



QUARTERLY REPORT
4-2018

REPORT

4TH QUARTER 2018

- Revenues for the full year of 2018 was MNOK 4,830 vs MNOK 3,776 in 2017, while EBITDA amounted to MNOK 1,017 vs MNOK 983 in 2017
- Impairment of book value of vessels results in a write down of MNOK 2,046 for Q4 2018 and MNOK 2,896 for the full year
- Year-end equity negative with MNOK 631
- Revenues for Q4 2018 was MNOK 1,192 and EBITDA MNOK 247
- The Company's combined cash position increased by MNOK 21 to MNOK 1,351 during Q4 2018
- Market recovery is slow and charter rates are not at sustainable levels
- Agreement with certain financial creditors to suspend and defer payments of principal and interest until June 20th, 2019, while negotiations with financial creditors and other stakeholders continue

THE COMPANY

Solstad Offshore ASA ("the Company") is a world leading owner and operator of offshore service vessels. As per December 2018 the Company owns and/or operates a fleet of 138 vessels. Further the Company owns a 20% share in DESS Aquaculture Shipping AS, a shipping company operating in the aquaculture segment which currently owns and operates three vessel and has nine vessels under construction.

From July 1st 2017 the figures include Farstad Shipping AS and Deep Sea Supply Plc following a merger with Solstad Offshore ASA.

FINANCIAL SUMMARY

Operating income for Q4 2018 amounted to MNOK 1,192 compared to MNOK 1,096 (Q4 2017) and MNOK 1,403 (Q3 2018). The decrease compared to the previous quarter mainly relates to seasonality and lower activity during winter in the North Sea.

Operating income for the full year was MNOK 4,830 (MNOK 3,776 in 2017). The increase compared to 2017 is mostly related to the larger fleet as a consequence of the merger which took place in June 2017.

Operating expenses in Q4 2018 amounted to MNOK 1,081, of which MNOK 950 are classified as vessel operating expenses. Compared to the preceding quarter, vessel operating expenses increased by MNOK 15. Compared to Q4 2017 vessel operating expenses are increased by MNOK 139 mainly due to higher activity and more vessels in operation and some one-off effects caused by recognition of certain onerous contracts and

provisions for loss on accounts receivables. Operating result before depreciation was reduced by MNOK 218 compared to Q3 2018. Administrative expenses for Q4 2018 was MNOK 90, compared to MNOK 100 for Q3 2018.

EBITDA adjusted for operating leases was for 2018 MNOK 1,017 compared to MNOK 983 for 2017. EBITDA for Q4 2018 was MNOK 247, compared to MNOK 431, for Q3 2018. The reduced EBITDA margin primarily is a result of the seasonality in the North Sea.

During the quarter, and compared to the beginning of the year, the currency exchange rate for NOK versus USD has weakened against the USD. As a result, there is a negative currency effect recognized in the accounts as per Q4 2018.

Based on the impairment test per year-end of 2018, vessels were written down by MNOK 2,896 (inclusive Q3 2018 of MNOK 850). The main reasons for the increased impairment compared to Q3 2018 are significantly adjusted assumptions in the forecast (long term business plan) prepared and completed late February 2019. 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.

Result before taxes year-to-date as per 31 December 2018 was negative MNOK 5,688 compared to negative MNOK 330 for 2017.

Total booked equity at the end of the year was negative MNOK 631.

FINANCE

From a financial risk perspective, the Solstad Offshore group is divided in four separate sub-groups; so-called silos. These are the respective silos of Solstad (as before the 2017 merger), Solship Invest 1 AS ("SI1"), Farstad Shipping AS ("FAR") and Solship Invest 3 AS ("SI3"). Solstad Offshore ASA has not issued any parent company guarantees for the silos of SI1, FAR or SI3. In light of a challenging market situation and a difficult financial situation, several of the silos have during 2018 carried out discussions with their financial creditors with a view to establish a long-term financial platform.

In July 2018 SI3 entered into an agreement with the financial creditors of the SI3 silo for a financial restructuring which includes a deferral of scheduled instalments, interests and bareboat payments until 31 December 2019 in a total amount of approximately MUSD 48. The financial restructuring of the SI3 silo also entails suspension of the majority of financial covenants and a MUSD 27 loan from Sterna Finance Ltd. The financial restructuring of the SI3 silo was completed and effective as of 31 August 2018. Following this agreement, the long-term part of the debt in the SI3 silo is reclassified as non-current.

