



# ANNUAL REPORT 2019

► **OUR VISION** is to be the reliable world leading shipping company, acknowledged by our clients, employees and other stakeholders by delivering high quality services to the global Oil & Gas and Renewable Energy markets.

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## FINANCIAL CALENDAR 2020

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

Annual Report 2019:	May 27, 2020
Result 1. quarter 2020	May 27, 2020
Ordinary General Meeting:	June 26, 2020
Result 2. quarter 2020:	August 26, 2020
Result 3. quarter 2020:	November 19, 2020
Preliminary result 2020:	Ultimo February, 2021

# KEY FIGURES

	Reference	2019	2018	2017	2016
<b>PROFIT AND LOSS (NOK million)</b>					
Freight income		5,016	4,673	3,626	2,468
Other operating income		228	237	151	114
Operating result before depreciation and impairment		1,274	422	654	876
Operating result		-1,237	-3,987	694	-736
Net financial items		-1,734	-1,855	-1,024	-79
Ordinary result before tax		-2,971	-5,842	-330	-815
Net result for the year		-3,129	-5,888	-345	-827
Hereof majority's share		-3,129	-5,858	-314	-866

## BALANCE SHEET

Deferred tax asset		-	2	-	42
Long term assets		27,003	28,599	32,295	19,318
Current assets		2,830	3,015	3 628	2,774
Total assets		29,833	31,615	36,111	22,286

Equity		-3,835	-851	4,962	3,456
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Deferred tax		17	-	-	-
Long-term liabilities and provisions		4,574	4,796	29,128	17,566
Current liabilities		29,094	27,669	2,021	1,006
Interest bearing liabilities	8	32,117	29,980	28,840	17,719
Bank overdraft		-	-	-	-
Free and restricted bank deposits	6	1,134	1,351	1,875	1,750
Net interest-bearing liabilities	9	30,983	28,629	26,965	15,968

## PROFITABILITY

Operating margin	1	24 %	9 %	17 %	34 %
Earning on equity	2	128 %	-286 %	-8 %	-23 %

## LIQUIDITY

Liquid assets	6	1,134	1,351	1,875	1,750
Working capital	7	-26,264	-24,654	1,607	1,768
EBITDA - adjusted	3	1,415	1,005	925	1,009
Current ratio	4	0.1	0.1	1.8	2.8

## CAPITAL

Total assets		29,833	31,615	36,111	22,286
Equity		-3,835	-851	4,962	3,456
Equity ratio	5	-13 %	-3 %	14 %	16 %



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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 impairment 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 (8) less cash and bank deposits (6)

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 61.

# 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



**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



**FRANK O. REITE** (b. 1970)

Frank O. Reite first joined Aker in 1995, and held the position as CFO in Aker ASA from August 2015 until August 2019. He is now an advisor. He holds a B.A. in business administration from Handelshøyskolen BI in Oslo. Mr. Reite has previously held the position as 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 Convento Capital Fund AS, Havfisk ASA, Norway Seafoods AS and Aker Yards ASA. Mr. Reite also has experience from banking and served as Operating Director at Paine & Partners, a New York-based private equity firm. Mr. Reite is chairman of Ocean Yield ASA and Convento AS and a board member of Aker Biomarine AS and Solstad Offshore ASA. He was elected board member at the Company's extraordinary general meeting 13 July 2016.

SHARES IN SOLSTAD OFFSHORE ASA: 0



**HARALD THORSTEIN** (b. 1979)

Harald Thorstein is currently a partner of the London based advisory company Arkwright London Ltd. He has previously held positions in Seatankers Management and DnB Markets (Corporate Finance). He has extensive board experience, including Aktiv Kapital, SFL Corp and Seadrill. Harald 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



**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

# 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 sub-sea vessels). The supply vessels (AHTS and PSVs) support oil fields in production as well as development and exploration activities. The Group's CSVs fleet is supporting subsea and renewable energy projects world-wide and is partly working on long-term contracts and partly utilized for seasonal activities. The CSVs on long-term contracts are serving the IMR (Inspection, Maintenance & Repair) and the SURF (Subsea, Umbilicals, Risers & Flowlines) markets or supporting installation and maintenance work related to the renewable energy industry offshore.

The market within the offshore industry continued to be challenging throughout 2019 affected by the general, however reduced, overcapacity of OSVs. The recent market developments with negative impact from the COVID-19 crisis and the sharp decline in the oil price, has further impacted the Company's business and market outlook negatively. The recent developments in the energy markets have increased the risk for idle time, further drop in rates and consequently lower earnings in all our market segments.

The operating revenues increased by about 7%, from MNOK 4,910 in 2018 to MNOK 5,245 in 2019. Adjusted EBITDA for the year was MNOK 1,415 compared to MNOK 1,005 in 2018. The Company made impairments of the book value of the fleet of MNOK 1,032 for 2019. The result after tax was MNOK -3,129 compared to MNOK -5,888 in 2018, and the booked equity is negative with MNOK 3,835.

The Company is in a financial distressed situation, see more information in section 7 Restructuring process and 14 Subsequent events below.

## 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 and renewable energy markets. Our four core values are Safe – Reliable – Competent – Responsible. These values are tools to create a common culture and define how we operate and how we interact with our clients, suppliers, partners and each other.

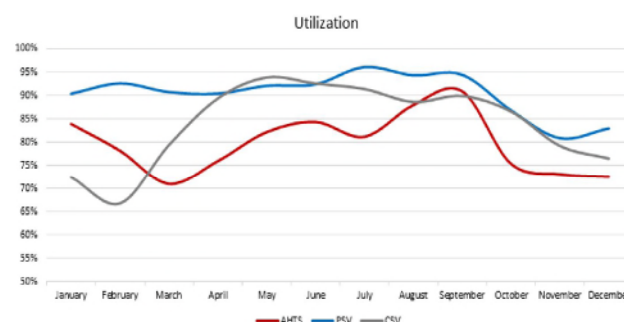
## 2. THE COMPANY'S ACTIVITIES

Solstad activities are primarily directed towards the offshore market for oil & gas and renewable energy. During the year, the operation has been organized in two business areas; Global PSV

& AHTS market and Subsea Construction and Renewable Energy worldwide. The Company's headquarter is located in Skudeneshavn, Norway and subsidiaries are located in Ålesund, Aberdeen, Rio de Janeiro, Macae, Perth, Singapore, Manila, Limassol and Odessa.

The Company's operating income in 2019 was divided into 47% (48%) from CSVs and 53% (52%) from AHTS and PSVs. Furthermore, the regional split of the revenues was 45% (42%) from the North Sea, 15% (16%) from South America, 4% (12%) from Africa, 3% (2%) from North and Central America, 18% (6%) from the Mediterranean part of Europe, 9% (2%) from Australia and 6% (20%) from Asia.

Utilization for the operational fleet of vessels in 2019 (excluding vessels in layup):



### Subsea construction and renewable energy

The CSV segment includes 32 vessels, whereof 8 vessels were in layup at year-end 2019. The CSV vessels operate world-wide and are 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 2019 the fleet has successfully been involved in the renewable energy sector, decommissioning activities, SURF operations, cable laying, ROV support, installation of subsea equipment, survey work, IMR operations, node seismic operations, diving, topside maintenance work and installation of floating and fixed production units. Areas of operation includes South East Asia, New Zealand, South America, East and West Africa, Mediterranean, Europe and Gulf of Mexico.

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

### AHTS & PSV

The AHTS fleet includes 42 vessels, whereof 11 vessels were on term contracts, 9 vessels were trading the short-term market and 22 vessels were in layup in Norway and Asia at year-end

2019. The AHTS' have mainly operated in Asia Pacific, South America, Africa and the North Sea.

The PSV fleet includes 59 vessels, with 40 vessels on term contracts and 19 vessels in layup in Norway/Asia at year-end 2019. The PSVs have mainly operated in Asia Pacific, South America, Africa, Mediterranean, Russia and the North Sea.

In total 4 vessels have been sold and delivered to new owners during the year.

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

#### Recent events

Although the market was still volatile, 2019 saw higher utilization followed by generally higher rates for AHTS and PSV in the North Sea, Australia and Brazil, with the North Sea showing the strongest signs of improvement. Availability of high-end PSV-tonnage was during the year closer to balance with the demand-side, and there are very few vessels of this kind in lay-up. Asia, Mediterranean and Africa have not shown the same signs of strengthening. The market development has due to the effects from the Covid-19 pandemic and the sharp decline in oil prices, already had negative impacts on the Company's business and its market outlook. Further, the general developments in the energy markets lately have increased uncertainty in all our market segments and it is currently too early to have a clear view on the longer-term market development.

### 3. THE MARKET

The general expectation for the oil price in 2019 was a steady and stable increase towards a higher level, however the prices continued to be volatile throughout the year, but stabilized around USD 60-65/bbl towards the end of the year. In the first months of 2020 the oil price continued on the same levels but at the end of first quarter 2020 there has been a sharp decline in the oil price. The combination of OPEC and Russia overflowing the market with oil and the substantially reduced demand for oil and oil products following economic "shutdowns" in many countries due to the outbreak of COVID-19 has resulted in a market in serious imbalance. This led to a dramatic fall in oil prices and also significant fall in the indexes on stock markets globally. The global pandemic is assumed to affect the macroeconomics in the coming years and is expected to, along with the increased uncertainty about future oil price, impact the Groups activity going forward.

On the positive side, the renewable market is expected to continue the growth in 2020 and the Group is well positioned to further increase its market share within this segment.

The total number of vessels and vessels in layup was more or less unchanged in 2019. Day rates showed a modest increase and utilization improved slightly.

Reactivations were mainly done based on firm contract awards and less on a speculative basis. Globally, vessels are still in layup, many of which have been laid up for a period of more than three

years. Newbuilds were scarce in 2019, both in terms of new orders and deliveries from yards.

The world fleet of AHTS larger than 15,000 bhp was at year-end 235 vessels, whereof 60 vessels (26%) in layup. There were 1,026 PSVs with a capacity of more than 3,000 dwt, whereof 209 vessels (20%) in lay-up. In total there were 4 AHTS larger than 15,000 bhp under construction, and 96 PSVs larger than 3,000 dwt under construction.

