues and profit:					
Revenues	121,382	83,430	16,545	-	221,358
Operating expense	-73,721	-10,071	-16,546	- 3,863	-104,201
Depreciations	- 24,647	-270,056	-	-	-294,704
Interest income	-	5	7	-	12
Financial income	-	-	-	93	93
Interest expense	-15,092	-27,207	-	-	-42,298
Financial expense	-	- 2,513	-229	-	-2,742
Result before tax	**7,923**	**- 226,412**	**-223**	**-3,771**	**-222,483**
Taxes	**-**	**-**	**39**	**-**	**39**
Result	**7 923**	**-226,412**	**-184**	**-3,771**	**-222,444**
Share of revenues and profit:	**3,961**	**-113,206**	**-92**	**-1,886**	**-111,222**

Associated companies:	DWAS	SOCS	2018 MAXL	AQUA	Sum
Cost price 01.01.	19,367	385	250,853	-	270,605
Acc result and adjustments	**1,281**	**1,361**	**17,113**	**-**	**19,574**
Book value 01.01.	20,648	1,746	267,966	-	290,360
Investment					
Share of result		-57	38,585	-3,341	35,186
Other adjustments		123	-19,904	225,041	184,612
Book value 31.12.	**-**	**1,811**	**286,647**	**221,700**	**510,158**
Share of balance sheet:					
Current assets		6,037	42,590	54,308	102,935
Long-term assets		1,333	761,097	252,793	1,015,223
Short-term liablilities		-6,278	-13,282	-9,151	-28,710
Long-term liabilities		-18	-501,274	-76,250	-577,542
Net assets		**1,074**	**289,131**	**221,700**	**511,905**
Share of revenues and profit:					
Revenues		2,925	91,719	15,876	110,517
Operating expense		-3,098	-28,013	-16,019	-47,130
Financial expense		193	-25,118	-3,188	-28,113
Adjustment equity share method					
Result before tax		**20**	**38,585**	**-3,331**	**35,274**
Taxes		**-77**		**-11**	**-88**
Result		**-57**	**38,585**	**-3,341**	**35,186**

NOTES

Associated companies:	DWAS	SOCS	2017 MAXL	Sum
Cost price 01.01.	19,367	385	250,853	270,605
Acc result and adjustments	**12,374**	**1,112**	**17,797**	**31,283**
Book value 01.01.	31,741	1,497	268,650	301,889
Investment				
Share of result	-11,093	576	41,842	31,325
Other adjustments		-72	-42,322	-42,395
Book value 31.12.	**20,648**	**2,001**	**268,170**	**290 819**
Share of balance sheet:				
Current assets	27,195	4,984	42,518	74,697
Long-term assets	64,387	359	747,009	811,755
Short-term liablilities	-18,662	-4,306	-11,809	-34,777
Long-term liabilities	-32,397	-3	-509,793	-542,193
Net assets	**40,523**	**1,034**	**267,924**	**309,482**
Share of revenues and profit:				
Revenues	48,003	2,672	90,769	141,444
Operating expense	-58,326	-1,873	-28,945	-89,144
Financial expense	-770	-5	-24,536	-25,311
Adjustment equity share method				
Result before tax	**-11,093**	**794**	**37,288**	**26,989**
Taxes		**-218**		**-218**
Result	**-11,093**	**576**	**37,288**	**26,771**

Investments - long term	**2018**		**2017**	
Unlisted shares	**Share**	**Book value**	**Share**	**Book value**
Solnør Gaard Golfbane AS	6.43 %	1,665	6.43 %	1,665
Offshore Simulator Center	25.00 %	910	25.00 %	910
Sunnmøre Golf AS	0.94 %	203	0.94 %	203
Hafast AS	2.64 %	200	2.64 %	200
Bleivik SIM Holding AS	29.54 %	2,991	29.54 %	2,991
		5,969		**5,969**

Based on, amongst others, no board representation, the Group does not have significant influence on the above mentioned companies.

Investments available for sale - current		**2018**			**2017**	
Listed shares	Cost price	Share	Book value	Cost price	Share	Book value
Reach Subsea ASA	10,000	5.48 %	11,600	10,000	5.48 %	11,000
Team Tankers International Ltd.	5,000	0.03 %	307	5,000	0.03 %	687
			11,907			**11,687**

Investments available for sale are shares which have no fixed maturity or return.

Shares in listed companies are valued at fair value at year end. Fair value of shares in unlisted companies is based on the companies' latest financial report.

Net change in value on available for sale financial assets booked to equity through Other comprehensive income:

	2018	**2017**
Opening balance	1,000	-500
Reach Subsea shares	549	1,500
Ending balance	**1,549**	**1,000**

NOTES

Subsidiaries with significant non-controlling interests
The Group have four subsidiaries with significant non-controlling interests (NCI) as of 31th Desember 2018. Information regarding these is as follows (NOK 1,000):

Name	Country	NCI	Result allocated to NCI	Accumulated NCI	Paid dividend
2018					
SOFO Falnes AS	Norway	4 %	-770	-2,298	0
SOFO Skude AS	Norway	7 %	-551	-685	0
Rem Supply AS	Norway	27 %	-30,760	-24,147	0
SOFO Tonjer IS	Norway	44 %	2,134	29,557	0

Name	Country	NCI	Result allocated to NCI	Accumulated NCI	Paid dividend
2017					
SOFO Falnes AS	Norway	4 %	-1,391	-134	0
SOFO Skude AS	Norway	7 %	-1,533	-1,551	0
Rem Supply AS	Norway	27 %	-21,430	6,225	0
SOFO Tonjer IS	Norway	44 %	-6,888	27,422	0

Condensed financial statement	SOFO Falnes AS 2018	SOFO Skude AS 2018	Rem Supply AS 2018	SOFO Tonjer IS 2018
Non-current assets	162,224	207,400	237,571	196,117
Current assets	19,166	22,043	22,906	37,635
Total assets	**181,390**	**229,443**	**260,477**	**233,752**
Long term liabilities	236,672	234,263	338,329	162,243
Short term debt	3,942	6,368	12,744	4,334
Total liabilities	**240,614**	**240,631**	**351,073**	**166,577**
Revenue	**0**	**35,687**	**64,132**	**29,916**
Result after tax	**-19,254**	**-8,476**	**-113,925**	**4,851**

Condensed financial statement	SOFO Falnes AS 2017	SOFO Skude AS 2017	Rem Supply AS 2017	SOFO Tonjer IS 2017
Non-current assets	167,735	214,382	333,327	196,166
Current assets	37,991	32,361	38,801	38,256
Total assets	**205,726**	**246,743**	**372,128**	**234,422**
Long term liabilities	245,374	241,500	339,063	171,604
Short term debt	322	7,956	9,736	495
Total liabilities	**245,696**	**249 456**	**348,799**	**172,099**
Revenue	**0**	**24,613**	**32,222**	**0**
Result after tax	**-35,871**	**-23,850**	**-80,384**	**-15,654**

NOTE 12 - TANGIBLE FIXED ASSETS

	Vessel	Vessel under construction	Fixtures	Total
Cost price 01.01.2018	38,657,382	-	265,166	38,922,548
Acc, depreciation/ write down 01,01,2018	-8,165,655	-	-112,298	-8,277,953
Book value 01,01,2018	30,491,727	-	152,869	30,644,595
Additions	55,211	-	10,534	65,745
Disposals	-409,068	-	-6,148	-415,216
Disposal of acc, depreciations/ write downs	166,039	-		166,039
Translation adjustment	**525,224**	**-**	**-2,727**	**522,498**
Cost price 31,12,2018	**38,828,750**	**-**	**266,826**	**39,095,575**
Acc, depreciations/ write downs 31,12,2018	**-12,025,112**	**-**	**-133,484**	**-12,158,596**
Book value 31,12,2018	**26,803,637**	**-**	**133,342**	**26,936,979**
Depreciation/ write down current period	**-4,025,496**	**-**	**-21,186**	**-4,046,682**

NOTES

	Vessel	Vessel under construction	Fixtures	Total
Cost price 01.01.2017	25,528,576	-	123,736	25,652,312
Acc. depreciation/ write down 01.01.2017	-7,482,546	-	-88,815	-7,571,362
Book value 01.01.2017	18,046,030	-	34,921	18,080,950
Additions	38,991	-	32,256	71,247
Transferred	12,400	-	-12,400	-
Addition due to merger	15,086,794	-	127,489	15,214,284
Disposals	-1,533,943	-	-4,303	-1,538,246
Transfer to asset helt for sale	-170,419	-	-	-170,419
Disposal of acc. depreciations/ write downs	464,613	-	-	464,613
Translation adjustment	**-305,017**	**-**	**-1,612**	**-306 629**
Cost price 31.12.2017	38,657,382	-	265,166	38,922,548
Acc. depreciations/ write downs 31.12.2017	**-8,165,655**	**-**	**-112,298**	**-8,277,953**
Book value 31.12.2017	**30,491,727**	**-**	**152,869**	**30,644,595**
Depreciation/ write down current period	**-1,147,722**	**-**	**-23,483**	**-1,171,205**

Capitalized periodic maintenance	2018	2017
Capitalized periodic maintenance at 01.01	574,177	394,788
Additions this year	288,754	159,504
Addition due to merger	-	268,307
Disposal this year	-5,406	-14,350
Transfer to asset held for sale	-	-17,134
Depreciation of planned periodic maintenance this year	-285,403	-216,614
Translation adjustment	6,977	-324
Capitalized periodic maintenance at 31,12	**579,100**	**574,177**

The vessels are divided into the following main components; hull, anchor-handling-, loading- and unloading equipment, main- auxiliary engine, thruster, DP and cranes and other equipment. Assumed physical lifetime for all categories are 30 years, while estimated useful life is 20 years.

Estimation of residual value is based on marked values/ brokers values in the beginning of the year. The brokers values, sales related expenses deducted, are multiplied with a factor dependent on the vessels age. The factor is 50% for a new built, increasing to 100% for a 20 year old vessel.

Periodic maintenance is depreciated over the period until the next planned interim- and main docking takes place, respectively. The normal interval is 5 years for both interims- and main docking.

The depreciation rate for other equipment is 15-25%.

Vessels with a book value of MNOK 24,295 (MNOK 28,026 in 2017) are mortgaged for the Group's loans, see note 5.

There are no capitalized interests in 2018 or 2017.

IMPAIRMENT VALUATION OF FIXED ASSETS

Once a quarter, the Group assess whether there is any impairment indicators of the fixed assets. In 2018, the price/book has been below 1 and the third-party broker valuations have been declining, which are indicators of impairment.

Impairment testing (value-in-use-calculation) was performed for all vessels where book value exceeds 65% of broker value. Broker value is set as an average of 3 acknowledged, independent brokers. Each vessel is considered a separate cash generating unit. The value-in-use-calculations are based on an updated long-term forecast for 2019-2022, prepared in February 2019. The current market, and few sales of vessels on normal market terms, makes valuation of vessels uncertain.

In addition to value in use calculations, 8 vessels are valued at scrap value (MNOK 37) and 10 vessels are valued at estimated sales values (MNOK 158).

NOTES

DISCOUNTING RATE

The discounting rate is based on a weighted average cost of capital (WACC) after tax for the Group. The cost of equity is derived from the 10-year interest rate for state bonds (risk-free interest rate), the Groups own market risk premium and an unlevered beta (Damodaran for Western Europe). The debt element of the discounting rate is based on the risk-free interest rate, plus the Group's average margin for secured debt, as well as a premium equivalent to the difference between risk-free interest rate and the bank's lending rates. The discounting rate is 9.3 %, which is an increase from 8.36 % in 2017.