In December 2018, certain of the companies in the Solstad and FAR silos agreed with their financial creditors (subject to customary conditions) 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 June 2019. The suspension and deferral agreement does not at present apply to the financial debt of the silos of SI 1 or SI 3.

The implemented measures are temporary in nature, and the existing financing of the Solstad Offshore group is not sustainable in the long run. The Board has taken action to strengthen the financing of the Company in accordance with applicable law, inter alia through the initiation of a restructuring process which is expected to involve all silos and key financial creditors. The Solstad Offshore group will in the months to come progress the restructuring process in close dialogue with its financial creditors. The board will propose relevant actions to the general meeting in due time.

The year-end account assumes a going concern. The going concern assumption is based on the ongoing discussions with the group's creditors about the financial situation for the company. A long-term solution is expected to involve a comprehensive restructuring of the Company.

CASH FLOW AND CASH POSITION

During Q4 2018, the overall cash position of the Company increased from MNOK 1,330 to MNOK 1,351. Net cash flow from operations in Q4 2018 was positive MNOK 423, and net cash flow from investments was negative MNOK 61. Net interest paid was MNOK 339, and net instalments paid were MNOK 53 during the quarter. Following positive currency movements of MNOK 51 due to NOK/USD exchange rate, the Company's cash position increased by MNOK 21.

THE FLEET

As per December 2018, the Company owns and/or operates a fleet of in total 138 vessels. The fleet had the following composition: 33 CSVs, 44 AHTS, 61 PSVs.

SALE OF VESSELS

The Company has sold the PSV Far Supplier (built 1999, 6.700 BHP). Delivery of the vessel to the new owner took place on November 21st, 2018. The sale of the vessel resulted in a minor positive accounting effect for Q4 2018.

OUTLOOK

The oil price development is expected to increase overall investments in the oil & gas sector and the demand for the Company's services. Increased drilling and production activity have, to a certain extent benefited the AHTS's and PSVs in 2018, and might increase demand further in 2019 and onwards. Within the subsea installation market, several large projects have been sanctioned. In combination with higher subsea maintenance and offshore wind activity, this is expected to grow the demand for CSVs further.

The company has a large exposure to the North Sea markets, where the winter season as for previous years have given less activity than during the summer months. However, compared to previous winter season, a larger part of the company's fleet has secured contracts and has remained active during this winter. In other regions where the company has a large activity, like Australia and Brazil, it is expected a similar activity in 2019 as in 2018.

As reported in a stock exchange release on 22 October 2018, with the current outlook, it was expected that the coming North Sea winter season will be challenging and reduce the Company's liquidity position further. It was therefore decided to commence negotiations with financial creditors and other stakeholders to improve the overall liquidity situation and to create a robust long-term platform for the Company.

The Company's backlog for execution in 2019 is approximately MNOK 3,100.

RISK

The Company is exposed to market, commercial, operational, liquidity 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 are high compared to previous years. There is established a risk mitigation framework based on identifying, assessing and managing risks, including plans and procedures in order to handle risk. The Board closely monitors the overall risk picture for the Company, 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 services provided by the Company, and potential adverse effects of the provision of such services. The Company 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 Solstad Group is therefore exposed to increased risk in this respect.

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

The Solstad Offshore 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 long term 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 it is not certain that a solution can be reached.

THE COMPANY AND ITS SHAREHOLDERS

As of today, Solstad Offshore ASA has 9,576 shareholders, and approximately 22% of the shares are owned by foreign shareholders.

The Company's market value at Oslo Stock Exchange is MNOK 506.

STATEMENT FROM THE BOARD AND CEO

We confirm that the consolidated accounts for the period January 1 to December 31, 2018 are to the best of our knowledge, prepared in accordance with IAS 34. The bi-annual report and the figures used for the quarterly reporting give a fair and true value of the enterprise and group's assets, debts, financial position and result which, in its entirety, gives a true overview of the information in accordance with § 5-6 fourth paragraph of the Securities Trading Act.