There are 24 larger CSVs under construction at shipyards in Europe, USA, Asia and the Middle East. Total fleet of CSVs at the end of 2019 was 401 vessels, whereof 44 vessels in layup (the vessel category includes both installation vessels and inspection, maintenance and repair (IMR) vessels with 70t+ cranes).

### 4. CORPORATE PARTICULARS

As of 31.12.2019, the number of shareholders was 10,419, whereof total international shareholding was approximately 16%. The two largest shareholders, Aker Capital AS and Hemen Holding Ltd, hold 20.07% and 10.90%, respectively.

The Company's share price decreased from NOK 1,72 to NOK 0,97 (a reduction of 44%) per share during the year. The Company did not distribute or pay any dividends in 2019.

### 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 2018. More information on corporate governance is given in the separate chapter regarding Corporate Governance in the annual report and on [www.solstad.com](http://www.solstad.com).

### 6. FINANCIAL POSITION AND DEVELOPMENT – THE GROUP

The financial statements for the Company for 2019 are prepared in accordance with International Financial Reporting Standards "IFRS", as adopted by the European Union.

Operating income in 2019 was MNOK 5,245 compared to MNOK 4,910 in 2018. The increase compared to 2018 is mainly driven from increased activity in North Sea and Australia.

Operating expenses in 2019 amounted to MNOK 3,971 compared to MNOK 4,488 in 2018. The decrease is mainly related to full year effect of the realization of cost synergies after the acquisition of Farstad Shipping ASA, Rem Offshore ASA and Deep Sea Supply Plc in 2017 and the implementation of IFRS 16 leasing standard.

EBITDA Adjusted for the year was MNOK 1,415 compared to MNOK 1,005 in 2018.

Operating result before financial items and tax was MNOK



-1,237 compared to MNOK -3,987 in 2018, including impairments of fixed assets of MNOK 1,032 compared to MNOK 2,896 in 2018. The main reasons for the impairments in 2019 are slower recovery of the market than expected. A large part of the impairments is related to the oldest and smallest vessels in the fleet, where the Company is uncertain about 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 have 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 a realistic sales price.

Group result after tax for 2019 was MNOK -3,129 (MNOK -5,888 in 2018). Net financial items for 2019 was MNOK 1,734 (MNOK 1,855 in 2018), mainly consisting of net interest expenses and currency loss.

Net earnings per share were NOK -10,73 (NOK -20,20 in 2018).

Operating result before depreciation and impairment amounted to 24% of revenues compared to 9% in 2018. Booked equity per 31.12.2019 was MNOK -3,835 (MNOK -851 in 2018) i.e. NOK -13.2 per share (NOK -2.9 per share in 2018).

Interest bearing debt as of 31.12.2019 was MNOK 32,117 (MNOK 29,980 in 2018), whereof MNOK 27,633 (MNOK 25,889 in 2018) is classified as current liabilities. The interest-bearing debt was divided by 43% NOK, 52% in USD, 3% in GBP and 2% in AUD. At the end of the year about 23% of the mortgage debt had fixed interest. Overview and details of amounts, interest rates, maturity and main covenants are included in the account notes 4 and 5.

At year-end, the Group held MNOK 1,134 in cash deposits (MNOK 1,351 at year-end 2018). The cash development has been negative during the year and measures have 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

On 8 May 2020, Solstad signed a Restructuring Implementation Agreement (the "RIA") for a restructuring of the Group with a majority of the Restructuring's key stakeholders, including all of its secured finance providers except for three belonging to the Solship Invest 3 AS and Farstad Shipping AS silos. A final solution is subject to approval by the relevant parties. For further information, please see section 14 Subsequent Events and Note 1, Note 2, Note 4 and Note 28.

## 8. HEALTH, THE ENVIRONMENT, SAFETY AND QUALITY ASSURANCE

The Company operates in accordance with international regulations and standards and is certified to ISM, ISO 14001:2015, ISO 9001:2015, ISO 45001:2018, MLC (Maritime Labor Convention) and ISPS (International Ship and Port Facility Security). Furthermore ISO 50001:2018 (Energy Management) is implemented and a certification will be done during 2020. The crews are trained according to the Company's procedures and 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 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 2019, approximately 35,000 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 three work-related lost-time injuries that provide an H-factor (number of injuries per 1 million hours worked) of 0.21 for 2019 (0.56 in 2018). The goal of no lost-time injuries is maintained for 2020, 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. A key achievement in 2019 was the implementation of the safety behavior and culture program "Solstad Incident Free Operations" (SIFO). This program was developed over a period of 4 years by the DLB Norce Endeavour operations team together with the client and other partners. Over the period that the program was implemented the number of small and major incidents was considerably reduced by involving the crew and increasing their focus on safety in their daily work. A variation of the program has now been implemented throughout the Solstad fleet. SIFO is a long-term program and it will realistically take 2-3 years to get properly implemented. The fleet had 113 liters of emissions of various types of oil products to sea in 2019. The Company has a program for sorting and reporting of all waste, and the program covers both ship and onshore organizations.

Since 2009, Solstad Green Operations has been the Company's environmental program that aims to save the environment from CO2 emissions through reduced fuel consumption. About 18,000 Green Operations were performed in 2019 alone, resulting in 34,500 tons of fuel saved which prevented release of 108,000 tons of CO2 emissions into the atmosphere.

The Company's Corporate Social Responsibility report (CSR) is available on [www.solstad.com](http://www.solstad.com).



The working environment, onshore as well as onboard the ships, is considered satisfactory. Sick leave for the Company was 5,3% in 2019, down from 5,6% in 2020.

The Group administration consists of 241 men (58%) and 152 women (42%). Out of a total of 3,406 marine crew at year-end, only 152 were women.

The Group has focus on diversity and strives to create equal opportunities for all employees, regardless of their ethnic background, nationality, descent, colour, language, religion, lifestyle or gender. The Group will select and appoint the most suitable person for a position based on their attitude, skills and qualifications.

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. ENVIRONMENTAL SOCIAL GOVERNANCE

Solstad has over a period of 10 years focused on digitalization and quantification of its environmental impact. This enables Solstad to better understand the challenges and potential in implementation of more sustainable solutions. Going forward this will be further developed to ensure our key baselines and targets are clearly defined and measured.

Solstad assesses environmental, social and corporate governance issues in its business decisions, ownership practices and financial reporting. Solstad's governance and management are based on the Company's vision and values. The Company is listed on the Oslo Stock Exchange and comply 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 Company adheres to the Norwegian Code of Practice for Corporate Governance dated 17th October 2018. More information on corporate governance is given in the separate chapter regarding Corporate Governance in the annual report and on [www.solstad.com](http://www.solstad.com).

Sustainable Operations at Solstad is about integrating sustainability into our business activities and product lines within our core areas of operations. Together with employees, clients, suppliers and partners Solstad aims to adapt to a more sustainable future. The company is constantly facing global challenges, in relation to our business it means that we need to work with environmental, social and governance (ESG) issues in all relevant fields. We also engage our stakeholders by providing information about relevant energy efficiency improvement projects.

Going forward the UN Sustainable Development Goals (SDG) will be actively used by the company to align Solstad's commitments to these principles throughout its operations. The company has evaluated and selected 3 main SDGs that will be important for the company to follow up: SDG number 8 – Decent Work and Economic Growth, number 13 – Climate Action and number 14 – Life below Water.

The company acknowledges that sustainability is a vital prereq-

uisite for Solstad to be a profitable and responsible player in the industry and society at large. With an aim to continue increasing transparency, the company therefore issues and publishes environmental and other related reports according to sustainability guidelines and standards.

Solstad participates actively in various working groups to identify, promote, finance and develop/utilize technologies that enables the shipping business to become more sustainable.

### Materiality assessment

The company has started the process of identifying, refining, and assessing environmental, social and governance issues that could affect the company's business, and/or stakeholders. More information about this will be published on the company's website going forward.

ESG focus areas for 2020:

- Implementation of UN's Sustainable Development goals
- Materiality assessment
- Sustainability reporting
- Establish projects enhancing sustainability
- Cyber security and data protection
- Transparency

### Environment

The high carbon intensity nature of shipping applies also to Solstad. The estimated climate gas emissions CO<sub>2</sub> for 2019 is 785,569t or about 207 tons per employee.

Solstad Green Operations™ is the Company's environmental program that ensure major emission reductions to the environment through reduced fuel consumption. This program was invented by Solstad and has been ongoing since 2009. About 18,000 'Green Operations' were performed in 2019, resulting in 34,500 tons of fuel saved which prevented release of 108,000 tons of CO<sub>2</sub> emissions into the atmosphere.

The fleet had 113 liters of emissions of various types of oil products to sea in 2019. The Company has a program for sorting and reporting of all waste, and the program covers both ship and onshore organizations.

### Working environment

The Company takes part in recruitment and training of cadets/trainees and participates in measures towards encouraging young people to involve in maritime education. As SDG number 8 - Decent Work and Economic Growth has become one of our top priorities we need to explore new economic growth models for sustainable development and decent work.

## 10. MARKET OUTLOOK

When entering 2020, there were expectations of a gradually higher activity level in 2020 compared to 2019. That was based on an oil-price at a stable, high level and the E&P budgets published by the oil companies.

During March 2020 the oil prices suddenly dropped significantly because of the Covid-19 pandemic and the "trade-war" between certain oil producing countries. Consequently, most oil companies announced a revision of their activity plans for 2020, lead-

ing to a significant reduction in their activity with immediate effect.

It is now a great uncertainty how the markets will develop. There are reasons to believe that the activity in general will be significantly reduced, but short term activity linked to oil & gas production will be less affected than activity linked to exploration and maintenance.

Within the Renewable energy sectors, the activity continues to grow. Not only in Europe, but also in other areas, and particularly Asia.

## 11. RISK

The 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 and the current downturn that the Company experience now, 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.

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. The market has further deteriorated with the impact of COVID-19 virus and

declining oil prices in all regions where the Group operates and has negatively impacted the earnings and utilisation of the Group's fleet. A continuing weak market will impact future earnings and utilisation of the Group's fleet going forward. Also, the counter-party risk has increased, and contracts may be cancelled or not renewed if a sustained challenging market situation continues. The Company continually evaluates measures to reduce risk exposure as mentioned above.