REVENUE ASSUMPTIONS

For vessels having firm contracts, revenue is based on the current contracts. For vessels without firm contracts, and for vessels where the firm contract expires during the period, revenue is based on historical data. For the first period it is expected that the day rates for the PSV- and AHTS segment will remain low. From 2023 to 2025 it is assumed a gradual increase of revenue to a level which correspond to the average rates for the past 7-10 years. It is expected that the markets are normalized within 2025.

INFLATION

Escalation of revenue is expected to be marginal for the coming year. Hence, it is used a low (<1%) or no inflation of revenue in 2019. Operating cost is adjusted for inflation by 2%. Inflation of revenue correspond to cost from 2023.

RESIDUAL VALUES

Estimated residual values used in the value in use calculations are set using the same principle as for the ordinary depreciations. Initially the value is set to 50% of cost price, expected cost of sale deducted, and adjusted according to changes in broker valuations. The assumption is that the broker values decline by 2,5% per year, until the vessel is 20 years old. It is assumed that the vessels are sold after 20 years in operation.

IMPAIRMENT TESTING

Based on the impairment test 68 vessels were written down by MNOK 2,896 in 2018. The impairment was divided on segments as follows (remaining recoverable amount in parentheses): PSV MNOK 873 (MNOK 7,501), AHTS MNOK 1,318 (MNOK 6,041) and CSV MNOK 705 (MNOK 13,841).

SENSITIVITY CALCULATIONS

The sensitivity of the value-in-use-calculations for the vessels with write-downs is analyzed by altering the key assumptions; discounting rate, cost escalation, utilization and day rates. A change of discounting rate by 1% point and 2% points would have resulted in a changed impairment of MNOK 880 and MNOK 1,860, respectively. A reduction in dayrates or utilization bringing the revenue down by 3-6%, will increase the write-down by MNOK 700-1,530. With an inflation of cost of 5% points higher, the write-down would increase by approximately MNOK 660.

NOTES

NOTE 13 - INSURANCE SETTLEMENTS

In cases of damages to vessels and equipment, the Group pays for the repairs in advance. After payment of insurance excesses the Group has received the following compensation from its insurance companies:

	2018	2017
Received compensation	35,468	35,212

Advance payments are included in Other operating expenses.

During the last two years the Group has recognized Loss of Hire-revenues of MNOK 38 and MNOK 61 respectively.

NOTE 14 - SHARE CAPITAL, SHAREHOLDERS AND TREASURY SHARES

	A-shares	**B-shares**	**Share capital**	**Treasury shares**
31.12.2017	**291,532,299**	**0**	**583,065**	**-281**
31.12.2018	**291,532,299**	**0**	**583,065**	**-281**

31.12.2016	70,687,377	17,999,444	177,374	-251
Capital contributions	202,845,478	-	405,691	-
Transfer of B-shares	17,999,444	-17,999,444	-	-
Other adjustments (*)	-	-	-	-30
31.12.2017	**291,532,299**	**0**	**583,065**	**-281**

At 31.12.18, the Company's share capital represents 291,532,299 shares at NOK 2.

In relation to the merger in 2017 all the B-shares was transfered to ordinary shares with equal rights.
The number of shareholders at 31.12.18 was 10,458. For a list of the largest shareholders, see Note 11 at the Parent financial statement

The Board have the power of attorney to implement a capital appreciation of up to 140,000 shares at NOK 2 for employees of the Group. Furthermore, the Board has power of attorney to increase the share capital by MNOK 60 by issuing 30 million shares.
These powers of attorney are retained until the next General Meeting.

As at 31.12.2018 the Group had 140,522 treasury shares with cost price of MNOK 9,6.
As at 31.12.2017 the Group had 140,522 treasury shares with cost price of MNOK 9,6.

(*) A company within the Farstad sub-group owned shares in Solstad Offshore ASA prior to the merger.

NOTE 15 - EARNINGS PER SHARE

Earnings per share are calculated by dividing the Group result by the number of shares at the end of the year, adjusted for treasury shares. There are no instruments that allow the possibility of dilution.

	2018	**2017**
Majority result from net profit for the year	**-5,858,195**	**-313,774**
Result from net profit for the year	**-5,887,730**	**-345,017**
Average number of shares at 31.12.	291,532,299	196,516,129
Treasury shares	140,522	140,522
Average number of shares to calculate earnings per share	291,391,777	196,375,607
Earnings per share (NOK) - majority	**-20.10**	**-1.60**
Earnings per share (NOK)	**-20.20**	**-1.78**

NOTES

NOTE 16 - TRANSACTIONS WITH RELATED PARTIES

In addition to general management services, the Group has the following transactions with related parties:

	Income		Expenses		Receivables		Payables	
Associated company	2018	2017	2018	2017	2018	2017	2018	2017
Deep Well AS					12,313	13,542		
DESS Aquaculture Shipping AS*	9,718	612			1,400	40		
Joint venture companies								
Normand Installer SA					43,879	7,399		8,820
Other related parties								
Owner of offices			9,725	9,252				
Ocean Yield			72,521	36,634			815,406	887,926
Ship Finance International			51,988	34,069			628,602	651,993

The Group's affiliation with associated parties:
Deep Well AS (sold in 2018) is an associated company in which the Group has a 22% share. Receivable is a subordinated loan.

Maximus Limited is a company in which the Group has a 25% share.

Normand Installer SA is a joint venture company in which the Group has a 50% share. Receivable relates to a shareholders loan.

The Group rents offices and a warehouse at market price from a company controlled 100% by a related party.

*The group maintains an agreement with DESS Aquaculture Group for the provision of various services such as:
Financial and accounting services / Vessels technical related services / Business development / Handling of insurance related matters / Administrative services

The Group has two vessel on financial lease from Ocean Yield (company controlled by one of the larger shareholders).
The Group leases five vessels (four operating leases and one financial lease) from Ship Finance International (company controlled by one of the larger shareholders).
Together with Mowi ASA (company controlled by one of the larger shareholders) the Group has a joint venture, DESS Aquaculture Shipping AS.

The Group also uses a workshop, controlled 100% by a related party, for repairs and conversions of the vessels.

From time to time the Group has business relationship with Aker BP ASA, a company affiliated with one of the larger shareholders.

Associated parties are considered to be Board Members (including associated companies) and the company management. There are no management agreements with associated parties outside the Group that charge management fees.

A Financial Restructuring agreement for Solship Invest 3 AS (SI3) was signed in August 2018. The agreement includes a deferral of scheduled instalments, interests and bareboat payments until December 31, 2019. The agreement also entails suspension of the majority of financial covenants in the same period. As part of the Financial Restructuring, Solship Invest 3 AS was provided a loan from Sterna Finance Ltd. in the amount of MUSD 27. The loan agreement implies that Sterna Finance Ltd has an option to take over the shares of the SI3 into one option price of NOK 1. The option can be exercised if loan agreements or guarantees are defaulted and if SI3 is not able to refinance within the restructuring period up to now 31 December 2019.

Transactions with related parties are completed at normal market prices. Interest is not calculated on outstanding balances at year end that are normal accounts receivable or accounts payable. Current assets are included in the ordinary evaluation of bad debt.

NOTE 17 - TAXES

	2018	2017
Taxes payable	37,221	12,420
Under/over accrual of tax payable	408	3,969
Change in deferred taxes	8,237	-1,638
Tax on ordinary result	**45,865**	**14,751**

NOTES

Apportionment of tax on ordinary result:	2018	2017
Norwegian tax - ordinary	6,230	2,004
Foreign	39,635	12,747
Total tax	**45,865**	**14,751**

Outside Shipping Tax Regime	2018	2017
Temporary differences:		
Shares/ownership (current assets)	-806,574	-111,678
Over funding of pension	-152,043	-133,591
Deferred income	-	-31,980
Fixed assets/ provisions	-632,941	-1,096,770
Unrecovered loss carried forward	-1,262,720	-2,199,270
Total temporary differences	**-2,854,278**	**-3,573,290**

Tax effect of temporary differences:		
Shares/ownership (current assets)	-177,446	-25,686
Pension over funding	-33,449	-30,726
Deferred income	-	-7,355
Fixed assets/provisions	-139,247	-252,257
Unrecovered loss carried forward	-277,798	-505,832
Deferred tax asset not recognised	625,973	816,179
Net deferred tax/ deferred tax asset (-)	**-1,986**	**-5 678**

Changes in deferred tax in the balance sheet:		
Opening balance deferred tax	-5,678	-41,154
Booked to profit and loss	8,237	-1,638
Business combinations	-	37,117
Charged to equity (change pension)	-4,527	-
Translation adjustment	-	-
End balance deferred tax/ deferred tax asset (-)	-1,968	**-5,678**

Payable tax in the balance sheet consist of:		
Tonnage tax	295	207
Other payable corporation tax	77,208	67,127
Total payable tax in the balance sheet	**77,502**	**67,335**

Tonnage tax is classified as operational expense,

Analysis of effective tax rate:		
23% of pre-tax result (24% in 2017)	-1,343,629	-79,264
Effect of deferred tax asset not recognised	-190,205	726,510
Differential in tax rates foreign entities	21,938	1,554
Permanent differences/ Shipping Tax Regime	1,557,761	-634,049
Estimated tax	**45,865**	**14,751**

Deferred tax asset is based on a tax rate of 22% (23% in 2017).

The Group's tonnage taxed companies has no firm plans to exit the new tonnage tax regime.

Deferred tax on deviating values in associated companies with foreign partnerships has been included in the Group accounts. Further, deferred tax is calculated on scenarios where a future realization will lead to a tax liability.

Deferred tax assets from losses carried forward are recognized under the assumption that companies under the ordinary tax regime will have taxable income in the future. This taxable income is related to ordinary income, gain from sale of fixed assets and taxable financial income.

The Group has an international business. The taxable treatment of transactions, operations and structures in foreign countries may be challenged by local tax authorities, and may result in future tax obligations. Contingent liabilities are recognized in the accounts if they are more likely than not to occur. At the end of the year there are no issues that may lead to taxes in foreign countries for which no specific provision has been booked.

The accounts reflect the Groups best estimate for contingent liabilities at the end of the year.

NOTES

NOTE 18 - PENSION

The Group has defined benefit pension plans for seafaring personnel in Norway and United Kingdom, and for some of the administrative personnel. The pension plans are insurance based. As at December 31, 2018, the pension plans have 1,235 actives and 340 pensioners as members.

The Group has a contribution plan for the majority of administrative staff.