Board of Directors in Solstad Offshore ASA
Skudeneshavn 28.02.2019



Harald Espedal
Chairman



Ellen Solstad
Director



Toril Eidesvik
Director



Frank O. Reite
Director



Merete Haugli
Director



Harald Thorstein
Director



Lars Peder Solstad
CEO

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

(NOK 1,000)

	Note	2018 01.10-31.12	2017 01.10-31.12	2018 01.01-31.12	2017 01.01-31.12
Operating income	2,3	1,192,253	1,096,198	4,830,175	3,776,744
Vessel operating expenses		-950,479	-811,037	-3,648,633	-2,617,116
Administrative expenses		-90,441	-139,644	-428,773	-421,475
Operating lease vessels		-39,658	-46,047	-154,014	-84,513
Total operating expenses	3	-1,080,578	-996,728	-4,231,420	-3,123,104
Operating result before depreciations	2	111,675	99,469	598,755	653,640
Ordinary depreciation	4	-372,840	-299,911	-1,436,083	-993,099
Impairment	4	-2,046,000	-394,720	-2,896,000	-394,720
Net gain/ loss on sale of assets		-1,038	2,579	-63,199	-243
Operating result		-2,308,204	-592,582	-3,796,526	-734,423
Result from Joint Ventures	5	-8,003	2 361	-13,905	-111,222
Result from associated companies	5	6,861	10 541	35,185	30,866
Gain from business combinations		0	0	0	1,540,000
Total other items		-1,142	12 903	21,280	1,459,644
Interest income		6,647	4,878	12,271	10,216
Realised currency gain/ -loss		2,939	15,983	-30,035	-42,108
Unrealised currency gain/ -loss		-325,470	-232,993	-352,037	217,819
Interest charges		-412,513	-349,262	-1,477,976	-1,129,583
Net financial charges / -income		-31,808	-2,001	-65,423	-111,830
Net financing		-760,205	-563,395	-1,913,200	-1,055,486
Ordinary result before taxes		-3,069,551	-1,143,074	-5,688,446	-330,265
Taxes ordinary result	7	-21,739	-6,231	-43,483	-14,751
RESULT		-3,091,290	-1,149,305	-5,731,929	-345,017
Other comprehensive income:					
Exchange differences on translating foreign operations		-27,147	101,052	125,306	-148,286
Available-for-sale financial assets		-1,562	-1,500	535	1,500
Gain/ loss hedging instruments		0	-15,795	0	0
Actuarial gain/ loss		13,066	-34,239	13,066	-34,239
OTHER COMPREHENSIVE INCOME		-3,106,934	-1,099,787	-5,593,023	-526,041
Result attributable to:					
Non-controlling interests		5,311	-19,022	-4,209	-31,242
Majority share		-3,096,601	-1,130,284	-5,727,721	-313 774
Earnings per share		-10.61	-3.94	-19.67	-1.78
Other comprehensive income attributable to:					
Non-controlling interests		5,311	-19,022	-4,209	-31,242
Majority share		-3,112,244	-1,080,765	-5,588,814	-494,799
Other comprehensive income per share		-10.66	-3.77	-19.19	-2.71
EBITDA adjusted for operating leases	3	246,953	250,060	1,017,428	982,950
Average number of shares (1,000)		291,407	291,407	291,407	194,153

CONDENSED STATEMENT OF FINANCIAL POSITION

(NOK 1,000)

	Note	2018 31.12	2017 31.12
ASSETS			
Fixed Assets:			
Intangible assets		243,872	412,570
Tangible fixed assets	4	27,493,315	31,218,772
Investment in associated companies and Joint Ventures	5	646,149	562,147
Financial fixed assets		224,754	101,925
Total fixed assets		28,608,091	32,295,414
Current Assets:			
Stocks		172,170	219,267
Accounts receivables		1,002,693	1,064,937
Other receivables		480,405	456,439
Market based shares		11,893	11,687
Deposits, cash, etc	6	1,351,346	1,875,482
Total current assets		3,018,506	3,627,811
Assets held for sale	4	22,764	187,554
TOTAL ASSETS		31,649,361	36,110,779
EQUITY AND LIABILITIES			
Equity:			
Paid-in equity		4,602,782	4,602,782
Other equity		-5,261,155	327,659
Non-controlling interests		27,754	31,963
Total equity		-630,619	4,962,404
Liabilities:			
Long-term provisions		524,700	561,117
Other long-term debt	6	594,260	376,480
Debt to credit institutions	6	8,893,746	28,189,996
Total long-term debt		10,012,705	29,127,593
Current liabilities:			
Current portion of long-term debt	6	20,415,283	650,449
Other current liabilities		1,851,993	1,370,334
Total current liabilities		22,267,275	2,020,783
Total liabilities		32,279,980	31,148,375
TOTAL EQUITY AND LIABILITIES		31,649,361	36,110,779