In addition the world has experienced a serious and rapid spread of COVID-19. The World Health Organization (WHO) has declared the situation and the virus a pandemic. This virus outbreak affects a significant number of people, and it also affects businesses and economies worldwide. A recession scenario is plausible, but the long-term global and national impacts on industries, economic activity, oil prices and financial markets are hard to predict given the current situation. The challenging times and uncertain market conditions will impact the coming quarters, and this is part of Solstad's ongoing risk assessment going forward.

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.

The Group is in a challenging financial position and has imple-



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mented 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 has entered into a Restructuring Implementation Agreement with a view to strengthen its financial situation (see also section 7 (Restructuring Process) and section 13 (Going Concern)).

## 12. FINANCE – PARENT COMPANY

The result for Solstad Offshore ASA in 2019 was MNOK -744 (MNOK 4,357 in 2018). Net financial result of MNOK -720 (MNOK 4,360 in 2018) is mainly due to impairment of shares in subsidiaries of MNOK 611 (MNOK 3,951 in 2018). Operating result was of MNOK -24 (MNOK -3 in 2018).

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 -744 (MNOK 0 in 2018). The long-term liabilities at the same date was MNOK 1,371 (MNOK 1,274 in 2018), of which MNOK 1,142 in bond loan.

## 13. 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. On 8 May 2020, the Company entered into a Restructuring Implementation Agreement to strengthen its financial situation (see section 7 above), and the going concern assumption is based on the board's view that the Restructuring Implementation Agreement has a reasonable prospect of being implemented. If the Restructuring Implementation Agreement is not implemented, 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. Based on the information above the Board of Directors would like to emphasize that there is material uncertainty related to the going concern assumption. For further information, please see Note 1, Note 2, Note 4 and Note 28.

## 14. SUBSEQUENT EVENTS

### Restructuring Implementation Agreement

On 8 May 2020, Solstad signed a Restructuring Implementation Agreement (the "RIA") for a restructuring of the Group (the "Restructuring") with a majority of the Restructuring's key stakeholders, including all of its secured finance providers except for three financial providers in the Solship Invest 3 AS and Farstad Shipping AS silos.

The key elements of the Restructuring as contemplated by the RIA are as follows:

1. Debt in an amount equivalent to approximately 10,9 billion (based on fixed foreign exchange rates) will be converted into equity.
2. The Group's fleet will be refocused, and 37 vessels of the older

and less sophisticated vessels are envisaged to be sold or scrapped over a period of time. The long-term business of the Group will be based on a core fleet of approximately 90 vessels.

3. The Group's financial and company structure will be simplified. Apart from certain ring-fenced structures, surviving secured debt of the Group will be included in a fleet loan maturing after four years. The fleet loan will be made available in NOK and USD. At prevailing foreign exchange rates, the consolidated surviving debt of the Group will be in an amount equivalent to approximately NOK 9,058 million and USD 886 million.

4. A part of the new fleet loan in an amount equivalent to approximately NOK 0,9 billion, will be secured by the non-core vessels that are likely to be sold or scrapped within a limited period of time following completion of the Restructuring. The net proceeds from such sales will be used to repay the relevant part of the fleet loan, and any remaining amount will subsequently be converted into equity at the same conversion rate as the debt being converted into equity at completion of the restructuring.

5. The SOFF 04 bonds will receive a fee of NOK 50 million financed by new equity, and the residual claim will be converted to equity in the Company.

6. The bondholders in Solship Invest 1 AS will be repaid an amount equal to Solship Invest 1 AS' corporate cash (which amounts to approximately NOK 26 million). The residual claim will be converted to equity in the Company.

7. Leasing agreements for five vessels owned by subsidiaries of SFL Corp Ltd. is terminated. The relevant lessors will receive a fee of NOK 10 million, and the residual claim will be converted into shares in the Company.

8. Leasing agreements for two vessels owned by a subsidiary of Ocean Yield ASA, F Shiplease AS will be replaced by new lease agreements on amended terms. Claims under the existing lease agreements will be converted into shares in the Company. The charter rate payable under the new lease agreements shall be a reference rate equal to the average per vessel EBITDA in a pool of seven similar vessels. F-Shiplease AS will carry all upside/downside from the operation of its vessels during the charter period.

9. SOFF will issue shares and convertible loans in consideration for cash (to represent up to approximately 36% of the shares of Company upon completion of the restructuring) in an amount of up to approximately NOK 72,5 million.

10. Following completion of the Restructuring, the existing shares in SOFF will represent approximately 0.4% of the shares in the SOFF.

The effectiveness of the RIA is conditional on credit committee approvals with the Senior Finance Parties, to be obtained within 29 May 2020 or such later date as may be agreed with the Company. The implementation of the Restructuring is further



subject to the approval of the general meeting of the Company and relevant bondholders' meetings, agreement on long form documentation with relevant stakeholders and related customary condition precedent documentation.

The closing of the Restructuring is expected to take place in July 2020, however the RIA has a long stop date which can be extended to 8 November 2020 if more time is required.

Some creditors in subsidiaries of Farstad Shipping AS and Solship Invest 3 AS have not yet acceded to the RIA. The inclusion in the restructuring of these companies and their debtors in the Group remains subject to further negotiations between the stakeholders. The Company expects that the Restructuring can be consummated in all material respect even if these creditors ultimately decide not to accede to the RIA.

All liabilities towards the financial creditors will be subject to standstill provisions in the period leading up to the closing (or termination, if relevant) of the Restructuring. Until the Restructuring is implemented, the Group continues its unilateral standstill towards certain creditors.

#### Other subsequent events

Saipem Portugal Comercio Maritimo Ltd has exercised the purchase option for the DLB Norce Endeavour, and the delivery of the barge took place in April 2020.

The vessel former named Normand Skude owned by a subsidiary Group company Sofo Skude AS was sold to a third party in May 2020. All debt relating to the vessel has been repaid in full. There will be no material accounting effect from this transaction.

There is a potential risk connected to the impact of COVID-19

virus and the effect this will have on the global market where the Group is operating. This might affect the Group's financial performance as a consequence of both internal and external factors that could present possible challenges in the period of time. The Group has so far been able to continue normal operations of its vessels even if crew changes has become difficult due to COVID-19. There is an increased risk in the sector of delays in execution of offshore projects as a result of COVID-19. It could be expected that both COVID19 and the oil price development will have a negative effect on the Group. Currently there are limited information available to provide clear data for calculating any estimates on financial exposure. The Group will continuously monitor financial exposure, taking measure to mitigate the risks and ensure timely recognition of all relevant estimates in financial reporting.

## 15. ALLOCATION OF LOSS

The Board proposed that the following distribution is made:

Transfer from retained profits	NOK	744,244,818
Net applied/transferred	NOK	744,244,818

## 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 2019 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, May 27, 2020



Harald Espedal  
Chairman



Toril Eidesvik  
Director



Frank O. Reite  
Director



Merete Haugli  
Director



Harald Thorstein  
Director



Lars Peder Solstad  
CEO

# CORPORATE GOVERNANCE

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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 of 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 and renewable energy. The Company's Articles are available online at [www.solstad.com](http://www.solstad.com). More details about the Company's objective and strategy are set out in the 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 2019, the Company's equity amounted to MNOK -3,835. In a longer perspective, the Company aims 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 2019 or for the coming years.

On the General Meeting, held on 6th June 2019, no authorization was given to the Board of Directors in respect of increasing of the share capital.

## Equal treatment of shareholders and transactions with close associates

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

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

During 2019 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 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 is in line with comparable Companies in the industry. 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.

### **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	2019	2018
Freight income	3,27	5,016,387	4,673,356
Other operating income	3	228,495	236,739
<b>Total operating income</b>		<b>5,244,881</b>	<b>4,910,095</b>
Personnel costs	9,18	-2,096,165	-2,182,039
Administrative expenses		-417,962	-481,791
Operating lease vessels		-	-154,014
Other operating expenses	9	-1,456,916	-1,670,036
<b>Total operating costs</b>		<b>-3,971,043</b>	<b>-4,487,880</b>
<b>Operating result before depreciation and impairment</b>		<b>1,273,838</b>	<b>422,215</b>
Ordinary depreciation	6	-1,185,595	-1,150,680
Depreciation capitalised periodic maintenance	6	-260,921	-285,403
Impairment fixed assets	6	-1,031,902	-2,896,000
Net gain/ loss on sale of assets	2,6	12,784	-63,199
Income from investment in joint ventures	12	-44,787	-13,906
<b>Operating result</b>		<b>-1,236,585</b>	<b>-3,986,972</b>
Income from investment in associated companies	12	40,766	35,185
Interest income		14,827	12,271
Other financial income		56,809	13,422
Interest charges		-1,644,510	-1,454,854
Other finance costs		-202,052	-460,917
<b>Net financial items</b>	<b>8</b>	<b>-1,734,160</b>	<b>-1,854,893</b>
<b>Ordinary result before taxes</b>		<b>-2,970,745</b>	<b>-5,841,865</b>
Tax on ordinary result	17	-158,549	-45,865
<b>Net result</b>		<b>-3,129,294</b>	<b>-5,887,730</b>
Comprehensive income:			
Translation adjustments foreign currency		54,087	100,716
Net gain on financial assets at fair value		-	549
<b>Comprehensive income that may be reclassified in subsequent periods</b>		<b>54,087</b>	<b>101,265</b>
Actuarial gain/ (loss)	18	42,165	10,096
<b>Comprehensive income that may not be reclassified in subsequent periods</b>		<b>42,165</b>	<b>10,096</b>
<b>Comprehensive income</b>		<b>-3,033,042</b>	<b>-5,776,370</b>
Net result attributable to:			
Non-controlling interests		264	-29,536
Equity holders of the parent		-3,129,558	-5,858,195
Comprehensive income attributable to:			
Non-controlling interests		264	-29,536
Equity holders of the parent		-3,033,306	-5,746,834
Earnings per share (NOK)	15	-10.73	-20.20