The following assumptions are used:	**UK 2018**	**UK 2017**	**NORWAY 2018**	**NORWAY 2017**
Discounted interest	2.70%	2.40%	2.60 %	2.30 %
Expected return			2.60 %	2.30 %
Regulation of salaries	4.20%	4.10%	2.75 %	2.50 %
Regulation of base amount			2.50 %	2.25 %
Regulation of pension	3.60%	3.50%	2.50 %	2.25 %

Changes in pension obligation:	**2018**	**2017**
Estimated liability at beginning of the year	661,754	303,943
Interest expense	15,653	10,306
Annual pension earnings	36,372	27,168
Payroll tax of employer contribution, assets	-3,058	-3,520
Benefits paid	-32,933	-13,153
Actuarial (gain)/ loss on the obligation	-42,313	16,360
Addition due to merger	-	320,649
Estimated liability at year end	**635,476**	**661,754**

Changes in plan assets:	**2018**	**2017**
Opening value of plan assets	540,912	240,452
Expected return	11,208	11,609
Curtailment / settlement		
Payroll tax of employer contribution, assets	-3,058	-2,954
Contributions by employer	26,869	34,631
Benefits paid	-30,457	-19,453
Actuarial gain/ (loss)	-29,257	-10,847
Addition due to merger	-	287,474
Estimated plan assets at year end	**516,218**	**540,912**

Expected contribution by employer in 2019 is NOK 29,6 million,

Net plan assets/liabilities:	**2018**	**2017**
Pension liabilities	635,476	661,754
Plan assets	516,218	540,912
Net plan assets/ (liabilities) incl sosial security	**-119,258**	**-120,842**
Social security	-14,403	-14,530

Pension cost:	**2018**	**2017**
Present value of pension obligation	30,387	21,641
Interest expense on obligation	15,653	10,306
Expected return on plan assets	-11,208	-11,609
Administration expense	1,342	668
Social security	4,643	2,978
Pension cost	**40,818**	**23,984**
Payments on contribution plan	19,283	14,473
Total pension cost	**60,101**	**38,457**
Actual return on plan assets	-18,049	762

Actuarial gain and loss (-)	2018	2017
Total actuarial gain/ loss	13,057	-27,207
Actuarial gain/ loss opening balance merger	-	-8,242
Currency	9	-
Tax effect	-2,970	1,211
Change in previous year tax effect	6,907	-
Actuarial gain/ loss booked in Other comprehensive income	**17,003**	**-34,239**

Percentage composition of pension funds:	UK 2018	UK 2017	NORWAY 2018	NORWAY 2017
Equities	9.0%	12.0%	12.8 %	10.9%
Alternative investments			0.0 %	0.0%
Bonds	65.0%	94.0%	12.5 %	13.2%
Money market *	5.0%	-7.0%	10.2 %	14.0%
Hold to maturity bonds	11.0%		30.6 %	27.2%
Loans and receivables			23.9 %	23.3%
Real estate	1.0%	1.0%	9.1 %	10.0%
Other	9.0%		0.9 %	1.4%

* Negative because of a large amount under sale and repurchase contracts
Pension liability for 2017 and 2018 is based on table K2013 for Norway and S2IA for UK.

Individual pension agreements
From the merger with Farstad the Group has an individual pension obligation for four former employees and one former Chairman of the Board. A total liability of NOK 11.4 million is included in the net liability above.

Plan assets are invested in a wide portfolio by an external insurance company. The insurance company is responsible for total administration of the pension plan.

For both years the "Norwegian Covered Bonds Market"-interest rate is used as basis for determination of the discounting rate.

NOTE 19 - BANK DEPOSITS

The Group's restricted deposits for employee tax withheld is NOK 41 million (NOK 35 million).
In addition a total of NOK 119 million (NOK 100 million) of deposits are pledged as per December 31, 2018.

The group has two Commercial Interest Reference Rate (CIRR) loans from the Norwegian Export Credit Agency.
The maturity of the loans is in 2020, and the cash proceeds from the loans are deposited in a fixed deposit account with a Norwegian bank earning a higher interest rate than the interest payable under loans. The agreed period of the deposits is identical with the one of the loans. The loans and the interest thereof are repaid from the deposit accounts and the difference has been recognised as deferred gain and is amortised over the period of the life of the deposit. Both the loan and the deposit is denominated in NOK.

The balance of the CIRR loan and CIRR deposit as at December 31, 2018 is NOK 52.5 million.

NOTE 20 - ENVIRONMENTAL CONDITIONS

The company's vessels comply with current environmental requirements. In 2018, none of the company's vesselshad conditions imposed on them for upgrading or improving technical equipment or any other measures necessary tosatisfy current environmental standards.

The company's HSE and ISPS system complies with international regulations (IMO's International Safety Management Code).
All vessels and our administration hold ISM certification from Det Norske Veritas or relevant Flag State. The company's Quality Assurance system is certified in accordance to NS-EN ISO 9001:2000.

NOTES

NOTE 21 - PAID OUT AND PROPOSED DIVIDEND

Approved and paid out during the year:	2018	2017	2016
Ordinary dividend	-	-	-

Proposed dividend at general meeting:	2018	2017	2016
Ordinary dividend	-	-	-
Per share (NOK)	0.00	0.00	0.00

NOTE 22 - OTHER LONG-TERM ASSETS

	2018	2017
Sellers credit	109,475	20,457
Loan to associated companies	23,059	13,542
Loan to other companies	13,921	1,320
Other receivables	28,537	53,205
Total other long-term assets	**174,992**	**88,524**

NOTE 23 - ACCOUNTS RECEIVABLE AND OTHER SHORT-TERM RECEIVABLES

	2018	2017
Accounts receivable	901,665	993,492
Receivable from associated and joint venture companies	25,149	71,445
Total accounts receivable	**926,813**	**1,064,937**
Prepaid expenses	44,719	12,120
Earned, not invoiced revenue	47,952	46,111
VAT raceivable	30,323	3,741
Other short-term receivables	420,994	387,763
Receivable from associated and joint venture companies	11,058	4,090
Total short-term receivables	**555,046**	**453,826**

Other short-term receivables are mainly refundable insurance claims, accrued revenue and prepaid docking expenses.

NOTE 24 - STOCK

Stock consists of provisions, bunkers and lube oil on the Group's vessels:

	2018	2017
Bunkers	144,348	166,860
Lube oil	18,051	21,860
Provisions	401	5,299
Other	7,385	25,248
Total stock	**170,186**	**219,267**

NOTE 25 - OTHER CURRENT LIABILITIES

	2018	2017
Accrued salary and VAT payable	270,522	228,111
Accrued interest on mortgage debt	194,587	133,164
Other current liabilities	857,833	461,936
Total short-term liabilities	**1,322,943**	**822,672**

Other current liabilities consist mainly of accrued interests and provision for planned periodic maintenance at year end.

NOTE 26 - BUSINESS COMBINATIONS

On 22 June 2017 (acquisition date) the Group acquired control of assets equivalent to 100% of Farstad Shipping ASA and Deep Sea Supply Plc through mergers with Solship Invest 2 AS and Solship Invest 3 AS, respectively. Offshore shipping was the core business for both aquired companies. The mergers were a part of the consolidation in the offshore shipping industry. As a result of the down-turn in the oil and gas sector, the business is affected by overcapacity of vessels, lower revenues and high debt.

"The acqusition method" is used for the purchase. The profit share for the period 22 to 30 June 2017 was considered to be immaterial to the consolidated result for Solstad Offshore ASA, and was thus not included.

A gain on business combinations of MNOK 1,540 was recognized due to conclusion of a purchase on favourable terms. Assets and liabilities recognized in the acquired companies were reviewed and valued in the process of allocating the purchase price. Valuation of the vessels was the single most significant part of this allocation. For calculation of fair value of the vessels, cash flow calculations, combined with experience from the business, and historic knowledge and expectaions for the future, formed the basis. The major factor for concluding on a purchase on favourable terms was companies being in a distressed financial position.

The acquired companies contributed revenues of MNOK 1,400 and result before taxes of MNOK -815 in 2017.
If the acqusition had taken place at the beginning of the year, the ordinary result before taxes for 2017 would have been MNOK 471 higher and net freight revenues MNOK 1,328 higher. Result before taxes includes a MNOK 1,740 gain relating to convertion of debt to equity in Farstad Shipping ASA.

Fair value of identifiable assets and liabilities at the date of acquisition was (in NOK 1,000):

	Fair value	**Book value**
Vessels	15,497,175	16,942,683
Intangible fixed assets	492,782	0
Other fixed assets	121,932	121,932
Current assets	811,925	811,925
Cash	935,225	935,225
Current liabilities	-1,457,818	-1,432,636
Non-current debt and liabilities	-13,142,713	-13,142,713
Net assets	**3,258,508**	**4,236,416**
Day-one-gain from business combination	1,540,000	
Net acquisition cost	**1,718,508**	

Total acquisition cost of NOK 1,718 million was settled by issue of consideration shares in Solstad Offshore ASA.

NOTES

NOTE 27 - CONTINGENT LIABILITIES, ASSETS AND PROVISIONS

Tax claims in Brazil
Chartering of non-Brazilian built tonnage in Brazil, implies in requesting a Tax exemption on temporary importation of vessels through Brazilian Oil & Gas tax regime (REPETRO). This has in several cases led to Brazilian Tax Authorities claiming to have identified procedural errors, which in turn has led to rather large fines. In some cases, this has also occurred in connection with importation of spare parts.

This is the situation for the Company's subsidiaries in Brazil; Farstad Shipping Ltda., Deep Sea Supply Navegacão Marítima Ltda. and Solstad Offshore Ltda. They have in connection with importation of vessels and spare parts during the period 2008-2018, received considerable claims of customs duties, notices of infringement and/or fines. The claims are annually adjusted according to market interest rate.

The Company's lawyers in Brazil have rejected the claims and believe the Tax Authorities have committed procedural errors and find the chances to succeed to be good. Although the group rejects these claims, they are liabilities which, in the management's assessment, can lead to release of financial resources in the future, or may need a legal deposit if the case goes to Judicial level. The management also believes that these liabilities can be measured and estimated reliably.

The total potential claim amounts to approximately MNOK 340. Based on an individual assessment of each case the Group's total recognized accrual is MNOK 24.2 (MNOK 26.8 in 2017). Legal fees are expensed as incurred.

NOTES

NOTE 28 - DEFERRED INCOME AND EXCESS VALUES CONTRACTS

Deferred income
Deferred income of MNOK 33 (MNOK 63 in 2017) consists mainly of advance invoiced freight revenue for one (2 in 2017) of the Group's vessels.

One of the group's long-term TC contracts were renegotiated in 2016. It was agreed reduced day rates in exchange for payment of bank guarantees. The cash payment was recognized lineary over the remaining part of the contract, until the contract with the customer was terminated in 2018. The remaining deferred income was accordingly recorded as income.

Excess values contracts
As a part of the purchase price allocation from the mergers of Rem Offshore, Farstad Shipping and Deep Sea Supply, long-term charter contracts with excess values, contracted versus current market day rates, were identified.
The excess values are classified as intangble fixed assets, and are amortised over the remaining duration of each charter contract.

	2018	2017
Book value as per 01.01.	406,892	-
Total value allocated as excess value	-	553,786
Amortised	-198,470	-146,894
Book value as per 31.12	**208,422**	406,892

The amortization is recognized as a reduction to Freight Income. At the end of 2018 the future amotization schedule is:

2019	2020	2021
83,739	83,239	41,444

NOTE 29 - SUBSEQUENT EVENTS

In July 2018, a number of entities in the Solstad Invest 3 AS silo entered into an agreement with their financial creditors for the deferral of scheduled instalments and bareboat payments until 31.12.2019 in a total amount of approximately MUSD 48. The financial restructuring also included a MUSD 27 loan from Sterna Finance Ltd. Later, in March 2019, all of the relevant creditors but one also agreed to suspend interest payments until 20.06.2019. A unilateral suspension of principal and interest payment was implemented towards the dissenting creditor from the same time.

In March 2019 two subsidiaries of Solship Invest 1 AS entered into an agreement with their financial creditors for a temporary adjustment of the minimum cash covenant. Such agreement is valid until June 20, 2019.

In April 2019 one of the companies in the Solstad silo entered into a settlement agreement with the US tax authorities (IRS) in relation to a tax audit for 2009-2011. At 31.12.2018 the company had an accrual of MUSD 4.7 for this potential tax claim. The company's view that the tax should be zero was finally agreed upon with IRS in April 2019. The accrued tax liability will be reversed in Q1 2019.