STATEMENT OF CASH FLOW

(NOK 1,000)

CASH FLOW FROM OPERATIONS	2018	2017
	31.12	31.12
Result before tax	-5,688,446	-330,265
Taxes payable	6,184	-12,382
Ordinary depreciation and write downs	4,332,083	1,387,819
Gain (-)/ loss long-term assets	38,577	-1,341,361
Interest income	-12,271	-11,861
Interest expense	1,477,976	1,105,344
Terminated borrowing costs	0	8,844
Effect of change in pension assets	-12,860	-12,009
Change in value of financial instruments	-2,485	-39,021
Unrealised currency gain/ -loss	449,930	-183,772
Change in short-term receivables and payables	11,467	-41,254
Change in other accruals	633,858	210,947
Net cash flow from operations	1,234,011	741,029
CASH FLOW FROM INVESTMENTS		
Investment in tangible fixed assets	-65,745	-71,247
Payment of periodic maintenance	-288,754	-159,504
Consideration sale of fixed assets (vessels)	195,649	661,154
Payment of long-term receivables	-57,292	-19,653
Addition of cash related to merger	0	935,315
Investments in other shares and holdings	-79,518	-69,535
Realization of shares and holdings	20,648	0
Net cash flow from investments	-275,012	1,276,531
CASH FLOW FROM FINANCING		
Paid-in capital	0	200,000
Drawdown and repayment (-) bank overdraft	0	-82,656
Received interests	10,293	12 569
Paid interests	-1,283,723	-1 108 551
Drawdown long-term debt	1,052,566	588 972
Repayment of long-term debt	-1,254,865	-1 575 566
Net cash flow from financing	-1,475,730	-1 882 577
Effect of changes in foreign exchange rates	-7,406	-9,951
Net change in cash	-524,137	134,983
Cash at 01.01	1,875,482	1,750,450
Cash at balance sheet date	1,351,346	1,875,482

STATEMENT OF CHANGES IN EQUITY

(NOK 1,000)

	Paid-in capital	Treasury shares	Other paid-in capital	Earned equity	Translation adjustment	Total majority shares	Non-controlling interests	Total equity
Equity 01.01.2018	583,065	-281	4,019,999	81,752	245,907	4,930,441	31,963	4,962,404
Result	-	-	-	-5,727,721	-	-5,727,721	-4 209	-5,731,929
Actuarial gain/ loss (-)	-	-	-	13,066	-	13,066	-	13,066
Translation adjustments	-	-	-	-	125,306	125,306	-	125,306
Value changes assets available for sale	-	-	-	-	535	535	-	535
Other comprehensive income	0	0	0	-5,714,655	125,841	-5,588,814	-4,209	-5,593,023
Equity 31.12.2018	583,065	-281	4,019,999	-5,632,903	371,748	-658,373	27,754	-630,619

	Paid-in capital	Treasury shares	Other paid-in capital	Earned equity	Translation adjustment	Total majority shares	Non-controlling interests	Total equity
Equity 01.01.2017	177,374	-251	2,276,941	545,766	392,693	3,392,522	63,205	3,455,727
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 assets available for sale	-	-	-	-	1,500	1,500	-	1,500
Other comprehensive income	0	0	0	-348,013	-146,786	-494,799	-31,242	-526,041
Equity contribution	365,691	-	1,533,057	-	-	1,898,748	-	1,898,748
Conversion of convertible bond	40,000	-	210,000	-115,939	-	134,061	-	134,061
Other adjustments	-	-30	-	-62	-	-92	-	-92
Equity 31.12.2017	583,065	-281	4,019,999	81,752	245,907	4,930,441	31,963	4,962,404

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

(NOK 1,000)

NOTE 1 - GENERAL

Solstad Offshore ASA (SOFF) has its head office in Skudeneshavn, Norway. The main activities of the company are operation and ownership of offshore service and construction vessels. The Group is listed on Oslo Stock Exchange. The quarterly accounts are prepared using the same accounting principles as last year's accounts and in compliance with IAS 34 Interim Financial Reporting.