# STATEMENT OF FINANCIAL POSITION

GROUP (NOK 1,000)	NOTES	31.12.19	31.12.18
<b>ASSETS:</b>			
<b>Long-term assets:</b>			
<b>Intangible fixed assets:</b>			
Deferred tax asset	17	-	1,968
Contracts	27	69,961	208,422
<b>Total intangible fixed assets</b>		<b>69,961</b>	<b>210,390</b>
<b>Long-term fixed assets:</b>			
Vessels and new build contracts	2,6	21,824,314	26,803,637
Right-of-use-assets	7,28	3,771,906	-
Capitalized periodic maintenance	6	666,179	579,100
Other tangible fixed assets	6	111,144	133,342
<b>Total long-term fixed assets</b>		<b>26,373,544</b>	<b>27,516,079</b>
<b>Financial assets:</b>			
Investment in joint ventures	12	92,559	135,992
Loans to associated companies and joint ventures	16	47,161	43,879
Investments in associated companies	12	293,846	510,157
Investments in shares	12	5,769	5,969
Other financial assets	4	-	1,843
Other long-term receivables	22	120,223	174,992
<b>Total financial assets</b>		<b>559,558</b>	<b>872,833</b>
<b>Total long-term assets</b>		<b>27,003,062</b>	<b>28,599,301</b>
<b>Current assets:</b>			
Inventory	24	177,226	170,186
<b>Receivables:</b>			
Account receivables	4,23	889,032	926,813
Other short-term receivables	23	621,546	555,046
<b>Total receivables</b>		<b>1,510,577</b>	<b>1,481,859</b>
<b>Investments:</b>			
Market based shares	12	8,215	11,907
Bank deposits and cash equivalents	19	1,134,028	1,351,346
<b>Total current assets</b>		<b>2,830,046</b>	<b>3,015,298</b>
<b>TOTAL ASSETS</b>		<b>29,833,108</b>	<b>31,614,599</b>



# STATEMENT OF FINANCIAL POSITION

GROUP (NOK 1,000)	NOTES	31.12.19	31.12.18
<b>EQUITY AND LIABILITIES:</b>			
<b>Equity:</b>			
<b>Paid-in equity:</b>			
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
<b>Total paid-in equity</b>		<b>4,602,782</b>	<b>4,602,782</b>
<b>Retained earnings:</b>			
Other equity		-8,440,894	-5,455,881
<b>Total retained equity</b>		<b>-8,440,894</b>	<b>-5,455,881</b>
Non-controlling interests		2,691	2,427
<b>Total equity</b>		<b>-3,835,420</b>	<b>-850,672</b>
<b>Liabilities:</b>			
<b>Long-term provisions:</b>			
Deferred tax	17	16,637	-
Deferred income	27	34,710	32,843
Pension obligations	18	26,591	119,428
Other financial liabilities	4	-	454,194
<b>Total long-term provisions</b>		<b>77,939</b>	<b>606,464</b>
<b>Other long-term liabilities:</b>			
Other long-term liabilities	4,5	12,172	97,779
Interest bearing liabilities	4,5	685,031	1,081,101
Leasing obligations	4,5	3,799,298	3,010,550
<b>Total long-term liabilities</b>		<b>4,496,501</b>	<b>4,189,430</b>
<b>Current liabilities:</b>			
Accounts payable		339,227	97,403
Taxes payable	17	187,196	77,502
Other current financial liabilities	4	170,211	282,807
Other current liabilities	25	764,927	1,322,943
Current interest bearing liabilities	4,5	27,147,543	25,888,722
Current leasing obligations	4,5	484,985	-
<b>Total current liabilities</b>		<b>29,094,089</b>	<b>27,669,377</b>
<b>Total liabilities</b>		<b>33,668,529</b>	<b>32,465,271</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>29,833,108</b>	<b>31,614,599</b>

Skudeneshavn, May 27, 2020



Harald Espedal  
Chairman



Toril Eidesvik  
Director



Frank O. Reite  
Director



Merete Haugli  
Director



Harald Thorstein  
Director



Lars Peder Solstad  
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
<b>Equity 31.12.2018</b>		583,065	-281	3,698,350	321,648	347,172	-5,803,053	-853,099	2,427	-850,672
IFRS 16 implementation effect	7	-	-	-	-	-	37,269	37,269	-	37,269
<b>Equity 01.01.2019</b>		583,065	-281	3,698,350	321,648	347,172	-5,765,784	-815,830	2,427	-813,403
Annual result		-	-	-	-	-	-3,129,558	-3,129,558	264	-3,129,294
Actuarial gain/loss (-)		-	-	-	-	-	42,165	42,165	-	42,165
Translation adjustments		-	-	-	-	54,087	-	54,087	-	54,087
<b>Comprehensive income</b>		-	-	-	-	54,087	-3,087,393	-3,033,306	264	-3,033,042
Other adjustments		-	-	-	-	-	11,025	11,025	-	11,025
<b>Equity 31.12.2019</b>		583,065	-281	3,698,350	321,648	401,259	-8,842,152	-3,838,111	2,691	-3,835,420

<b>Equity 31.12.2017</b>		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
<b>Equity 01.01.2018</b>		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	12	-	-	-	-	549	-	549	-	549
<b>Comprehensive income</b>		-	-	-	-	101,265	-5,848,099	-5,746,834	-29,536	-5,776,370
Other adjustments		-	-	-	-	-	6,907	6,907	-	6,907
<b>Equity 31.12.2018</b>		583,065	-281	3,698,350	321,648	347,172	-5,803,053	-853,099	2,427	-850,672

# STATEMENT OF CASH FLOW

1.1 - 31.12

(NOK 1,000)	Note	2019	2018
<b>CASH FLOW FROM OPERATIONS:</b>			
Result before tax		-2,970,745	-5,841,865
Taxes paid	17	-35,634	-27,151
Ordinary depreciation and write downs	6	2,478,419	4,332,083
Loss/ gain long-term assets		50,276	38,577
Interest income	8	-14,827	-12,271
Interest expense	8	1,644,510	1,454,854
Effect of change in pension assets	18	-38,304	-13,889
Change in value of financial instruments		-107,062	-390
Unrealised currency gain/loss		125,283	352,709
Change in short-term receivables/payables		272,565	-147,482
Change in other accruals		-394,414	1,110,334
<b>Net cash flow from operations</b>		<b>1,010,067</b>	<b>1,245,508</b>
<b>CASH FLOW FROM INVESTMENTS:</b>			
Investment in tangible fixed assets	6	-48,471	-65,745
Payment of periodic maintenance	6	-363,662	-288,754
Sale of fixed assets		73,640	195,649
Payment of long-term receivables		28,429	-143,595
Interests received	8	8,505	10,293
Investments in other shares/ interests			-71,116
Realized shares and interests			20,648
<b>Net cash flow from investments</b>		<b>-301,559</b>	<b>-342,620</b>
<b>CASH FLOW FROM FINANCING:</b>			
Leases paid	7	-490,706	-
Interests paid	8	-165,790	-1,283,723
Long-term debt	5	972,972	1,052,566
Repayment of long-term debt	5	-1,244,816	-1,215,839
<b>Net cash flow from financing</b>		<b>-928,340</b>	<b>-1,446,997</b>
Effect of changes in foreign exchange rates		2,514	19,973
Net change in cash and cash equivalents		-219,832	-544,109
Cash and cash equivalents at 01.01		1,351,346	1,875,482
<b>Cash and cash equivalents at 31.12</b>	<b>4</b>	<b>1,134,028</b>	<b>1,351,346</b>

# 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 former listed companies Rem Offshore, Deep Sea Supply, Farstad Shipping and Solstad Offshore. The financial statements were approved by the Board of Directors on May 27, 2020, 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. On 8 May 2020, the Company entered into a Restructuring Implementation Agreement to strengthen its financial situation, and the going concern assumption is based on the board's view that the Restructuring Implementation Agreement has a reasonable prospect of being implemented. If the Restructuring Implementation Agreement is not implemented, 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. Based on the information above the Board of Directors would like to emphasize that there is material uncertainty related to the going concern assumption. For further information, see Note 1, Note 2, Note 4 and Note 28.

### Changes in accounting principles

The following new IFRS's are adopted with effect from January 1, 2019:

**IFRS 16 Leases** replace former 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 previous policies. For the lessor IFRS 16 continues essentially all former 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 adopted IFRS 16 from 1 January 2019 using the modified retrospective method.

In addition to increased disclosures, the balance sheet was be affected by an increase of Total assets by MNOK 864 and Total liabilities by MNOK 827 as per 1.1.2019. The effect on Equity was MNOK 37. For further details relating to the implementation, please refer to Note 7.

**Approved IFRS and IFRIC interpretations not yet implemented**  
The new accounting standards and interpretations listed below have been issued, but are not yet mandatory. The Company has not early adopted these amendments. The Company does not expect the changes to have material effect on the Groups Consolidated Financial Statements.

- Amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period.
- Amendments to IFRS 3 – definition of a business.
- Amendments to IFRS 9 and IFRS 7 – Interest rate benchmark reform.

### 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

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recognized at fair value in the consolidated accounts at the acquisition 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

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## *Impairment of financial assets*

For trade, lease and other receivables, finance lease and other non-current 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 or 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.

## *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 held 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 31.12.18	11.121	8.688	9.948	2.238	6.133
Per 31.12.19	11.594	8.780	9.864	2.184	6.167

## **Segment information**

The Group's operations are divided into the following two segments:

- Anchor Handling-(AHTS) and Platform Supply vessels (PSV)
- Construction Service vessels (CSV)

Any other activities, including vessels under construction, are included in a separate segment. Overhead costs are apportioned between the segments based on the share of 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



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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 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**

### *Right-of-use-assets*

Right-of-use-assets are recognized at cost, less depreciation and impairment losses at the commencement of the lease. The cost of the assets includes the recognized lease liabilities,

initial direct costs, and lease payments made prior to commencement. Straight-line depreciations for the duration of the lease are used, unless the Company is reasonably certain to obtain ownership of the vessel at the end of the leasing period. The assets are subject to impairment under the same principles as other assets.

### *Lease liabilities*

Lease liabilities are recognized at the commencement of the lease measured at the present value of lease payments over the lease period. The lease payments includes both fixed and variable lease payments. If a purchase option is likely to be exercised, the option price is included. Variable lease payments that do not depend on an index are recognized as expense in the period when the payment trigger occurs.

When calculating present value of the lease the incremental borrowing rate at the beginning of the lease is used, if the implicit rate is unavailable. Subsequently, the amount of the lease liability is increased to reflect the accretion of interest and reduced for lease payments made. The liability is remeasured if modifications or changes to the lease terms occur.

### *Contracts with renewal options*

The Company determines the lease term as the non-cancellable part of the lease. In addition any periods covered by an option for extended lease that is reasonably certain to be exercised are included.