NOTES

ALTERNATIVE PERFORMANCE MEASUREMENT DEFINITIONS

In addition to reporting measures required under IFRS, the Company also use the following alternative performance measures in the interim- and annual reports

Operating margin - Operating result before depreciation and impairment in percentages of total operating income

EBITDA - Operating result before depreciation and impairment adjusted for excess values charter parties from mergers and operating leases

EBITDA adjusted - Operating result before depreciation and impairment adjusted excess values charter parties from mergers, operating leases and other non-cash related items

Adjusted Operating result before depreciations - Operating result before depreciation and impairment adjusted excess values charter parties from mergers, operating leases and net result from Joint Ventures

Earning on equity - Result before tax, in percentage of average equity, including minority interests

Earning on capital employed - Operating result plus interest income and result from associated company divided by average book shareholders' equity and interest-bearing debt

Current ratio - Current assets divided by current liabilities

Equity ratio - Booked equity including minority interests in percentage of total assets

Earnings per share - Result for the period for the Group divided by weighted average number of shares at the end of the reporting period, adjusted for treasury shares

Comprehensive income per share – Comprehensive income for the period for the Group divided by weighted average number of shares at the end of the reporting period, adjusted for treasury shares

Equity per share - Shareholders' equity divided by outstanding number of shares at the end of the reporting period

Working capital – Current assets less current liabilities, including current portion of long-term debt

Interest-bearing debt – Current and long-term interest-bearing liabilities

Net interest-bearing debt – Interest-bearing liabilities less bank deposits

SOLSTAD OFFSHORE

CORPORATE ACCOUNTS

FOR

SOLSTAD OFFSHORE ASA (PARENT COMPANY)

PROFIT AND LOSS ACCOUNT

1.1 - 31.12

PARENT COMPANY (NOK 1,000)	NOTE	2018	2017
Other operating income		20,885	2,064
Total operating income		**20,885**	**2,064**
Personnel costs	4	-7,551	-7,183
Other operating expenses	4	-10,331	-14,980
Total operating costs		**-17,881**	**-22,163**
Operating loss		**3,003**	**-20,099**
Interest income from companies in the Group		21,769	21,314
Other interest income		2,446	969
Other financial income	5	162,011	51,619
Interest costs from companies in the Group		-2,780	-2,355
Other interest charges		-61.554	-67,423
Other financial charges	5	-4,481,835	-1,119,889
Net financial items		**-4,359,943**	**-1,115,764**
Ordinary result before taxes		**-4,356,940**	**-1,135,863**
Tax on ordinary result	10	-	-694
Net result for the year		**-4,356,940**	**-1,136,557**
Transfers and disposable income			
Transfer from other equity	11	-4,356,940	-1 136 557
Total transfers and disposable income		-4,356,940	-1 136 557

BALANCE SHEET

PARENT COMPANY (NOK 1,000)	NOTE	31.12.2018	31.12.2017
ASSETS			
Fixed Assets			
Intangible fixed assets			
Deferred tax asset	10	-	-
Financial fixed assets			
Investments in subsidiaries	6	1,195,397	5,146,725
Loan to companies in the Group	9	-	645,790
Investment in jointly-owned companies	7	25,038	25,038
Loan to jointly-owned companies	8	43,879	7,399
Investment in associated companies	7	-	32,418
Other long-term receivables	8	47,142	13,542
Total financial fixed assets		**1,311,456**	**5,870,911**
Total fixed assets		**1,311,456**	**5,870,911**
Current assets			
Receivables			
Other short-term receivables	9	5,413	16,284
Bank deposits and cash equivalents		7,290	197,845
Total current assets		**12,703**	**214,130**
TOTAL ASSETS		**1,324,159**	**6,085,041**

BALANCE SHEET

PARENT COMPANY (NOK 1 000)	NOTE	31.12.2018	31.12.2017
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital (291 532 299 at 2,-)		583,065	583,065
Treasury shares		-250	-250
Share premium		1,497,184	1,497,184
Other paid-in capital		1,000,755	1,000,755
Total restricted equity	**11**	**3,080,754**	**3,080,754**
Earned equity			
Other equity	11	-3,080,754	1,276,186
Total earned equity		**-3,080,754**	**1,276,186**
Total equity	**11,12**	**-**	**4,356,940**
Liabilities			
Provisions			
Other provisions	16	21,018	21,018
Other long-term liabilities			
Debt Group companies	9	84,163	63,928
Bond Loan	17	1,079,364	1,039,421
Other long term liabilities	17	110,563	104,519
Total long-term liabilities		**1,274,091**	**1,207,868**
Current liabilities			
Accounts payable	9	25,121	18,554
Group contribution	9	-	478,569
Other current liabilities		3,930	2,092
Total current liabilities		**29,051**	**499,215**
Total liabilities		**1,324,159**	**1,728,101**
TOTAL EQUITY AND LIABILITIES		**1,324,159**	**6,085,041**

Skudeneshavn 30, April 2019

Harald Espedal
Chairman

Ellen Solstad
Director

Toril Eidesvik
Director

Frank O. Reite
Director

Merete Haugli
Director

Harald Thorstein
Director

Lars Peder Solstad
CEO

STATEMENT OF CASH FLOW

1.1 - 31.12

CASH FLOW FROM OPERATIONS (NOK 1 000)	**Note**	**2018**	**2017**
Profit/loss before taxes		**-4,356,940**	**-1,135,863**
Write-down of financial assets	5,6,9	4.478.716	1.119.708
Interest income		-19.323	-20.345
Interest expense		64.334	69.777
Gain conversion of debt	5	-162.011	-
Unrealised currency gain/loss		-4.246	16.811
Change in short-term receivables/payables		6.568	12.822
Change in other accruals		22.442	42.038
Net cash flow from operations	**(A)**	**29.540**	**104.949**
CASH FLOW FROM INVESTMENTS			
Investments in shares		-	-219,850
Payment of long-term receivables		-270.034	-388,391
Disposal of shares	2,7	32.418	-
Net cash flow from investments	**(B)**	**-237.617**	**-608,241**
CASH FLOW FROM FINANCING			
Capital contribution		-	200,000
Interests reveiced		119	969
Interests paid		-15.873	-20.333
New/ repayment of (-) long-term debt	17	33.276	4.099
Net cash flow from financing	**(C)**	**17.521**	**184.735**
Net change in cash and cash equivalents	**(A+B+C)**	**-190,556**	**-318,557**
Cash and cash equivalents at 01.01		197,845	516,403
Cash and cash equivalents at 31.12	**15**	**7,290**	**197,845**

NOTES

NOTE 1 ACCOUNTING PRINCIPLES

General
The annual accounts have been prepared in accordance with the Accounting Act and best practice accounting principles in Norway. The most important accounting principles are described below.

Use of estimates
In the preparation of the accounts, estimates and assumptions are used which affect the accounts. Actual figures may differ slightly from the estimates.

Foreign currency
Monetary items in foreign currency are converted at the exchange rate at the balance sheet date.
The following exchange rates have been used in the accounts:

	GBP	USD	Euro
Per 31.12.17	11.091	8.2050	9.8403
Per 31.12.18	11.123	8.6885	9.9483

Cost of borrowing
The cost of borrowing is capitalized at the time of borrowing and the cost is charged over the maturity period of the loan.

Evaluation and presentation of current assets
Stocks are valued as the lowest of either the acquisition or the estimated sales value. Receivables are ecorded at face value with deduction for anticipated loss.

Financial fixed assets
Long-term investment in shares and other investments are valued at the lowest of either the acquisition cost or the estimated sales value if the reduction in the sales value is not considered temporary.

Taxes / Deferred tax
Deferred tax/ deferred tax assets are calculated, using the liability method, at 23% based on temporary differences between the accounting and tax-related values existing at the end of the financial year and any tax deficits are carried forward.
Temporary tax increases and decreases are recorded in the balance sheet as net figures.

Classification of items in the accounts
Assets determined for long-term ownership or use and receivables which are due more than one year after the expiry of the financial year are recorded as fixed assets. Any remaining assets are classified as current assets.

Liability which is due more than one year after the expiry of the financial year is recorded as long-term debt.

Contingencies
Contingent losses that are probable and quantifiable are recorded to the accounts, whilst contingent gain/income is not.

Shares and holdings in other companies
Short-term investments related to shares are not treated as a trading portfolio and are valued at the lowest of cost price and market value.

Shares in subsidiaries, associated companies and jointly-owned companies
Shares in subsidiaries, associated and jointly-owned companies are recorded in the parent company accounts at cost and written down to the extent that there is a significant deficit value which is not considered temporary.

Treasury shares
Treasury shares are recorded as a nominal value under the item “share capital”. The difference between nominal and acquisition cost is entered as “other equity”.

Cash flow
The Group applies the indirect method. Investment in shares and other liquid assets with maturity over three months are not included under cash equivalents.

NOTES

NOTE 2 - MAJOR TRANSACTIONS/EVENTS

In the first quarter of 2018 the Company entered into a sales agreement with Nord Well AS for it's investement in the associated company Deep Well AS. Book value of the shares is MNOK 20.6. while the Group's cost price is MNOK 32.4. The sales price corresponds maximum to the cost price of the investment. The proceeds from the sale will not be available until an Exit for the Company occurs. An Exit is amongst others, dissolution of the Deep Well AS, sale of the majority of Deep Well AS's assets or sale of the shares in Deep Well AS.

In October the company changed its name from Solstad Farstad ASA back to the original Solstad Offshore ASA, in accordance with the decision by the Annual General Meeting.

NOTE 3 - FINANCIAL RISK

The company is exposed to various financial risks in its activities. Financial risk is the risk incurred from any changes in currency and interest rates together with counter parties ability to pay, and which impacts the value of the company's assets, liabilities and future cash flows. There is a risk that the company cannot honor it's guarantee obligations, ref note 14. The Annual Report's going concern assumption depends on the outcome of the Company's restructuring efforts. Reference is made to Note 1 in the Group Annual Report for further information on the going concern assumption.

NOTE 4 - OTHER EXPENSES, WAGES, EMPLOYEES AND DISTINCTIVE CONTRIBUTIONS

	2018	2017
Wages and directors fee	5,822	5,433
Employer's National Insurance	810	800
Pension costs	270	543
Other benefits	25	-368
Travelling costs, courses and other personnel costs	624	776
Total employee costs	**7,551**	**7,183**
Average number of employees	2	2

NOTES

NOTE 4 - OTHER EXPENSES, WAGES, EMPLOYEES AND DISTINCTIVE CONTRIBUTIONS (CONT'D)

REMUNERATION TO DIRECTORS. MANAGING DIRECTOR AND AUDITORS

Remuneration to Directors:	Wages	Other benefits	Pension cost
2018			
Lars Peder Solstad (CEO)	2,178	154	97
Sven Stakkestad (Deputy CEO)	1,992	102	173
2017			
Lars Peder Solstad (CEO)	2,480	153	78
Sven Stakkestad (Deputy CEO)	1,796	100	170

Board of Directors	Director's fee
Terje Vareberg	341
Toril Eidesvik	210
Frank O. Reite	138
Ellen Solstad	138
Anders Onarheim	45
Merete Haugli	138
Harald Thorstein	138

In 2018, NOK 1,511,875 is charged as auditors fees and NOK 1,604,274 relating to other non-audit related services. Both amounts are exclusive VAT. There are no distinctive agreements regarding remuneration for the Chairman of the Board and nor are there any distinctive bonus or or option programmes for any Board Member or Group Management. No loans have been given to key employees. The Managing Director has an agreement that secures 12 months salary.

The employees are included in the Group's standard pension plan. Pension fund liability is recorded in Solstad Management AS.

NOTES

NOTE 5 - FINANCIAL ITEMS

Other financial income, totalling MNOK 162 is realized gain related to conversion of debt booked at discount value.

Comparative figures for 2017 of MNOK 52 includes dividends from subsidiaries MNOK 19, received group contribution MNOK 16 and currency gain MNOK 17.

Other financial costs of MNOK 4,482 consist of write-down of shares in subsidiary MNOK 3,951, write-down of loan to subsidiary MNOK 527 and currency loss MNOK 4.

Comparative figures for 2017 of MNOK 1,120 consist of write-down of shares in subsidiary MNOK 946, loss sale shares in Joint Venture MNOK 174.