The Company has implemented IFRS 9 and IFRS 15 as of January 1, 2018. Neither implementations have had material effects for the interim accounts in 2018. IFRS 15 have not altered the Company's timing for recognition of revenue from the Company's operations. Further reference is made to Note 1 to the 2017 Annual accounts.

In light of the challenging market situation, the Company is closely monitoring the cash development in all group companies. The Company has initiated a process to reach an agreement for a new, robust financial platform together with all major stakeholders. The interim account is based on the going concern assumption. The Board, however, would like to clearly communicate that the current financial situation is not sustainable.



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

(NOK 1,000)

NOTE 2 - REPORTING PER SEGMENT

	Q4 2018				Q4 2017			
	AHTS/PSV	AHTS/PSV	Subsea	Total	AHTS/PSV	AHTS/PSV	Subsea	Total
	Strategic	International	Construction		Strategic	International	Construction	
Total operating income	525,609	139,167	527,477	1,192,253	410,903	162,412	522,883	1,096,198
Crew expenses	324,258	69,297	209,317	602,872	303,345	69,866	181,480	554,691
Other expenses	217,600	64,111	161,358	443,069	221,328	80,492	144,808	446,628
Total operating expenses	541,858	133,408	370,675	1,045,941	524,673	155,120	326,288	1,001,318
Bunkers	19,149	5,596	9,894	34,638	-18,984	4,812	9,582	-4,590
Operating result before depreciations	-35,398	164	146,909	111,675	-94,786	2,479	187,013	99,469
Excess and less values freight contracts	24,551	3,510	12,142	40,203	63,363	-20,721	16,855	59,497
Operating leases	28,849	10,809	0	39,658	46,047	0	0	46,047
Net result from Joint Venture	0	0	-5,973	-5,973	0	0	5,088	5,088
Adjusted Operating result before depreciations	18,002	14,482	153,077	185,563	14,624	-18,242	208,956	210,101

	Year to date Q4 2018				Year to date Q4 2017			
	AHTS/PSV	AHTS/PSV	Subsea	Total	AHTS/PSV	AHTS/PSV	Subsea	Total
	Strategic	International	Construction		Strategic	International	Construction	
Total operating income	2,023,920	480,258	2,325,996	4,830,175	1,217,221	294,395	2,265,127	3,776,744
Crew expenses	1,251,324	260,906	790,661	2,302,891	786,628	173,502	769,969	1,730,100
Other expenses	830,577	239,701	739,236	1,809,514	528,432	153,697	639,869	1,321,998
Total operating expenses	2,081,901	500,606	1,529,897	4,112,404	1,315,060	331,962	1,409,838	3,052,097
Bunkers	58,266	27,912	32,838	119,016	6,412	19,914	44,681	71,007
Operating result before depreciations	-116,246	-48,260	763,262	598,755	-104,251	-57,481	810,608	653,640
Excess and less values freight contracts	139,087	9,578	49,805	198,469	85,486	1,550	59,828	146,864
Operating leases	115,399	38,615	0	154,014	84,513	0	0	84,513
Net result from Joint Venture	0	0	4,798	4,798	0	0	57,974	57,974
Adjusted Operating result before depreciations	138,239	-68	817,864	956,036	65,748	-55,931	928,410	942,991

Internally the Group reports and monitors its operation in the following 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)

Figures are exclusive share result from Joint Ventures.