### *Operating leases*

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 accu-

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rately 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 combinations are classified as intangible 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 (22%).

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 born before 1970 and administrative personnel hired before 1.1.2007. All other personnel have contribution plan, 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.

## 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.

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## 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.

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 2019:

The Group have since Q3 2018 worked with their creditors towards a consensual financial restructuring. In third quarter the Group entered into an agreement with the majority of financial creditors to suspend and defer payments of principal and interest extended until March 31th, 2020. Further reference is made to Note 28 Subsequent event.

The Group sold the PSV Lady Melinda in the first quarter. The vessel were delivered to new owner in the second quarter. Further, the PSV Far Star and the AHTS Far Saltire were sold and delivered to new owner in the third quarter. The PSV Far Swift were sold and delivered to to new owner in the fourth quarter.

In the fourth quarter the Group entered into an agreement to sell its remaining shares (approx. 20%) in part owned DESS Aquaculture Shipping AS (DESS Aqua) to a company affiliated with Hemen Holding Ltd.

### 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 Stroat, 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 installments, 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 MUS\$ 48. The financial restructuring also included a MUS\$ 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.



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

### OPERATING INCOME:

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 earned 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, insurance 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	2019	2018
Service element from contracts with day rate	2,050,887	1,879,289
Management fees	27,616	17,667
Victualling	116,828	108,576
Project management	4,253	35,457
Other	79,798	75,039
<b>Revenue from contracts with customers</b>	<b>2,279,381</b>	<b>2,116,028</b>
Lease element from contracts with day rate	2,965,500	2,794,067
<b>Total operating income</b>	<b>5,244,881</b>	<b>4,910,095</b>
<b>Contract balances</b>		
Trade receivables from charters (Note 4)	889,032	926,813
Contract assets	-	-
Contract liabilities (Note 27)	34,710	32,843

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 2019 that was included in the contract liability balance at the beginning of the year amounts to MNOK 0 (MNOK 30.2 in 2018).

EBITDA	2019	2018
Operating result before depreciations	1,273,838	422,215
Excess values charter parties from mergers	138,461	198,470
Operating leases	-	154,014
<b>EBITDA</b>	<b>1,412,300</b>	<b>774,698</b>
Onerous contracts	-	193,125
Accrued loss on Accounts Receivable	2,416	36,800
<b>EBITDA - adjusted</b>	<b>1,414,716</b>	<b>1,004,623</b>

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## OPERATING LEASE:

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

	31.12.2019		31.12.2018	
	Minimum payment	Present value minimum payment	Minimum payment	Present value minimum payment
Next year	3,832,507	3,739,032	3,186,159	3,108,448
Next 2-5 years	4,324,938	4,030,104	3,810,539	3,545,500
Over 5 years	-	-	367,620	316,998
Finance cost	-	388,309	-	393,373
<b>Total minimum lease payment</b>	<b>8,157,445</b>	<b>8,157,445</b>	<b>7,364,319</b>	<b>7,364,319</b>

## REPORTING BY SEGMENTS AND GEOGRAPHICAL MARKETS:

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

The operations were in 2019 divided into two 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 and Platform Supply Vessels (PSV) delivering services relating to transportation of material to offshore installations.
- Construction Service Vessels (CSV) delivering services relating to development of both sub sea and floating installations.

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	2019	2018	2019	2018
Revenue from contracts with customers	1,375,513	1,224,531	903,869	891,497
Lease element from contracts with day rate	1,421,959	1,324,388	1,543,541	1,469,679
<b>Total operating income</b>	<b>2,797,472</b>	<b>2,548,918</b>	<b>2,447,410</b>	<b>2,361,176</b>
Crew expenses	1,520,215	1,523,867	748,245	809,823
Other expenses	911,511	1,279,921	646,443	755,254
<b>Total operating expenses</b>	<b>2,431,726</b>	<b>2,803,788</b>	<b>1,394,688</b>	<b>1,565,077</b>
<b>Bunkers</b>	<b>78,283</b>	<b>86,178</b>	<b>66,346</b>	<b>32,838</b>
<b>Operating result before depreciation and impairment</b>	<b>287,463</b>	<b>-341,047</b>	<b>986,375</b>	<b>763,262</b>
<b>Assets and liabilities</b>				
Fixed assets	13,186,125	13,543,270	12,825,677	13,842,010
Investments in associated companies			386,405	646,149
<b>Total assets</b>	<b>13,186,125</b>	<b>13,543,270</b>	<b>13,212,082</b>	<b>14,488,160</b>
Segment liabilities	16,620,598	15,929,580	11,942,004	12,163,121
<b>Total liabilities</b>	<b>16,620,598</b>	<b>15,929,580</b>	<b>11,942,004</b>	<b>12,163,121</b>
<b>Other segment information</b>				
Investment in tangible fixed assets	35,647	52,066	10,922	4,080
Addition of periodic maintenance	237,331	200,379	137,202	88,375
Translation adjustment	49,260	251,428	55,228	271,070
Depreciations and write-downs (1)	1,221,670	2,911,615	1,204,112	1,399,283

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	Total	
Revenue, opex and result	2019	2018
Revenue from contracts with customers	2,279,381	2,116,028
Lease element from contracts with day rate	2,965,500	2,794,067
<b>Total operating income</b>	<b>5,244,881</b>	<b>4,910,095</b>
Crew expenses	2,268,460	2,333,690
Other expenses	1,557,954	2,035,175
<b>Total operating expenses</b>	<b>3,826,414</b>	<b>4,368,864</b>
Bunkers	144,629	119,016
Operating result before depreciation and impairment	1,273,838	422,215
<b>Assets and liabilities</b>		
Fixed assets	26,011,803	27,385,281
Investments in associated companies	386,405	646,149
Unallocated assets	3,434,901	3,583,169
<b>Total assets</b>	<b>29,833,109</b>	<b>31,614,599</b>
Segment liabilities	28,562,602	28,092,701
Unallocated liabilities	5,105,926	4,372,571
<b>Total liabilities</b>	<b>33,668,529</b>	<b>32,465,271</b>
<b>Other segment information</b>		
Net investment in tangible fixed assets	46,568	56,145
Net addition of periodic maintenance	374,533	288,755
Translation adjustment	104,488	522,498
Depreciations and write-downs (1)	2,425,782	4,310,899

(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.

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

		2019		2018
North Sea	45 %	2,266,470	42 %	1,964,369
North- and Central America	3 %	161,700	2 %	111,625
Mediterranean/remaining part of Europe	18 %	913,509	6 %	271,345
Africa	4 %	208,349	12 %	564,332
South America	15 %	736,903	16 %	749,236
Australia	9 %	447,948	2 %	89,770
Asia	6 %	281,506	20 %	922,678
<b>Total</b>	<b>100 %</b>	<b>5,016,387</b>	<b>100 %</b>	<b>4,673,356</b>

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.

# NOTES

## 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 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. Given its current financial position, the Group has limited 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. May 8, 2020 the Company signed a Restructuring Implementation Agreement. Reference is made to Note 28 for further information.

### CREDIT RISK:

Due to the downturn in the business the Group's exposure to losses on trade and lease 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.

The following table shows the ageing trade and lease receivables:

per 31.12.2019	Not yet due	0 - 1 month over due	1- 3 months over due	Older than 3 months	Total
Trade and lease receivable	665,973	109,256	72,519	41,284	889,032

The top 10 customers amount to 50% of total trade accounts receivable.

The Group had one customer with more than 10% of total revenue in 2019 amounted to MNOK 615 mainly in the CSV-segment.

per 31.12.2018	Not yet due	0 - 1 month over due	1- 3 months over due	Older than 3 months	Total
Trade and lease 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.

An accrual of MNOK 67,9 is booked relating to bad debt at 31.12.2019. As per 31.12.2018 the accrual was MNOK 67,3.

### 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 31.12.2019, the Group has one fixed-interest swap of MNOK 180 with maturity 27.07.2020. In addition, several of the Group's loan agreements consist of fixed interest rates through CIRR financing, representing approximately 18% of the Group debt with maturities up to some 11 years. The remaining debt has floating interest rates. Per 31.12.2019 interest swaps have an overall negative value of about MNOK 1,6 (negative MNOK 4.6 in 2018).

As of 31.12.2019, the Group have two currency swaps that had an original maturity on the 16.12.2019. These are extended under the respective standstill-agreements. The currency swaps have a negative value of MNOK 168 as of 31.12.2019 (negative MNOK 133 in 2018).



# NOTES

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	2019	+ / - 322,766
+ / - 100	2018	+ / - 269,581

## 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 through 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%	2019	+ / - 498,778
+ / - 10%	2018	+ / - 482,151
Change in USD		Effect
+ / - 10%	2019	+ / - 255,389
+ / - 10%	2018	+ / - 262,074
Change in GBP		Effect
+ / - 10%	2019	+ / - 88,149
+ / - 10%	2018	+ / - 56,844
Change in AUD		Effect
+ / - 10%	2019	+ / - 49,591
+ / - 10%	2018	+ / - 61,033
Change in EUR		Effect
+ / - 10%	2019	+ / - 31,884
+ / - 10%	2018	+ / - 35,790
Change in BRL		Effect
+ / - 10%	2019	+ / - 73,764
+ / - 10%	2018	+ / - 66,410

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

## 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 is currently in a severe downturn, which has major impact on cash reserves. The Group monitors its available cash through a continued evaluation of its liquidity position combined with a rolling medium and long term cash flow forecast of its operational activities.

In light of a challenging market situation and the difficult financial situation, the Company has been in continuous discussions with their financial creditors with a view to establish a long-term financial platform. On 8 May 2020 the Company signed a Restructuring Implementation Agreement for a restructuring of the Group.

Prior to the agreement signed on 8 May 2020 the Company had an agreement with its financial creditors (with certain exemptions) where payments under the relevant financial agreements were suspended until 8 May 2020, subject to certain milestones being met throughout the suspension period. The Company has since second half of 2018 been working together with its financial creditors to find a long-term solution to its financial challenges. The suspension agreement also gave relief for some of the financial covenants in the same period.

All liabilities towards the financial creditors will be subject to standstill provisions in the period leading up to the closing of the Restructuring. Until the Restructuring is implemented, the Group continues its unilateral standstill towards certain creditors.