NOTE 6 - SHARES IN SUBSIDIARIES

31.12.2018	Place of business	Owner-/ voting share	Number of shares	Nominal value	Share capital	Cost price/ book value
Solstad Shipping AS	Skudeneshavn	100 %	10,000	1,000	10,000	11,993
Solstad Mexico AS	Skudeneshavn	100 %	100	USD 200	USD 20	169
Solstad Rederi AS	Skudeneshavn	100 %	71,500	100	7,150	-
Solstad Operations AS	Skudeneshavn	100 %	30,000	1	30	10,030
Normand Drift AS	Skudeneshavn	100 %	150	1,000	150	150
Solship AS	Skudeneshavn	100 %	30,000	1	30	30
Solship Invest 1 AS	Skudeneshavn	100 %	30,000	1	30	8,601
Normand Maximus Ltd	Aberdeen	100 %	33,269,308	1	GBP 33,269	335,833
Solstad Offshore UK Ltd	Aberdeen	100 %	11,000,100	1	GBP 11,000	-
Solstad Management AS	Skudeneshavn	100 %	2,000	1,000	2,000	11,000
Normand Skarven AS	Skudeneshavn	100 %	1	950,000	950	1,250
Trym Titan AS	Skudeneshavn	100 %	625	100	100	-
Solstad Brasil AS	Skudeneshavn	100 %	480	1,000	480	14,006
Solship Invest 3 AS	Skudeneshavn	100 %	30,000	1	30,000	-
Farstad Shipping AS	Skudeneshavn	100 %	30,000	1	30,000	-
Normand Vision Chartering AS	Skudeneshavn	100 %	5,000	6	30	-
Solstad Offshore Asia Pacific Ltd	Singapore	100 %	20,000,000,000	(*)	USD 175,877	802,335
Total						**1,195,397**

(*) Singapore shares does not have nominal value.

The shares in subsidiaries Solstad Rederi AS, Solstad Offshore Asia Pacific Ltd, Solstad Brasil AS, Solship AS, Solship Invest 3 AS, Farstad Shipping AS, Solstad Offshore UK Ltd, Normand Vision Chartering AS and Trym Titan AS are written down by MNOK 3,951 in 2018.

Book values is written down to the company's share of book value of equity, adjusted for eccess values and any currency effects.

NOTES

NOTE 6 - SHARES IN SUBSIDIARIES (CONT'D)

31.12.2017	Place of business	Owner-/ voting share	Number of shares	Nominal value	Share capital	Cost price/ book value
Solstad Shipping AS	Skudeneshavn	100 %	10,000	1,000	10,000	33,001
Solstad Mexico AS	Skudeneshavn	100 %	100	USD 200	USD 20	169
Solstad Rederi AS	Skudeneshavn	100 %	71,500	100	7,150	1,342,999
Solstad Operations AS	Skudeneshavn	100 %	30,000	1	30	10,030
Normand Drift AS	Skudeneshavn	100 %	150	1,000	150	150
Solship AS	Skudeneshavn	100 %	30,000	1	30	30
Solship Invest 1 AS	Skudeneshavn	100 %	30,000	1	30	232,644
Normand Maximus Ltd	Aberdeen	100 %	33,269,308	1	GBP 33,269	335,833
Solstad Offshore UK Ltd	Aberdeen	100 %	11,000,100	1	GBP 11,000	145,284
Solstad Management AS	Skudeneshavn	100 %	2,000	1,000	2,000	11,000
Normand Skarven AS	Skudeneshavn	100 %	1	950,000	950	1,250
Trym Titan AS	Skudeneshavn	100 %	625	100	100	-
Solstad Brasil AS	Skudeneshavn	100 %	480	1,000	480	31,000
Solship Invest 3 AS	Skudeneshavn	100 %	30,000	1	30,000	198,916
Farstad Shipping AS	Skudeneshavn	100 %	30,000	1	30,000	1,416,251
Normand Vision Chartering AS	Skudeneshavn	100 %	5,000	6	30	3,299
Solstad Offshore Asia Pacific Ltd	Singapore	100 %	20,000,000,000	(*)	USD 175,877	1,384,870
Total						**5,146,725**

(*) Singapore shares does not have nominal value.

NOTE 7 - SHARES IN JOINTLY OWNED AND ASSOCIATED COMPANIES

Shares in jointly owned and associated companies

	Place of business	Owner-/ voting share	Number of shares	Cost price	Equity 31.12.18 (100%)	Result 2018 (100%)
NISA Inc. (JV)	Marly (Sveits)	50 %	501	25,038	53,069	4,296

	Place of business	Owner-/ voting share	Number of shares	Cost price	Equity 31.12.17 (100%)	Result 2017 (100%)
NISA Inc. (JV)	Marly (Sveits)	50 %	501	25,038	45,895	-8,785
Deep Well (AC)	Haugesund	22%	80,153	32,418	182,654	-59,168

The shares in Deep Well were sold in 2018.

NOTES

NOTE 8 - OTHER LONG TERM ASSETS

Other long term assets include:

	31.12.2018	31.12.2017	Interest
Convertible loan Deep Well AS	-	13,542	
Shareholders loan NISA SA	43,879	7,399	6 mths LIBOR + 1.5%
Loan to Deep Well AS	12,313	-	5%
Loan to Nord Well AS	34,829	-	
	47,142	-	

NOTE 9 - INTER COMPANY GROUP

Solstad Offshore ASA had the following receivables/debt from companies in the Group:

	31.12.18	31.12.17	Interest
Solship AS	-	14,130	6mths NIBOR + 2.75%
Solstad Rederi AS	-	329,301	6mths NIBOR + 4.75%
Trym Titan AS	-	302,358	6mths LIBOR + 2.5%
Inter company loans	**-**	**645,790**	
Solstad Shipping AS	-	15,933	
Solstad Rederi AS	-	33	
Solstad Offshore Asia Pacific Ltd	-	-	
Other current assets	**-**	**15,966**	
Normand Drift AS	40,338	62,953	6mths NIBOR + 2.75%
Solstad Offshore Asia Pacific Ltd	43,826	974	6mths NIBOR + 3.75%
Inter company loans	**84,163**	**63,928**	
Solstad Shipping AS	2,326	6,179	
Solstad Rederi AS	4,135	-	
Solstad Management AS	18,660	12,375	
Trade account payable	**25,121**	**18,554**	
Trym Titan AS	-	464,369	
Solship AS	-	14,200	
Group contribution	**-**	**478,569**	

A MNOK 527 intercompany loan to Solstad Rederi AS is written down to zero based on negative equity in the subsidiary.

NOTES

NOTE 10 - TAX

	2018	2017
Taxable income		
Result before tax	-4,356,940	-1,135,863
Permanent differences	4,478,724	1,119,708
Share of result in limited partnerships	-	-
Dividend received- (participation exemption method)	-	-18,706
Used of loss carry forward	121,784	34,861
Taxable income	**0**	**0**
Change in deferred taxes	0	694
Tax on ordinary result	**0**	**694**
Shares/ownership (current assets)	0	0
Provisions	-21,018	-21,018
Long term receivables	-2,000	-2,000
Unrecovered loss carried forward	-134,945	-256,729
Total temporary differences	**-157,962**	**-279,746**
Calculated deferred tax asset	34,752	67,139
Unrecognized part of deferred tax asset	-34,752	-67,139
Booked deferred tax asset	**0**	**0**
Analysis of effective tax rate:		
23% / 24% of Profit before Tax	-1,002,096	-272,607
Tax effect of dividends and gain/ loss sale of shares	-40,410	-4,489
Effect of change in tax rate	-	-
Deferred tax asset not recognised	-32,387	9,060
Tax effect of permanent differences	1,074,894	268,730
Estimated tax	**0**	**694**

Provisions for deferred tax are recorded for acconting position where a future realisation will result in payable taxes.

NOTES

NOTE 11 - EQUITY, SHAREHOLDERS AND TREASURY SHARES

	Share capital	Treasury shares	Share premium	Other paid-in capital	Other equity	Total equity
Equity 31.12.2017	583,065	-250	1,497,184	1,000,755	1,276,186	4,356,940
Annual result					-4.356.940	-4.356.940
Equity 31.12.2018	583,065	-250	1,497,184	1,000,755	-3.080.754	-

At 31.12.18, the Company's share capital represents 291,532,299 shares at NOK 2. The number of shareholders at 31.12.18 was 10,458.

The Board have the power of attorney to implement a capital appreciation of up to 140,000 shares at NOK 2 for employees of the Group. Furthermore, the Board has power of attorney to increase the share capital by NOK 60 million by issuing 30 million shares. These powers of attorney are retained until the next General Meeting.

Shareholders with more than 1% holding at 31.12.2018:

	Number of shares	Ownership
Aker Capital AS	58,496,302	20.07 %
Hemen Holding Ltd	46,821,031	16.06 %
SOFF Invest AS	18,860,075	6.47 %
DNB Nor Bank ASA	9,328,196	3.20 %
Ocean Yield AS	8,836,681	3.03 %
Nordnet Livsforsikring AS	7,610,023	2.61 %
Sparebank 1 SMN Invest AS	5,729,026	1.97 %
Stavern Helse og Forvaltning AS	5,000,000	1.72 %
Nordlaks Holding AS	4,650,000	1.60 %
	165,331,334	**56.73%**

In accordance with the definition in corporate law, the Directors had the following holdings at 31.12.2018:

	Number of shares
Harald Espedal	738,438
Toril Eidesvik	3,488
Frank O. Reite	0
Ellen Solstad	0
Merete Haugli	0
Harald Lauritz Thorstein	0

The CEO Lars Peder Solstad controlled 21,875,052 shares at 31.12.2018.
The Deputy CEO Sven Stakkestad controlled 5,541 shares at 31.12.2018.
The company's auditor does not hold shares in the company.

Pr 31.12.2018 the company has acquired 124,975 treasure shares at the cost price of MNOK 9.6.

NOTES

NOTE 12 - EARNINGS PER SHARE

In 2018, earnings per share was NOK -14.95. The equivalent value in 2017 was NOK -5.85.
Earnings per share is calculated by dividing the Group result by the average number of shares, adjusted for the stock of treasury shares.

There are no instruments that allow the possibility of dilution.

NOTE 13 - TRANSACTIONS WITH RELATED PARTIES

Related parties are considered to be Board Members (including associated companies) and the company management.
There are no management agreements with related parties outside the Group that charge management fees.
Inter-company debt/receivables are interest-bearing.

NOTE 14 - GUARANTEES

Solstad Offshore ASA has placed the following guarantees (NOK million):

Normand Installer SA	152	- for financing of vessels
Solstad Rederi AS	7,799	- for financing of vessels
Solstad Offshore Asia Pacific Ltd	1,390	- for financing of vessels
Normand Maximus	2,953	- for bare-boat rental of vessel

NOTE 15 - ADDITIONAL INFORMATION RELATING TO CASH FLOW

The Group utilizes the indirect method. Investment in shares with a maturity of more than three months are not included in the cash equivalents.

NOTE 16 - PROVISIONS

In relation to the ownership in Solstad Offshore Asia Pacific Ltd a parent company guarantee was issued for parts of the company's external debt. The guarantee was included in the calculation of the cost price for the new shares. The estimated future guarantee obligation is accounted for as a provision.

NOTE 17 - BOND LOAN AND OTHER LONG TERM LIABILITIES

The company has issued the following bond loans:	**Book value 31.12.2018**	**Book value 31.12.2017**	**Maturity**
Balance recognized borrowing cost	-5,033	-6,864	
SOFF04	1,084,397	1,046,285	09/2021
	1,079,364	**1,039,421**	

As per 31.12.18 the Company has entered into standstill agreements, valid until June 20, 2019, with its financial creditors. This also includes the bond loan. There are no installments to be paid prior to maturity. Average interest rate is 5%.