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

(NOK 1,000)

NOTE 3 - EBITDA

	2018	2017	2018	2017
	01.10 - 31.12	01.10 - 31.12	01.01 - 31.12	01.01 - 31.12
Net freight income	1,192,253	1,096,198	4,830,175	3,776,744
Excess and less values freight contracts	40,202	59,043	198,470	146,864
Freight income from Joint Ventures	-1,941	11,336	33,732	108,231
Total Freight income	1,230,514	1,166,577	5,062,377	4,031,838
Operating cost	1,080,578	996,728	4,231,420	3,123,104
Operating cost from Joint Ventures	4,032	5,794	28,934	50,257
Total operating cost	1,084,610	1,002,522	4,260,354	3,173,361
EBITDA	145,904	164,054	802,023	858,477
Operating leases	39,658	46,047	154,014	84,513
Onerous contracts	24,591	31,000	24,591	31,000
Accrual loss accounts receivable	36,800	8,959	36,800	8,959
EBITDA adjusted	246,953	250,060	1,017,428	982,950

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

NOTE 4 - FIXED ASSETS

	Vessels	Periodic maintenance	Other	Total
Opening balance 01.01.2018	30,491,727	574,177	152,869	31,218,772
Additions	55,211	288,754	10,534	354,499
Asset held for sale	-22,764	-	-	-22,764
Disposals	-243,028	-5,406	-6,148	-254,583
Translation adjustment	525,226	6,977	-2,727	529,477
Impairment	-2,896,000	-	-	-2,896,000
Depreciation	-1,129,494	-285,403	-21,186	-1,436,083
Closing balance 31.12.2018	26,780,874	579,100	133,342	27,493,315

Vessels are depreciated over 20 years to a residual value equal to 50% of the original cost. Initially residual value is set to 50% of cost price, expected cost of sale deducted, and adjusted for age and changes in broker valuations. The assumption is that the broker values decline by 2.5% per year, until the vessel is 20 years old. Other assets are depreciated at rates of 10-25%.

The Company has signed Memorandum of Agreements for the sale of the PSV "Lady Melinda". The vessel is classified as held-for-sale assets in Condensed Statement of Financial Position. Total book value is MNOK 22.8.

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

(NOK 1,000)

NOTE 4 - FIXED ASSETS - (CONTINUED)

Impairment testing of vessels

Summary

The Company has performed impairment testing of the fleet in accordance with IAS 36. Indicators such as delayed market recovery, continued reduction of broker values and declining price/ book ratio form, according to IAS 36, the need for revaluation of the Company's assets.

Based on value-in-use-calculations the Company has recognized an impairment of MNOK 2,046 in Q4 2018. Total impairment recognized for 2018 is MNOK 2,896.

Impairment testing

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.

The main assumptions used in the computations are charter rates, utilization, escalation of expenses, operational area, interest rate, weighted average cost of capital (WACC) and the market as general.

Discounting rate

The discounting rate is based on a common WACC for the Company. The cost of equity is derived from the 10-year interest rate for state bonds (risk-free interest rate), the Company's own market risk premium and an unlevered beta. The debt element of the discounting rate is based on the risk-free interest rate, plus the Company'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 used for 2018 is 9.30%.

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 for age and changes in broker valuations. The assumption is that the broker values decline by 2.5% per year, until the vessel is 20 years old.

Result of impairment testing

Based on the impairment test 68 vessels were written down by MNOK 2,896 in 2018. The impairment was divided on vessel types 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 and scenario 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 TO CONDENSED STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF FINANCIAL POSITION

(NOK 1,000)

NOTE 5 - INVESTMENT IN ASSOCIATED COMPANIES AND JOINT VENTURES

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

AC	JV	
Solstad Offshore Crewing Services Philippines (25%)	Normand Installer SA (50%)	
Maximus Limited (25%)		
Deep Well AS (sold)		
DESS Aquaculture Shipping AS (20%)*		

	AC	JV	TOTAL
Opening balance	290,360	271,787	562,147
Share of result year to date	35,185	-13,906	21,279
Additions	221,718	104,858	326,576
Disposals	-20,648	-221,718	-242,366
Other adjustments	-16,458	-5,029	-21,487
Closing balance	510,157	135,992	646,149

*During Q4 2018 the the share of interest in DESS Aquaculture Shipping AS was reduced due to dilution (50%-20%).
The Additions in 2018 relates to DESS Aquaculture Shipping AS (JV in Q1 and AC in Q4).
The Disposals in 2018 relates to Deep Well AS (AC) and DESS Aquaculture Shipping AS (JV).