# NOTES

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

	Less than 3 months	3 to 12 months	2 to 3 years	4 to 5 years	over 5 years	Total
<b>per 31.12.2019</b>						
Interest bearing loans	-107,909	3,237,372	16,437,549	5,185,054	2,930,412	27,682,478
Lease obligations	181,556	405,779	1,147,771	1,314,459	1,262,835	4,312,399
Other debt	-	-	1,957	-	10,215	12,172
Trade accounts payable	339,227	-	-	-	-	339,227
Interest payments	148,839	509,153	569,165	224,846	114,889	1,566,892
	<b>561,712</b>	<b>4,152,303</b>	<b>18,156,443</b>	<b>6,724,359</b>	<b>4,318,351</b>	<b>33,913,168</b>

	Less than 3 months	3 to 12 months	2 to 3 years	4 to 5 years	over 5 years	Total
<b>per 31.12.2018</b>						
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
	<b>362,862</b>	<b>1,897,611</b>	<b>18,992,764</b>	<b>7,447,041</b>	<b>6,184,951</b>	<b>34,885,229</b>

## 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.

	31.12.2019	31.12.2018
Total equity	-3,835,420	-850,672
Total assets	29,833,108	31,614,599
Equity ratio	-13 %	-3 %

## 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 is 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.

	Nominal value	Yearly regulation	Currency	Interest rate	Maturity	Value at 31.12.2019	Value at 31.12.2019
<b>Fixed rate contracts</b>							
Contract 1	41,624	5,705	USD	1.35 %	28.10.2020	-	1,843
Contract 2	100,000	543	NOK	1.55 %	04.12.2019	-	-186
Contract 3	250,000	2,187	NOK	1.88 %	04.12.2019	-	-1,294
Contract 4	180,000	11,581	NOK	2.78 %	27.07.2020	-1,664	-4,973
						<b>-1,664</b>	<b>-4,610</b>
<b>Interest- and currency swap contracts</b>							
NOK/USD	45,000	45,000	NOK		31.03.2020	-19,868	-19,136
NOK/USD	300,375	40,050	NOK		31.03.2020	-148,679	-114,794
						<b>-168,547</b>	<b>-133,929</b>

## FINANCING RISK:

The following table shows the total mortgage loan based on existing financing and their maturity dates as per 31.12.2019:

Loan	Drawn	Maturity interval		Interest interval		Average interest
Loan, fixed interest	7,397,582	01.04.2020	10.04.2031	2,79 %	7,92 %	5,14 %
Loan, floating interest	19,625,869	01.04.2020	07.03.2029	0,99 %	12,43 %	4,99 %
Bond loans	1,283,317	24.06.2021	09.12.2024	5,00 %	5,32 %	5,16 %

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 %

## 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	Note	2019		2018	
		Booked value	Fair value	Booked value	Fair value
Cash at bank	5,19	1,134,028	1,134,028	1,351,346	1,351,346
Investments in shares (long-term)	12	299,615	299,615	516,127	516,127
Other long-term financial investments		120,223	120,223	176,835	176,835
<b>Total financial assets</b>		<b>1,553,866</b>	<b>1,553,866</b>	<b>2,044,307</b>	<b>2,044,307</b>
Financial liabilities	Note	2019		2018	
		Booked value	Fair value	Booked value	Fair value
Mortgage loan with floating interest	5	19,151,675	18,983,128	18,462,464	18,328,534
Mortgage loan with fixed interest	5	7,397,582	7,395,918	7,219,980	7,215,370
Bond loan	5	1,283,317	85,213	1,287,379	396,088
Leasing obligation with floating interest	5	4,284,283	4,284,283	3,010,550	3,010,550
<b>Total financial liabilities</b>		<b>32,116,857</b>	<b>30,748,542</b>	<b>29,980,373</b>	<b>28,950,543</b>
<i>Hereof current part of long-term debt</i>		<i>27,632,528</i>	<i>27,462,317</i>	<i>25,888,722</i>	<i>25,753,313</i>

# 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 12 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 12 for further details.

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

	2019			2018		
Current financial assets	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Shares	8,215			11,907		
Total per level	8,215			11,907		
<b>Total all levels</b>	<b>8,215</b>			<b>11,907</b>		

Fixed interest contracts

Currency swap contracts

Total per level

Total all levels

	2019			2018		
Non current financial assets	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Shares			5,769			5,969
Total per level			5,769			5,969
<b>Total all levels</b>	<b>5,769</b>			<b>5,969</b>		

Fixed interest contracts

Interest- and currency swaps

Currency swap contracts

Total per level

Total all levels

	2019			2018		
Current financial liabilities	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Fixed interest contracts		1,664			1,479	
Onerous contracts						147,398
Debt to credit institutions		27,147,543			25,888,722	
Leasing liability		484,985				
Currency swap contracts		168,547			133,929	
Total per level		27,802,739			26,024,131	147,398
<b>Total all levels</b>	<b>27,802,739</b>			<b>26,171,529</b>		

	2019			2018		
Non current financial liabilities	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Fixed interest contracts					4,973	
Interest- and currency swaps						
Currency swap contracts						
Guarantees						21,018
Onerous contracts						340,347
Debt to credit institutions		685,031			1,081,101	
Leasing liability		3,799,298			3,010,550	
Other liabilities						
Total per level		4,484,329			4,096,625	361,364
<b>Total all levels</b>	<b>4,484,329</b>			<b>4,457,989</b>		



# NOTES

## NOTE 5 - MORTGAGE DEBT AND OTHER LIABILITIES

	2019	2018
Mortgages	685,031	1,081,101
Other liabilities	12,172	97,779
Leasing obligations	3,799,298	3,010,550
<b>Total long-term debt</b>	<b>4,496,501</b>	<b>4,189,432</b>
Short-term portion of long-term debt (1st year instalment)	27,632,528	25,888,722

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, 2019. 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 March 31, 2020, subsequently prolonged to May 8, 2020, and further until the Restructuring is implemented. 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, 2019. 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. Reference to note 28 for further details.

Book value of pledged assets:	2019	2018
Account receivables	889,032	926,813
Vessels	22,490,494	24,294,566
<b>Total booked value</b>	<b>23,379,525</b>	<b>25,221,379</b>

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

The Group's debt has the following allocation as at December 31, 2019; NOK 43%, USD 52%, GBP 3% and AUD 2%. The corresponding allocation for 2018 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.

Each of 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 have been temporarily waived until the expiration of current standstill agreement 31.03.2020, and further until the Restructuring is implemented, reference to note 28.

**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 have been temporarily waived until the expiration of current standstill agreement 31.03.2020, and further until the Restructuring is implemented, reference to note 28.

**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 have been temporarily waived until the expiration of current standstill agreement 31.03.2020, and further until the Restructuring is implemented, reference to note 28.

**Solship Invest 1 Silo**

Solship Invest 1 AS: Minimum liquidity covenant NOK 4 million

Rem Ship AS: Minimum liquidity covenant NOK 50 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 1 million

SOFO Tonjer AS: Minimum liquidity covenant NOK 4 million (no waiver required implemented)

The Solship Invest 1 Silo are in compliance with the above covenants as per 31.12.2019. The prevailing covenants have been reduced or waived until the expiry of the current standstill agreement 31.03.2020, and further until the Restructuring is implemented, reference to note 28.

**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 20MNOK

The above covenants have been temporarily waived until the expiration of current standstill agreement 31.03.2020, and further until the Restructuring is implemented, reference to note 28.

**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 have been temporarily waived until the expiration of current standstill agreement 31.03.2020, and further until the Restructuring is implemented, reference to note 28.

# NOTES

<b>Borrowing cost and interest relief:</b>	2019	2018
Capitalized borrowing cost	75,613	116,668
Capitalized interest relief	93,372	147,756

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

## Other long-term liabilities:

Other long-term liabilities of NOK 12 million (NOK 98 million in 2018) are mainly loan from minority interests (and accrued bareboat in 2018).

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

Solstad Offshore ASA	12,572	- for financing of vessels and bare-boat rental of vessels
Solship Invest 1 AS	-	- no issued guarantees
Farstad Shipping AS	8,921	- for financing of vessels and bare-boat rental of vessels
Solship Invest 3 AS	5,661	- for financing of vessels and bare-boat rental of vessels

## Changes in liabilities from financing activities

	31 December		1 January				31 December
	2018	IFRS 16	2019	Cash flows	Other		2019
Current interest bearing liabilities	25,888,722	-	25,888,722	-271,844	2,015,650		27,632,528
Non-current interest bearing liabilities	4,091,651	1,416,710	5,508,361	-	-1,024,032		4,484,329
<b>Total liabilities from financing activities</b>	<b>29,980,373</b>	<b>1,416,710</b>	<b>31,397,083</b>	<b>-271,844</b>	<b>991,618</b>		<b>32,116,857</b>

	1 January		Non-cash				31 December
	2018	Cash flows	movements		Other		2018
Current interest bearing liabilities	650,449	-163,273	25,378,520		185,973		25,888,722
Non-current interest bearing liabilities	28,189,996	-	-25,378,520		1,117,229		4,091,651
<b>Total liabilities from financing activities</b>	<b>28,840,444</b>	<b>-163,273</b>	<b>-</b>		<b>1,303,202</b>		<b>29,980,373</b>

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

# NOTES

## NOTE 6 - TANGIBLE FIXED ASSETS

	Vessel	Fixtures	Total
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
Cost price transferred to Right-of-use assets	-3,574,400	-	-3,574,400
Acc. depreciation transferred to Right-of-use assets	496,110	-	496,110
Cost price 01.01.2019	35,254,349	266,826	35,521,175
Acc. depreciation/ write down 01.01.2019	-11,529,003	-133,484	-11,662,486
Book value 01.01.2019	23,725,347	133,342	23,858,688
Additions	55,007	2,944	57,951
Disposals	-204,429	-	-204,429
Disposal of acc, depreciations/ write downs	143,776	-	143,776
Translation adjustment	86,390	-1,972	84,418
Cost price 31.12.2019	35,191,317	267,797	35,459,114
Acc. depreciations/ write downs 31.12.2019	-13,367,002	-156,653	-13,523,656
Book value 31.12.2019	21,824,314	111,144	21,935,459
Depreciation current period	-954,775	-18,267	-973,043
Write down current period	-1,027,000	-4,902	-1,031,902

	Vessel	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 current period	-1,129,496	-21,186	-1,150,682
Write down current period	-2,896,000	-	-2,896,000

	2019	2018
Capitalized periodic maintenance		
Capitalized periodic maintenance at 01.01	579,100	574,177
Additions this year	362,842	288,754
Disposal this year	-	-5,406
Transfer to asset held for sale	-	-
Depreciation of planned periodic maintenance this year	-260,921	-285,403
Translation adjustment	-14,842	6,977
Capitalized periodic maintenance at 31.12	666,179	579,100

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 22,655 (MNOK 24,295 in 2018) are mortgaged for the Group's loans, see note 5.