	31.12.2018	**31.12.2017**	**Interest**
Mortgage loan	108,606	102,563	Nibor + 3.4%

Mortgage loan has maturity in full in 2021.

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Solstad Offshore ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Solstad Offshore ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2018, the profit and loss account and the statement of cash flow for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the statement of financial position as at 31 December 2018, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

As described in note 1 to the financial statements and the Board of Directors' Report, the Group incurred a net loss of NOK 5 776 million during the year ended 31 December 2018. As at 31 December 2018, the Group has NOK 32 465 million in total liabilities, and the Group's current liabilities exceeded current assets by NOK 24 654 million. Further, as at 31 December 2018 the Group's equity is negative with NOK 851 million and the Company's equity is NOK 0. The Group is currently negotiating a refinancing agreement with its lenders, and for a large part of the Group's liabilities the lenders have agreed to a temporary standstill period until 20 June 2019. The going concern assumption is dependent on a successful refinancing. There is a risk that the Group will not reach an agreement with the lenders, and in the event the Group should be forced to realize its assets, no assurance can be given that these will not be realized at a significantly lower value than their carrying value. These events, along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2018. In addition to the matters described in the *Material uncertainty related to going concern* section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Impairment of vessels

The continued challenging market situation with low demand leading to a significant oversupply of vessels and pressure on day rates are indicators of impairment of the Group's vessels. Management estimated recoverable amount of the vessels, which is the highest of fair value less costs of disposal and value in use. The estimated fair value less cost of disposal was based on sales transactions, indicative offers or estimated scrap values. When estimating value in use, Management used assumptions regarding future market and economic conditions. Important estimates included future day rates, utilization rates, operating expenses, capital expenditure and discount rate. Considering the judgement required and the uncertainty in the estimation of the recoverable amounts, we consider impairment of vessels a key audit matter.

The Group recognized an impairment of vessels of NOK 2 896 million in 2018. The book value of vessels as at 31 December 2018 after the impairment was NOK 26 804 million.

Our audit procedures related to estimated fair value less cost of disposal included comparing estimated net proceeds to actual sales transactions and estimated scrap values to external sources for comparable vessels which have been scrapped.

Our audit procedures related to value in use included, among others, an evaluation of the cash flows projected by Management through comparing the assumptions for revenue projections and utilization rates to data used by the financial advisor in the current refinancing process. For operating expenditures, we compared the estimates to budgets approved by the Board of Directors and historical data. Furthermore, we assessed the weighted average cost of capital, where we also involved an expert, by comparing input with external data such as risk-free interest on government bonds, beta and market risk premium for the sector. We considered the accuracy of Management's prior year assumptions, and evaluated the level of consistency applied in the valuation methodology from previous years. We also tested the mathematical accuracy of the valuation model and compared Management's value in use calculations with the third-party valuation reports the Company had obtained from brokers. We also performed a sensitivity analysis of the critical assumptions.

Refer to Note 1 to the consolidated financial statements regarding estimation uncertainties and Note 12 to the consolidated financial statements regarding vessels, impairment charges, the valuation model and the sensitivities.

Classification and note disclosures of interest-bearing liabilities

As at 31 December 2018, the Group had current interest-bearing liabilities of NOK 25 889 million and non-current interest-bearing liabilities of NOK 1 081 million (excluding interest-bearing liabilities in joint ventures) and in addition financial lease liabilities of NOK 3 011 million. Due to the standstill agreements and the ongoing refinancing process, the assessment of classification of interest-bearing liabilities and note disclosures was complex and required judgement. Due to the size and complexity of the terms and conditions for the borrowings in the Group, the impact of classification as non-current or current interest-bearing liabilities in the financial statement and the importance of note disclosures about financial loan covenants and the current refinancing process we considered the classification of interest-bearing liabilities and related note disclosures a key audit matter.

As part of our audit procedures, we obtained an understanding of the Group's process related to loans, including terms and conditions, pledges and covenants. We also read the loan agreements and the standstill agreements and evaluated the covenant compliance calculations prepared by Management. We considered the related IFRS standards and guidance and assessed the classification of the interest-bearing liabilities as at 31 December 2018. Furthermore, we evaluated the note disclosures in the financial statements regarding the interest-bearing liabilities and the current refinancing process.

We refer to note 4 and 5 to the consolidated financial statements regarding interest-bearing liabilities and note 1 and 29 to the consolidated financial statements regarding the current refinancing process.

Impairment of investment in subsidiaries and intercompany receivables

The book value of investments in subsidiaries and intercompany receivables in the parent company's balance sheet as at 31 December 2018 was NOK 1 195 million after impairment of NOK 4 478 million. Due to the significant impairment of vessels, the current refinancing process and standstill agreements, Management identified impairment indicators for the investments in subsidiaries and intercompany receivables. The determination of the value of the investment in subsidiaries and intercompany receivables relied on Management's evaluation about the subsidiaries ability to continue as going concern, generate cash flows and the vessel values. Due to the uncertainty in these evaluation and estimates, the level of Management's judgement involved and the significance on the balance sheet, impairment of investment in subsidiaries and intercompany receivables was considered a key audit matter.

Our audit procedures included comparing the value of shares in subsidiaries and receivables to the book value of equity in the subsidiaries after vessel impairments and evaluating the assumptions used by Management in their impairment assessment and evaluation of going concern. Further, we evaluated Management's assessment of the recoverability of intercompany receivables, by assessing the net asset values in the subsidiaries and future ability to repay such receivables.

Refer to Note 5 and 6 to the parent company's financial statements regarding impairment of investments in subsidiaries and note 5 and 9 to the parent company's financial statements regarding impairment allowance for intercompany receivables.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (Management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

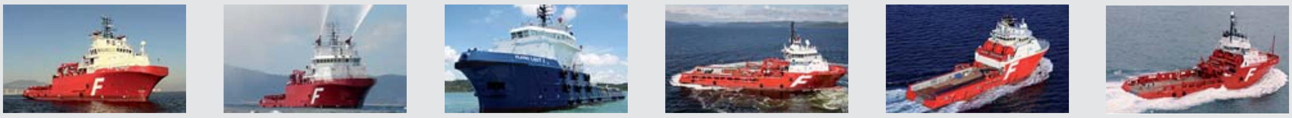
Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that Management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 30 April 2019
ERNST & YOUNG AS

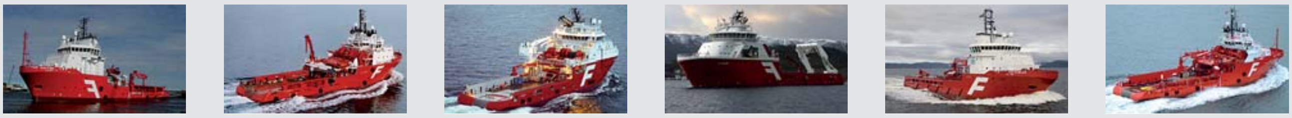
Asbjørn Rødal
State Authorised Public Accountant (Norway)

AHTS FLEET GALLERY AND EMPLOYMENT

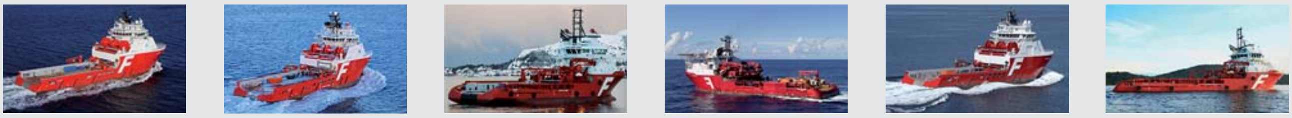
(AT 30.04.19) For more information about each vessel visit: www.solstad.com/fleet/ahts-vessels/



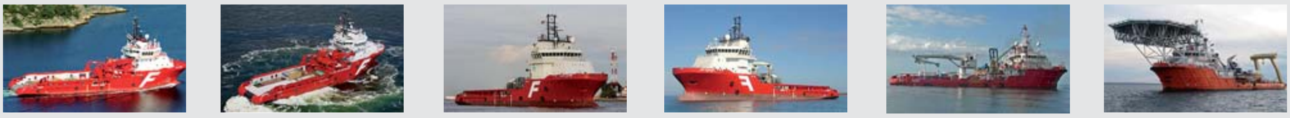
BOS Turmalina | BOS Turquese | Elang Laut 1 | Far Sabre | Far Saracen | Far Sailor



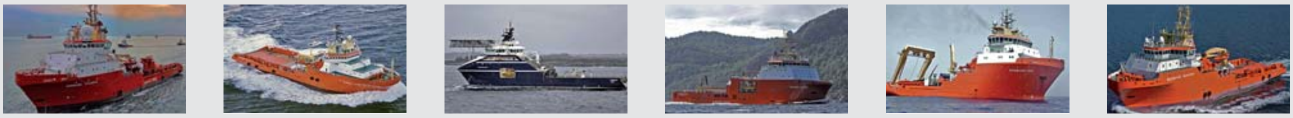
Far Saltire | Far Santana | Far Sapphire | Far Sagaris | Far Scimitar | Far Scout



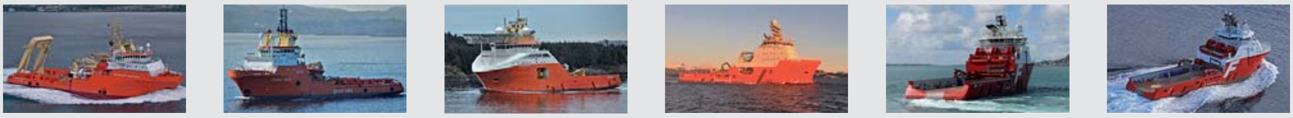
Far Senator | Far Sigma | Far Sound | Far Sovereign | Far Statesman | Far Strait



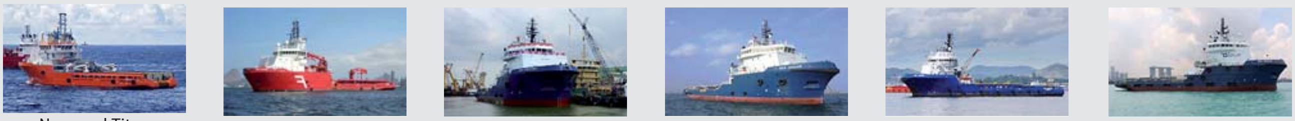
Far Stream | Far Sword | Lady Astrid | Lady Caroline | Nor Spring | Nor Tigerfish



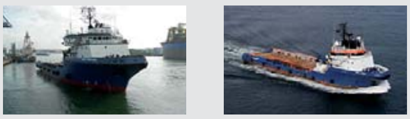
Normand Atlantic | Normand Borg | Normand Drott | Normand Ferking | Normand Ivan | Normand Mariner



Normand Master | Normand Neptun | Normand Prosper | Normand Ranger | Normand Scorpion | Normand Sirius