NOTE 6 - INTEREST BEARING DEBT

	2018	2017
	31.12	31.12
Long term debt	9,488,005	28,566,475
Current portion of long term debt	20,415,283	650,449
Total interest bearing debt (*)	29,903,288	29,216,924
Bank deposits	1,351,346	1,875,482
Net interest bearing debt	28,551,942	27,341,442

Long term debt is divided as follows: 43% NOK, 52% USD, 3% GBP and 2% AUD. At the end of the quarter, fixed interest agreement loans, in addition to hedging agreements with remaining maturity of up to 2.5 years, were entered into for around 38% of interest bearing debt.

Long term debt of MNOK 18,600 have in accordance with IFRS been classified as Current portion of long term debt as per December 31, 2018, due to a standstill of debt service with the banks and bond holders with duration until June and December 2019. The Company is in dialogue with the banks, bond holders and othe stakeholders for a sustainable long-term solution for the Company.

* Inclusive recognized debt relating to financial lease MNOK 3,044.

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

(NOK 1,000)

NOTE 7 - TAX EXPENSE

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

NOTE 8 - 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 in percentages of total operating income

EBITDA - Operating result before depreciation adjusted for Joint Ventures and excess values charter parties from mergers

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

Adjusted Operating result before depreciations - Operating result before depreciation 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, excluding 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

AHTS FLEET GALLERY AND EMPLOYMENT

(AT 28.02.19) For more information about each vessel visit: www.solstad.com/fleet/ahts-vesseles/



BOS Topázio



BOS Turmalina



BOS Turquese



Elang Laut 1



Far Sabre



Far Sagaris



Far Saltire



Far Santana



Far Sapphire



Far Saracen



Far Scimitar



Far Scorpion



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 Sirius



Normand Titan



Sea Cheetah



Sea Jaguar



Sea Leopard



Sea Ocelot



Sea Panther



Sea Tiger

Vessel name	Design	Year built	BHP	Employment *) at 28.02.19	2019	2020	2021	2022	2023
BOS Topázio	UT 728 L	2005	12 240	Jan. 22 + opt.					
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	Apr. 19 + opt.					
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	Apr. 19					
Far Scimitar	UT 712 L	2008	15 950	Lay-up					
Far Scorpion	UT 731 CD	2009	24 143	Sep. 19					
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					
Normand Sirius	UT 731 CD	2014	24 371	Aug. 19					
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	Mar. 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	Lay-up					
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	April 19+ opt./Spot					
Normand Titan	UT 712 L	2007	16 320	Lay-up					
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.

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

PSV FLEET GALLERY AND EMPLOYMENT

(AT 28.02.19) For more information about each vessel visit: www.solstad.com/fleet/psv-vesels/