There are no capitalized interests in 2019 or 2018.



# NOTES

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## IMPAIRMENT VALUATION OF FIXED ASSETS

Once a quarter, the Group assess whether there is any impairment indicators of the fixed assets. Indicators such as slow market recovery and declining third-party broker valuations indicate need for revaluation of the assets.

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 2020-2023, prepared in January 2020. The current market, and few sales of vessels on normal market terms, makes valuation of vessels uncertain.

## DISCOUNTING RATE

The discounting rate is based on a weighted average cost of capital (WACC) 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 %, which is a decrease from 9.3 % in 2018.

## 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 2024 to 2026 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 2026.

## 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 2020. Operating cost is adjusted for inflation by 2%. Inflation of revenue correspond to cost from 2024.

## RESIDUAL VALUES

Estimated residual values used in the value in use calculations are set using the same principle as for the ordinal 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 33 vessels were written down by MNOK 1,027 in 2019. The impairment was divided on segments as follows (remaining recoverable amount in parentheses): PSV MNOK 146 (MNOK 7,216), AHTS MNOK 371 (MNOK 5,971) and CSV MNOK 510 (MNOK 12,826).

## 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 330 and MNOK 920, respectively. A reduction in dayrates or utilization bringing the revenue down by 3-6%, will increase the write-down by MNOK 270-730. With an inflation of cost of 5% points higher, the write-down would increase by approximately MNOK 250.

# NOTES

## NOTE 7 - RIGHT-OF-USE ASSETS

### IFRS 16 Leases

The Company implemented IFRS 16 Leases on January 1, 2019 using the modified retrospective method. Under this method comparative figures remain unchanged, while the cumulative effects of the adoption is recognized in the equity at January 1, 2019. The Company has elected to not include short term lease contracts and low value contracts while adopting the standard. This is a practical expedient allowed under the modified retrospective method.

Lessor accounting is substantially unchanged in IFRS 16 compared to IAS 17. Adoption of IFRS 16 did not have any impact for leases where the Company is lessor.

The effect of adoption of IFRS 16 as per January 1, 2019 was as follows:

<b>Assets</b>	
Right-of-use-assets	3,942,442
Financial leases (IAS 17)	-3,078,291
<b>Total assets</b>	<b>864,152</b>
<b>Liabilities</b>	
Debt to credit institutions	1,416,710
Other long-term debt *	-400,763
Other current liabilities **	-189,064
<b>Total liabilities</b>	<b>826,883</b>
<b>Total adjustment on equity</b>	
<b>Other equity</b>	<b>37,269</b>

\* Other long-term debt including Onerous Contracts MNOK 315,157

\*\* Other current liabilities including Onerous Contracts MNOK 147,398

### Nature of the effect of adoption of IFRS 16

The Company has lease contracts for vessels and offices. Prior to implementation of IFRS 16 the lease contracts were classified either as operating leases or finance leases in accordance with IAS 17.

For the two leases of vessels previously classified as finance leases the Company has not changed the carrying amounts of recognized assets and liabilities. The requirements of IFRS 16 have been applied to these leases from January 1, 2019.

For leases previously accounted for as operating leases the Company has recognized Right-of-use assets and lease liabilities for all leases, except for short-term and low-value leases. The lease liabilities were recognized based on present value of all remaining lease payments. The discounting rate used ranges from 5%-9% depending on the nature of the asset.

The following practical expedients have been used for the adoption:

- single discount rate for vessel having similar characteristics
- contracts being onerous immediately prior to adoption have not been reassessed. Hence, Right-of-use assets have been adjusted by MNOK 463 accordingly
- applied the short-term leases exemption to leases ending within 12 months at the date of adoption

# NOTES

## Reconciliation of operating lease commitments (IAS 17) to lease liabilities (IFRS 16)

Operating lease commitments IAS 17, 31.12.2018	1,697,772
Practical expedient (short-term leases)	-12,269
Effect of discounting	-268,793
<b>Lease liability recognized at adoption of IFRS 16</b>	<b>1,416,710</b>

	Right-of-use assets			Lease liabilities
	Vessels	Office	Total	
Balance 31.12.2018	0	0	0	0
Lease liability recognized at adoption of IFRS 16	595,000	269,141	864,141	1,416,710
Transfer from finance lease commitments	3,078,291	-	3,078,291	3,010,550
<b>Opening balance 01.01.2019</b>	<b>3,673,291</b>	<b>269,141</b>	<b>3,942,432</b>	<b>4,427,260</b>
Translation adjustment	36,174	4,457	40,631	59,421
Additions	-	10,549	10,549	10,549
Other adjustments	-	-5,172	-5,172	-5,172
Depreciation	-188,156	-28,377	-216,534	-
Interest expense	-	-	-	282,931
Lease payments	-	-	-	-490,706
<b>Closing balance 31.12.2019</b>	<b>3,521,309</b>	<b>250,597</b>	<b>3,771,906</b>	<b>4,284,283</b>

Lease payments in 2019 was in total MNOK 491.9 of which short-term lease expenses (including non-lease component) was MNOK 1.2.

## Summary new accounting policies

### Right-of-use-assets

Right-of-use-assets are recognized at cost, less depreciation and impairment losses at the commencement of the lease. The cost of the assets includes the recognized lease liabilities, initial direct costs, and lease payments made prior to commencement. Straight-line depreciations are used, unless the Company is reasonably certain to obtain ownership of the vessel at the end of the leasing period. The assets are subject to impairment under the same principles as other assets.

### Lease liabilities

Lease liabilities are recognized at the commencement of the lease measured at the present value of lease payments over the lease period. The lease payments includes both fixed and variable lease payments. If a purchase option is likely to be exercised, the option price is included. Variable lease payments that do not depend on an index are recognized as expense in the period when the payment trigger occurs.

When calculating present value of the lease the incremental borrowing rate at the beginning of the lease is used, if the implicit rate is unavailable. Subsequently, the amount of the lease liability is increased to reflect the accretion of interest and reduced for lease payments made. The liability is remeasured if modifications or changes to the lease terms occur.

### Contracts with renewal options

The Company determines the lease term as the non-cancellable part of the lease. In addition any periods covered by an option for extended lease that is reasonably certain to be exercised are included.

### Tax

When recognizing deferred tax when transitioning to IFRS 16, the Right of use assets and the lease liabilities are considered net. Thus, there is no recognition of deferred tax, since the assets and the liabilities are equal.

# NOTES

## NOTE 8 – FINANCIAL ITEMS

Financial items	2019	2018
Interest expense	1,644,510	1,454,854
Interest income	14,827	12,271
Currency loss	-2,916,148	-944,545
Currency gain	2,778,170	562,473
Income from investment in associated companies	40,766	35,185
Gain sale shares in Associated Company	53,266	-
Gain financial derivatives	3,193	13,422
Loss financial derivatives	-	-23,203
Impairment of shares	-200	-
Dividends	350	-
Other financial income/ -expense (-)	-63,874	-55,642
<b>Net financial items</b>	<b>-1,734,160</b>	<b>-1,854,893</b>

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 9 - OTHER EXPENSES, WAGES, EMPLOYEES AND DISTINCTIVE CONTRIBUTIONS

<b>Other operating expenses:</b>	<b>2019</b>	<b>2018</b>
Technical cost	534,909	594,583
Bunkers and lube oil	177,147	159,432
Insurance	85,366	92,960
Onerous contracts	-	193,124
IT, communications and other costs	659,494	629,936
<b>Total other operating expense</b>	<b>1,456,916</b>	<b>1,670,036</b>
<b>Wages and personnel costs:</b>	<b>2019</b>	<b>2018</b>
Employees, vessels	2,096,165	2,182,039
Employees, administration	323,507	317,645
<b>Total employee cost</b>	<b>2,419,672</b>	<b>2,499,685</b>
<b>Wages and employee cost:</b>	<b>2019</b>	<b>2018</b>
Wages	1,726,325	1,818,327
Social security	254,815	264,054
Pension costs	19,144	55,457
Other benefits	62,967	137,943
Travelling costs, courses and other personnel costs	356,421	223,903
<b>Total employee cost</b>	<b>2,419,672</b>	<b>2,499,685</b>
<b>Average number of employees</b>	<b>3,549</b>	<b>3,620</b>

# NOTES

## REMUNERATION TO DIRECTORS, MANAGING DIRECTOR AND AUDITORS

Charged cost during the year	Wages	Other benefits	Pension cost
<b>2019</b>			
Lars Peder Solstad (CEO)	2,254	154	104
Sven Stakkestad (Deputy CEO)	1,894	100	351
Anders Hall Jomaas (CFO)	2,050	11	101
Hans Knut Skår (EVP Subsea Construction)	1,845	11	104
Kenneth Lande (EVP AHTS & PSV)	1,845	11	109
Tor Inge Dale (COO)	1,845	11	105
	<b>11,734</b>	<b>297</b>	<b>874</b>
<b>2018</b>			
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
	<b>13,030</b>	<b>310</b>	<b>758</b>

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. No loans have been given to the company management.

The Chief Executive Officer has an agreement securing 12 months salary.

At year-end 2019, the Group has established certain discretionary incentive schemes for key executives, the outcome of which is contingent on the refinancing process and continued employment. The amounts to be paid under these schemes are linked to the base salary of the respective employees and can maximum, for certain executives, be 12 months of salary.

Board of Directors:	Directors fee
Harald Espedal	401
Toril Eidesvik	278
Frank O. Reite	240
Ellen Solstad	278
Merete Haugli	240
Harald Thorstein	240
Anders Onarheim	25

Auditors EY	2019	2018
Audit - statutory accounts	12,571	6,892
Other attestation services	82	13
Tax related services	2,150	5,220
Other services	1,066	1,779
<b>Total</b>	<b>15,869</b>	<b>13,904</b>

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 2019 and 2018 these services are mainly related to crew, and hence, they are viewed as compliance services. Auditor-related services include consultancy, reports and assistance on accounting matters.