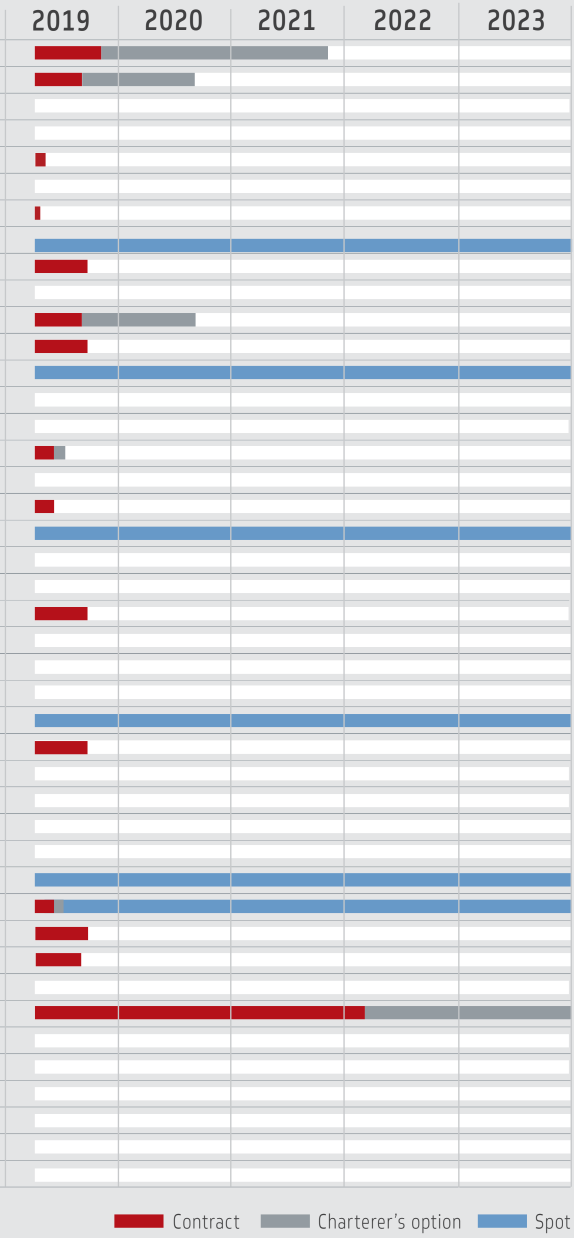


Normand Titan | Normand Topázio | Sea Cheetah | Sea Jaguar | Sea Leopard | Sea Ocelot



Sea Panther | Sea Tiger

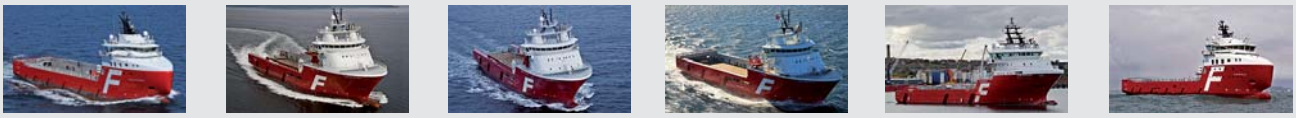
Vessel name	Design	Year built	BHP	Employment *) at 30.04.19
BOS Turmalina	UT 722 L	2006	14 416	Oct. 19 + opt.
BOS Turquesa	UT 722 L	2007	18 088	Aug. 19 + opt.
Elang Laut 1	Khiam Chuan	2009	12 240	Lay-up
Far Sabre	UT 712 L	2008	15 953	Lay-up
Far Sagaris	UT 731 CD	2009	23 664	May 19
Far Saltire	UT 728 L	2002	16 320	Lay-up
Far Santana	UT 730	2000	19 203	April 19 +opt.
Far Sapphire	UT 732 CD	2007	27 472	Spot
Far Saracen	UT 731 CD	2010	23 664	Sep. 19
Far Scimitar	UT 712 L	2008	15 950	Lay-up
Far Scout	UT 722 L	2001	16 823	Aug. 19 + opt.
Far Senator	UT 731 CD	2013	24 371	Sep. 19
Far Sigma	UT 731 CD	2014	24 371	Spot
Far Sound	UT 712 L	2007	16 157	Lay-up
Far Sovereign	UT 741	1999	27 401	Lay-up
Far Statesman	UT 731 CD	2013	24 371	Jun. 19 +opt.
Far Strait	UT 712 L	2006	16 157	Lay-up
Far Stream	UT 712 L	2006	16 005	Jun. 19
Far Sword	UT 712 L	2006	16 005	Spot
Lady Astrid	UT 722	2003	12 240	Lay-up
Lady Caroline	UT 722	2003	12 240	Lay-up
Nor Spring	Sasaship	2008	7 956	Oct. 19
Nor Tigerfish	Khiam Chuan	2007	5 422	Lay-up
Normand Atlantic	UT 740	1997	18 600	Lay-up
Normand Borg	UT 722 L	2000	16 800	Lay-up
Normand Drott	AH 12	2010	32 792	Spot
Normand Ferking	VS 490	2007	20 700	Sept. 19
Normand Ivan	VS 480	2002	20 000	Lay-up
Normand Mariner	A 101	2002	23 330	Lay-up
Normand Master	A 101	2003	23 478	Lay-up
Normand Neptun	UT 740	1996	18 600	Lay-up
Normand Prosper	AH 12	2010	32 600	Spot
Normand Ranger	VS 490	2010	28 000	June 19+ opt./Spot
Normand Scorpion	UT 731 CD	2009	24 143	Sep. 19
Normand Sirius	UT 731 CD	2014	24 371	Aug. 19
Normand Titan	UT 712 L	2007	16 320	Lay-up
Normand Topázio	UT 728 L	2005	12 240	Jan. 22 + opt.
Sea Cheetah	Khiam Chuan	2007	15 000	Lay-up
Sea Jaguar	Khiam Chuan	2007	15 000	Lay-up
Sea Leopard	KMAR 404	1998	15 000	Lay-up
Sea Ocelot	Khiam Chuan	2007	10 880	Lay-up
Sea Panther	KMAR 404	1998	15 000	Lay-up
Sea Tiger	KMAR 404	1998	15 000	Lay-up



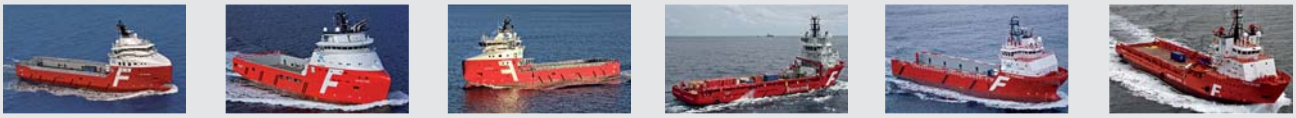
Certain freight contracts contain clauses which give the charterer the right to cancel the contract.

PSV FLEET GALLERY AND EMPLOYMENT

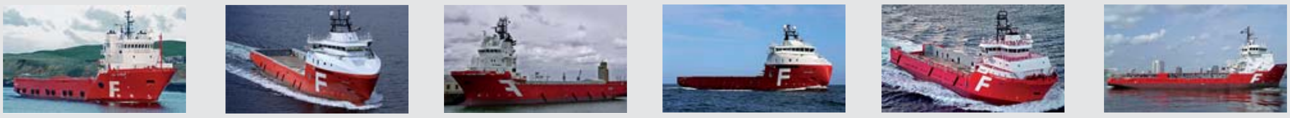
(AT 30.04.19) For more information about each vessel visit: WWW.SOLSTAD.COM/FLEET/PSV-VESSELS/



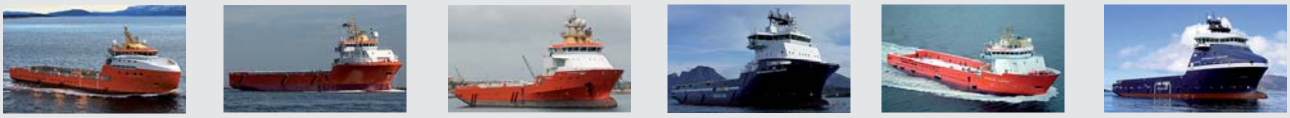
Far Scotsman | Far Searcher | Far Seeker | Far Serenade | Far Server | Far Sitella



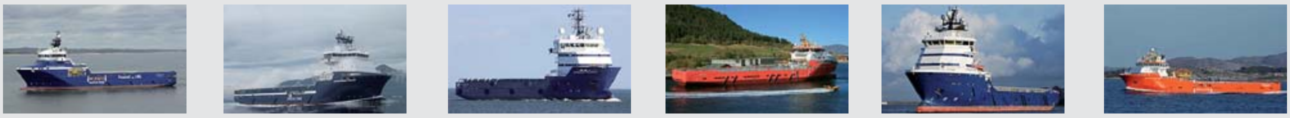
Far Skimmer | Far Solitaire | Far Spice | Far Spirit | Far Splendour | Far Star



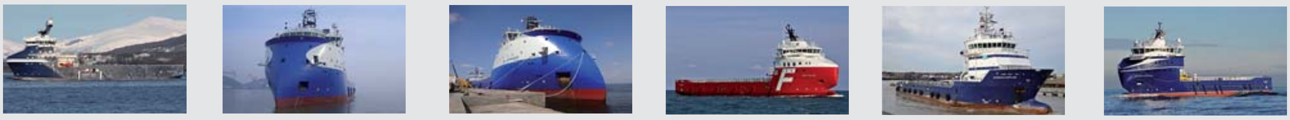
Far Strider | Far Sun | Far Swan | Far Sygna | Far Symphony | Lady Melinda



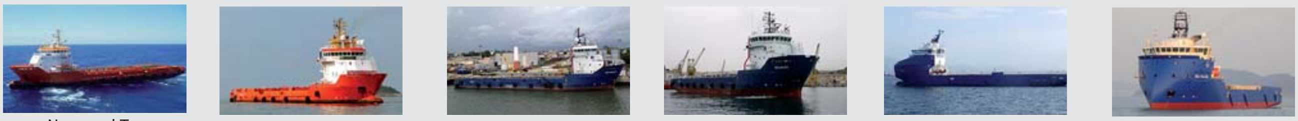
Normand Arctic | Normand Aurora | Normand Corona | Normand Falnes | Normand Flipper | Normand Fortune



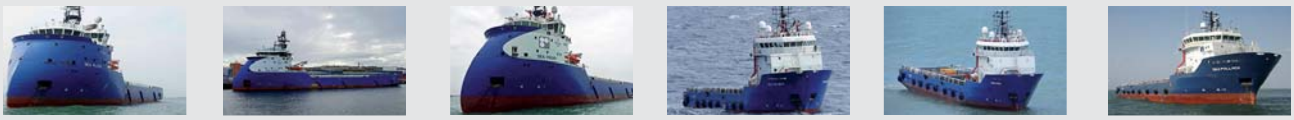
Normand Leader | Normand Naley | Normand Provider | Normand Server | Normand Sira | Normand Skipper



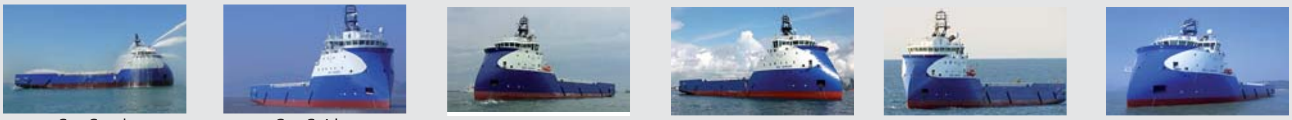
Normand Skude | Normand Spear | Normand Springer | Normand Starling | Normand Supplier | Normand Supporter



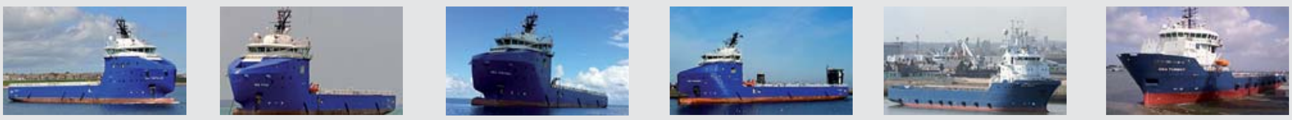
Normand Trym | Normand Vibran | Sea Angler | Sea Bass | Sea Brasil | Sea Falcon