Far Scotsman



Far Searcher



Far Seeker



Far Serenade



Far Server



Far Sitella



Far Skimmer



Far Solitaire



Far Spica



Far Spirit



Far Splendour



Far Star



Far Starling



Far Strider



Far Sun



Far Supplier



Far Swan



Far Sygna



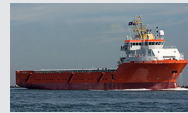
Far Symphony



Lady Melinda



Normand Arctic



Normand Aurora



Normand Corona



Normand Falnes



Normand Flipper



Normand Fortune



Normand Leader



Normand Naley



Normand Provider



Normand Server



Normand Service



Normand Sira



Normand Skipper



Normand Skude



Normand Supplier



Normand Supporter



Normand Titus



Normand Trym



Normand Vibran



Sea Angler



Sea Bass



Sea Brasil



Sea Falcon



Sea Flyer



Sea Forth



Sea Frost



Sea Halibut



Sea Pike



Sea Pollock



Sea Spark



Sea Spear



Sea Springer



Sea Supra



Sea Surfer



Sea Swan



Sea Swift



Sea Tantalus



Sea Tortuga



Sea Triumph



Sea Trout



Sea Turbot



Sea Witch

Vessel name	Design	Year built	DWT	Employment *) at 28.02.19	2019	2020	2021	2022	2023
Far Scotsman	PSV 08 CD	2012	4 000	May 19 + opt.					
Far Searcher	UT 751 E	2008	5 127	Sep. 22 + opt.					
Far Seeker	UT 751 E	2008	4 905	Mar. 19 + opt.					
Far Serenade	UT 751 CD	2009	5 944	May 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	Mar. 19 + opt.					
Far Solitaire	UT 754 WP	2012	6 336	Mar. 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	Apr. 19 + opt.					
Far Starling	PSV 08 CD	2013	4 000	Feb. 19					
Far Strider	VS 483	1999	3 965	Apr. 20 + 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. 19 + 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	Apr. 19					
Normand Fortune	VS 485	2013	5 275	Apr. 22 + opt.					
Normand Leader	VS 499	2013	6 164	Feb. 19					
Normand Naley	VS 485	2011	5 506	Feb. 19 + opt.					
Normand Provider	UT 755	2007	3 326	Lay-up					
Normand Server	PSV 06 CD	2011	5 300	Jan. 22 + opt.					
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	Mar. 19 + opt.					
Normand Supplier	UT 755	2010	3 268	Lay-up					
Normand Supporter	PSV 06 CD	2012	5 300	Feb. 22 + 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	Feb. 20 + 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	May 19					
Sea Spear	PX 105	2014	4 459	Mar. 19 + opt / Spot					
Normand Service	PX 105	2014	4 459	Oct. 19 + opt. / Spot					
Sea Springer	PX 105	2014	4 459	Jul. 19					
Sea Supra	PX 105	2014	4 459	Feb. 19 + opt. / Spot					
Sea Surfer	PX 105	2014	4 459	Feb. 19 + opt.					
Sea Swan	PX 105	2014	4 459	May 19					
Sea Swift	PX 105	2014	4 459	Aug. 19					
Sea Tantalus	PSV 05-L CD	2013	4 047	Jun. 20					
Normand Titus	PSV 05-L CD	2014	4 047	Apr. 19 + opt.					
Sea Tortuga	PSV 05-L CD	2014	4 047	Lay-up					
Sea Triumph	PSV 05-L CD	2014	4 047	Lay-up					
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.

Contract Charterer's option Spot

CSV FLEET GALLERY AND EMPLOYMENT

(AT 28.02.19) For more information about each vessel visit: www.solstad.com/fleet/ocvcsv-vesseles/



Far Saga



Far Samson



Far Scotia



Far Sentinel



Far Sleipner



Far Superior



Far Swift



Nor Australis



Nor Captain



Normand Commander



Normand Cutter



Nor Valiant



Norce Endeavour



Normand Baltic



Normand Clipper



Normand Jarstein



Normand Maximus



Normand Flower



Normand Fortress



Normand Installer



Normand Jarl



Normand Poseidon



Normand Progress



Normand Mermaid



Normand Ocean



Normand Pacific



Normand Pioneer



Normand Vision



Normand Reach



Normand Seven



Normand Subsea



Normand Tonjer



Normand Flower - UT 737

Vessel name	Design	Year built	BHP	Employment *) at 28.02.19	2019	2020	2021	2022	2023
Far Saga	UT 745 L	2001	10 812	May 20 + opt.	█				
Far Samson	UT 761 CD	2009	47 627	Feb. 19 + opt.	█				
Far Scotia	UT 755	2001	5 454	Lay-up					
Far Sentinel	Vard 3 07	2015	22 794	June 20 + opt.	█	█			
Far Slepner	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	Idle					
Nor Australis	Conan Wu	2009	5 400	Feb. 19	█				
Nor Captain	Khiam Chuan	2007	10 880	Mar. 19	█				
Nor Valiant	Conan Wu	2008	5 470	Lay-up					
Norce Endeavour	VS 1040	2011	N/A	Lay-up					
Normand Baltic	STX 06 CD	2010	11 736	Mar. 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	Jul. 19 + opt.	█	█			
Normand Fortress	MT 6016 MK II	2006	10 759	Lay-up					
Normand Installer	VS 4204	2006	31 360	Aug. 19 + opt.	█	█			
Normand Jarl	MT 6022	2013	14 552	Apr 19 + opt.	█	█			
Normand Jarstein	MT 6022 L	2014	17 232	Jul. 19 + opt.	█	█	█		
Normand Maximus	Vard 3 19	2016	39 111	Oct. 24 + opt.	█	█	█	█	█
Normand Mermaid	P 103	2002	14 400	Lay-up					
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	Oct. 21 + opt.	▨				

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█ Contract
 █ Charterer's option
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▨ Framework Agreement
▨ Charterer's option



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