Sea Flyer | Sea Forth | Sea Frost | Sea Halibut | Sea Pike | Sea Pollock



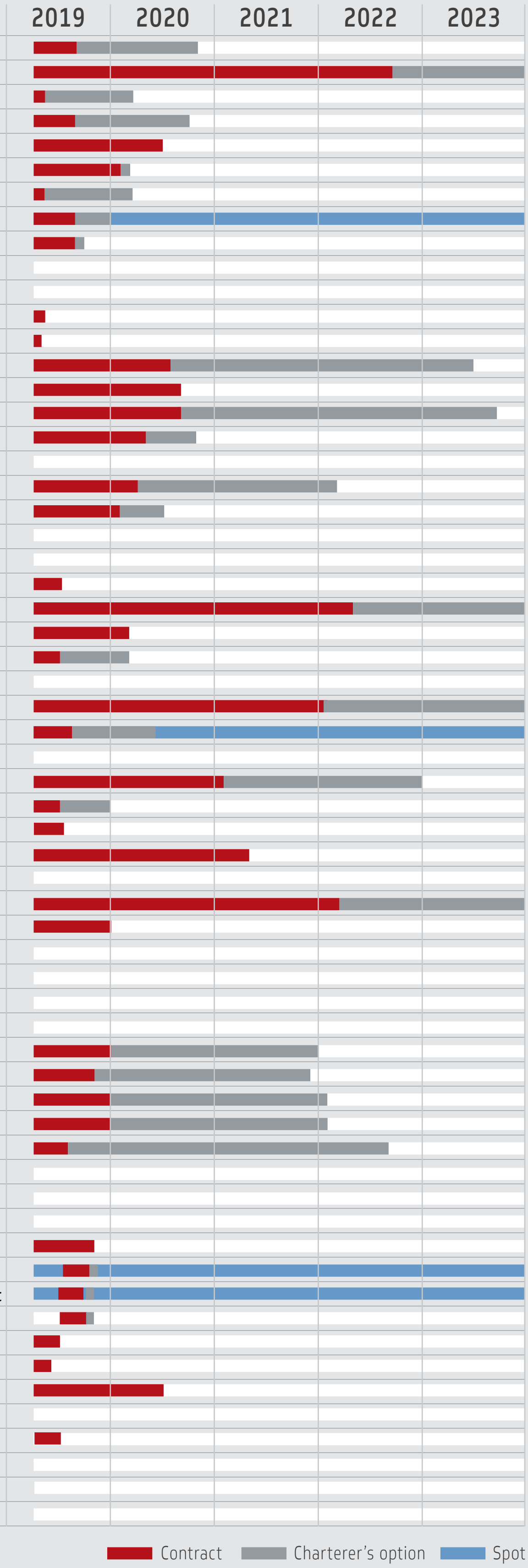
Sea Spark | Sea Spider | Sea Supra | Sea Surfer | Sea Swan | Sea Swift



Sea Tantalus | Sea Titus | Sea Tortuga | Sea Triumph | Sea Trout | Sea Turbot

Sea Witch

Vessel name	Design	Year built	DWT	Employment *) at 30.04.19
Far Scotsman	PSV 08 CD	2012	4 000	Aug 19 + opt.
Far Searcher	UT 751 E	2008	5 127	Sep. 22 + opt.
Far Seeker	UT 751 E	2008	4 905	May. 19 + opt.
Far Serenade	UT 751 CD	2009	5 944	Aug 19 + opt.
Far Server	HY 832 CD	2010	3 735	Jun. 20
Far Sitella	PSV 08 CD	2013	4 000	Feb. 20 + opt.
Far Skimmer	PSV 08 CD	2012	4 000	May. 19 + opt.
Far Solitaire	UT 754 WP	2012	6 336	Sep. 19 / Spot
Far Spica	PSV 08 CD	2013	4 000	Sep. 19 + opt.
Far Spirit	VS 470 Mk II	2007	3 624	Lay-up
Far Splendour	P 106	2003	3 503	Lay-up
Far Star	UT 745	1999	4 403	May. 19 + opt.
Far Strider	VS 483	1999	3 965	Apr. 19 + opt.
Far Sun	Vard 1 07	2014	5 635	Jul. 20 + opt.
Far Swan	VS 470 Mk II	2006	3 628	Sep. 20
Far Sygna	Vard 1 07	2014	5 700	Sep. 20 + opt.
Far Symphony	P 105	2003	4 929	Apr. 20 + opt.
Lady Melinda	UT 755	2003	2 777	Lay-up
Normand Arctic	PSV 12 LNG	2011	4 900	Mar. 20 + opt.
Normand Aurora	P 105	2005	4 929	Jan. 20 + opt.
Normand Corona	MT 6000 MK II	2006	4 348	Lay-up
Normand Falnes	VS 485	2011	5 492	Lay-up
Normand Flipper	UT 745 E	2003	4 340	Jul. 19
Normand Fortune	VS 485	2013	5 275	Apr. 22 + opt.
Normand Leader	VS 499	2013	6 164	Feb. 20
Normand Naley	VS 485	2011	5 506	Sep. 19 + opt.
Normand Provider	UT 755	2007	3 326	Lay-up
Normand Server	PSV 06 CD	2011	5 300	Feb. 22 + opt.
Normand Service	PX 105	2014	4 459	Oct. 19 + opt. / Spot
Normand Sira	MT 6009	2008	3 642	Lay-up
Normand Skipper	VS 4420	2005	6 608	Jan. 21 + opt.
Normand Skude	VS 485	2015	5 347	Jun. 19 + opt.
Normand Springer	PX 105	2014	4 459	Jul. 19
Normand Starling	PSV 08 CD	2013	4 000	Apr. 21
Normand Supplier	UT 755	2010	3 268	Lay-up
Normand Supporter	PSV 06 CD	2012	5 300	Feb. 22 + opt.
Normand Titus	PSV 05-L CD	2014	4 047	Dec. 19 + opt.
Normand Trym	UT 755 LN	2006	3 298	Lay-up
Normand Vibran	UT 755 LN	2008	3 375	Lay-up
Sea Angler	UT 755 L	2007	3 250	Lay-up
Sea Bass	UT 755 L	2008	3 250	Lay-up
Sea Brasil	PSV 09 CD	2012	4 700	Dec. + opt.
Sea Falcon	PX 105	2013	4 419	Nov. 19 + opt.
Sea Flyer	PX 105	2013	4 419	Jan. 20 + opt.
Sea Forth	PX 105	2013	4 419	Jan. 20 + opt.
Sea Frost	PX 105	2013	4 419	Jul. 19 + opt.
Sea Halibut	UT 755 L	2007	3 250	Lay-up
Sea Pike	UT 755 L	2007	3 250	Lay-up
Sea Pollock	UT 755 L	2008	3 250	Lay-up
Sea Spark	PX 105	2013	4 419	Nov 19
Sea Spear	PX 105	2014	4 459	Oct. 19 + opt / Spot
Sea Supra	PX 105	2014	4 459	Oct. 19 + opt. / Spot
Sea Surfer	PX 105	2014	4 459	Oct. 19 + opt.
Sea Swan	PX 105	2014	4 459	Jun. 19
Sea Swift	PX 105	2014	4 459	May. 19
Sea Tantalus	PSV 05-L CD	2013	4 047	Jun. 20
Sea Tortuga	PSV 05-L CD	2014	4 047	Lay-up
Sea Triumph	PSV 05-L CD	2014	4 047	Jun. 19
Sea Trout	VS 470 MK II	2007	3 570	Lay-up
Sea Turbot	UT 755 L	2008	3 250	Lay-up
Sea Witch	UT 755 L	2008	3 520	Lay-up



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

CSV FLEET GALLERY AND EMPLOYMENT

(AT 30.04.19) For more information about each vessel visit: WWW.SOLSTAD.COM/FLEET/OCVCSV-VESSELS/


Far Saga


Far Samson


Far Scotia


Far Sentinel


Far Sleipner


Far Superior


Far Swift


Nor Australis


Nor Valiant


Nor Captain


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

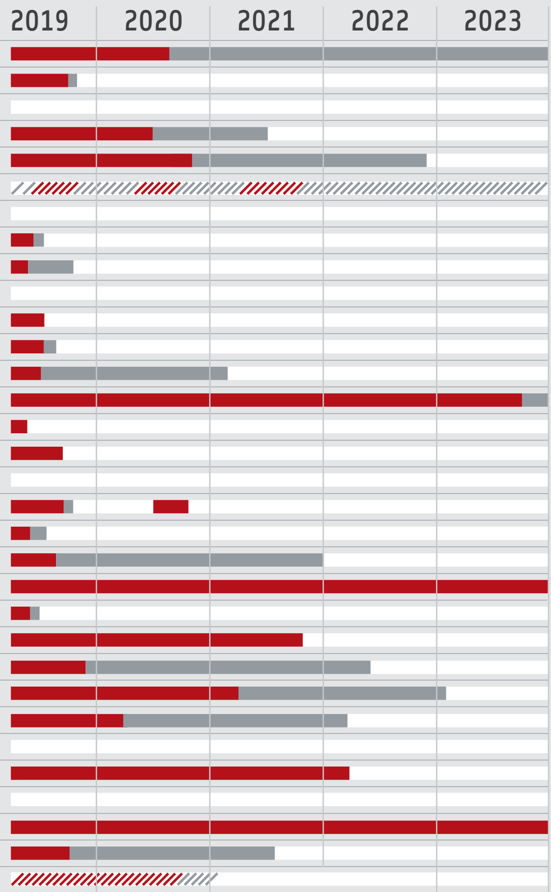

Normand Subsea


Normand Tonjer


Normand Vision


Normand Reach - VARD 3 03

Vessel name	Design	Year built	BHP	Employment *) at 30.04.19
Far Saga	UT 745 L	2001	10 812	Aug 20 + opt.
Far Samson	UT 761 CD	2009	47 627	Sep. 19 + 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	Nov. 20 + opt.
Far Superior	Vard 3 17	2017	15 667	Nov. 21 + opt.
Far Swift	UT 755 L	2003	5 454	Lay-up
Nor Australis	Conan Wu	2009	5 400	Jun. 19 + opt.
Nor Captain	Khiam Chuan	2007	10 880	May 19 + opt.
Nor Valiant	Conan Wu	2008	5 470	Lay-up
Norce Endeavour	VS 1040	2011	N/A	Jul. 19
Normand Baltic	STX 06 CD	2010	11 736	Jul. 19 + opt.
Normand Clipper	VS 4125	2001	22 195	Jul. 19 + opt.
Normand Commander	MT 6016 MK II	2006	10 196	Oct. 23 + opt.
Normand Cutter	VS 4125	2001	22 204	May. 19
Normand Flower	UT 737	2002	14 000	Sep. 19 + opt.
Normand Fortress	MT 6016 MK II	2006	10 759	Lay-up
Normand Installer	VS 4204	2006	31 360	Sep. 19 + opt.
Normand Jarl	MT 6022	2013	14 552	May 19 + opt.
Normand Jarstein	MT 6022 L	2014	17 232	Aug. 19 + opt.
Normand Maximus	Vard 3 19	2016	39 111	Oct. 24 + opt.
Normand Mermaid	P 103	2002	14 400	May 19 + opt.
Normand Ocean	MT 6022	2014	17 476	Oct. 21 + opt.
Normand Pacific	ST 257 L CD	2010	22 073	Nov. 19 + opt
Normand Pioneer	UT 742	1999	27 920	Mar.21 + opt.
Normand Poseidon	MT 6016	2009	10 196	Mar. 20 + opt.
Normand Progress	UT 742	1999	27 920	Lay-up
Normand Reach	Vard 3 03	2014	20 651	Mar. 22
Normand Seven	VS 4220	2007	25 017	Lay-up
Normand Subsea	VS 4710	2009	19 800	Dec. 23 + opt.
Normand Tonjer	VS 495	2010	11 600	Sept. 19 + opt.
Normand Vision	Vard 3 06	2014	27 850	Dec. 20 + 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

Normand Ocean - MT 60

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