## NOTE 10 - GOVERNMENT GRANTS

Government grants	2019	2018
Net pay scheme at NOR-vessels	177,466	177,655
<b>Governments grants to reduction of payroll expenses</b>	<b>177,466</b>	<b>177,655</b>



# NOTES

## NOTE 11 - SHARES IN SUBSIDIARIES

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	
Ownership through direct interest:		2019	2018
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 Servicios 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	96,12 %	96,12 %
SOFO Skude AS	Norway	93,50 %	93,50 %
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	
		2019	2018
<b>Ownership through Farstad Shipping AS:</b>			
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 %
<b>Ownership through Farstad Supply AS:</b>			
Farstad International AS	Norway	100 %	100 %
<b>Ownership through Farstad Supply AS (50 %) and Farstad International AS (50 %):</b>			
Partrederiet International Offshore Services ANS	Norway	100 %	100 %
<b>Ownership through Farstad Shipping Pte Ltd:</b>			
Farstad Shipping Crewing Services Pte Ltd	Singapore	100 %	100 %
<b>Ownership through Farstad Subsea AS:</b>			
Far Superior AS	Norway	100 %	100 %
Farstad Africa AS	Norway	100 %	100 %
<b>Ownership through Farstad Africa AS:</b>			
Quimbriz Farstad Shipping Lda	Africa	49 %	49 %
<b>Ownership through Farstad Brasil AS:</b>			
Farstad Shipping Ltda	Brasil	100 %	100 %
<b>Ownership through Farstad Shipping AS (10 %) and Farstad Brasil AS (90 %):</b>			
Farstad do Brasil Navegação Ltda	Brasil	100 %	100 %
<b>Ownership through Farstad Australia AS:</b>			
Solstad Farstad Pty Ltd	Australia	100 %	100 %
<b>Ownership through Solstad Farstad Pty Ltd:</b>			
Farstad Shipping Offshore Simulator Center Pty Ltd	Australia	100 %	100 %
<b>Ownership through Solship Invest 3 AS:</b>			
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 Finance Ltd	Cyprus	100 %	100 %
DESS PSV Ltd	Cyprus	100 %	100 %
DESS PSV I 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 %
<b>Ownership through Deep Sea Supply Management AS:</b>			
Deep Sea Supply Navegação Marítima Ltda.	Brazil	100 %	100 %
<b>Ownership through DESS Invest Ltd:</b>			
DESS Labuan Ltd	Malaysia	100 %	100 %
DESS Labuan II Ltd	Malaysia	100 %	100 %
DESS Labuan III Ltd	Malaysia	100 %	100 %
DESS BTG Labuan Ltd	Malaysia	100 %	100 %
Deep Sea Supply Management (Malaysia) SDN. BHD.	Malaysia	100 %	100 %
Solstad Offshore Crewing Services Ukraine Ltd	Ukraine	100 %	100 %
Deep Sea Supply Australia Pty Ltd	Australia	50 %	50 %
<b>Ownership through Deep Sea Supply AS:</b>			
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 %

Solstad Offshore ASA is the ultimate owner of all the listed companies.

# NOTES

## NOTE 12 - 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
Normand Installer SA (NISA)	JV	Marly, Sveits	50%	31.12.2019
Solstad Offshore Crewing Services Philippines (SOCS)	AC	Manilla, Philippines	25%	31.12.2019
Maximus Limited (MAXL)	AC	George Town, Cayman Islands	25%	31.12.2019
DESS Aquaculture Shipping AS (AQUA)	AC	Grimstad	26,53%*	31.12.2018
Deep Well AS (DWAS)	AC	Karmøy	22%**	31.12.2018

\* reduced due to dilution (26,53%-19,62%) in first quarter 2019 and sold the remaining shares in fourth quarter 2019

\*\* sold in 2018

Normand Installer SA owns one construction service vessel hired on time charter to a company associated with the other part of the joint venture.

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.

DESS Aquaculture Shipping AS is engaged to build, own and operate aquaculture vessels.  
Deep Well AS performs well intervention services.

Joint ventures		2019	
	NISA		Total
Cost price 01.01.	1,631		1,631
Acc result and adjustments	134,361		134,361
Book value 01.01.	135,992		135,992
Share of result	-44,787		-44,787
Other adjustments	1,354		1,354
<b>Book value 31.12.</b>	<b>92,559</b>		<b>92,559</b>
<b>Balance sheet:</b>			
Bank deposits and cash equivalents	30,941		30,941
Current assets	23,113		23,113
Long-term assets	565,000		565,000
Short-term liabilities	-152,966		-152,966
Long-term financial liabilities	-280,970		-280,970
<b>Net assets</b>	<b>185,118</b>		<b>185,118</b>
<b>Share of balance sheet:</b>	<b>92,559</b>		<b>92,559</b>
<b>Revenues and profit:</b>			
Revenues	148,767		148,767
Operating expense	-69,933		-69,933
Depreciations	-18,225		-18,225
Impairment	-119,188		-119,188
Interest expense	-30,992		-30,992
Result before tax	-89,571		-89,571
Taxes	-4		-4
<b>Result</b>	<b>-89,575</b>		<b>-89,575</b>
<b>Share of revenues and profit:</b>	<b>-44,787</b>		<b>-44,787</b>

# NOTES

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
Share of result	-13,906	-	-13,906
Other adjustments	-901	-120,989	-121,890
Book value 31.12.	135,992	0	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
Short-term liabilities	-425,642		-425,642
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 expense	-13,028		-13,028
Result before tax	-27,811		-27,811
Taxes	-		-
Result	-27,811		-27,811
Share of revenues and profit:	-13,906		-13,906

Associated companies:	2019			
	SOCS	MAXL	AQUA	Sum
Cost price 01.01.	385	250,853	225,041	476,280
Acc result and adjustments	1,426	35,794	-3,341	33,878
Book value 01.01.	1,811	286,647	221,700	510,158
Share of result	-495	39,071	2,190	40,766
Other adjustments	19	-33,207	-223,889	-257,078
Book value 31.12.	1,335	292,511	0	293,846

Share of balance sheet:				
Current assets	4,987	36,692	-	41,679
Long-term assets	921	738,890	-	739,811
Short-term liabilities	-5,101	-12,384	-	-17,485
Long-term liabilities	-18	-467,604	-	-467,622
Net assets	789	295,594	-	296,383

Share of revenues and profit:				
Revenues	2,528	99,864	-	102,393
Operating expense	-3,243	-30,403	-	-33,646
Financial expense	432	-30,390	-	-29,958
Result before tax	-283	39,071	-	38,789
Taxes	-55		-	-55
Result	-338	39,071	-	38,734

# NOTES

## Associated companies:

	SOCS	MAXL	2018 AQUA	DWAS	Sum
Cost price 01.01.	385	250,853	-	19,367	270,605
Acc result and adjustments	<b>1,361</b>	<b>17,113</b>	-	<b>1,281</b>	<b>19,574</b>
Book value 01.01.	1,1746	267,966	-	20,648	290,360
Share of result	-57	38,585	-3,341	-	35,186
Other adjustments	123	-19,904	225,041	-20,648	184,612
Book value 31.12.	<b>1,811</b>	<b>286,647</b>	<b>221,700</b>	<b>0</b>	<b>510,158</b>

## 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 liabilities	-6,278	-13,282	-9,151	-	-28,710
Long-term liabilities	-18	-501,274	-76,250	-	-577,542
Net assets	<b>1,074</b>	<b>289,131</b>	<b>221,700</b>	-	<b>511,905</b>

## 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
Result before tax	<b>20</b>	<b>38,585</b>	<b>-3,331</b>	-	<b>35,274</b>
Taxes	-77	-	-11	-	-88
Result	<b>-57</b>	<b>38,585</b>	<b>-3,341</b>	-	<b>35,186</b>

## Financial assets at amortized cost - long term

	2019	Book	2018	Book
	Share	value	Share	value
Unlisted shares				
Bleivik SIM Holding AS	29.54 %	2,991	29.54 %	2,991
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 %	-	2.64 %	200
		<b>5,769</b>		<b>5,969</b>

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

The shares in Hafast AS is written down to NOK 1 in 2019.

## Financial assets at fair value through profit and loss - current

	2019	2018
	Book value	Book value
Listed shares		
Reach Subsea ASA	Cost price 10,000 Share 5.48 % 7,950	Cost price 10,000 Share 5.48 % 11,600
Team Tankers International Ltd.	Cost price 5,000 Share 0.03 % 265	Cost price 5,000 Share 0.03 % 307
	<b>8,215</b>	<b>11,907</b>

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.



# NOTES

## Subsidiaries with significant non-controlling interests

The Group have four subsidiaries with significant non-controlling interests (NCI) as of 31th Desember 2019. Information regarding these is as follows (NOK 1,000):

Name 2019	Country	NCI	Result allocated to NCI	Accumulated NCI	Paid dividend
SOFO Falnes AS	Norway	4 %	-575	-2,873	0
SOFO Skude AS	Norway	7 %	-504	-1,189	0
Rem Supply AS	Norway	27 %	-2,753	-26,900	0
SOFO Tonjer IS	Norway	44 %	4,096	33,653	0

Name 2018	Country	NCI	Result allocated to NCI	Accumulated NCI	Paid dividend
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

Condensed financial statement	SOFO Falnes AS 2019	SOFO Skude AS 2019	Rem Supply AS 2019	SOFO Tonjer IS 2019
Non-current assets	176,722	201,403	235,005	191,338
Current assets	23,252	24,510	20,895	60,713
<b>Total assets</b>	<b>199,974</b>	<b>225,912</b>	<b>255,900</b>	<b>252,051</b>

Long term liabilities	236,738	234,369	338,627	162,690
Short term debt	37,283	10,482	18,193	12,878
<b>Total liabilities</b>	<b>274,022</b>	<b>244,851</b>	<b>356,821</b>	<b>175,568</b>

Revenue	25,865	36,624	69,748	64,037
Result after tax	-14,824	-7,750	-10,325	9,309

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
<b>Total assets</b>	<b>181,390</b>	<b>229,443</b>	<b>260,477</b>	<b>233,752</b>

Long term liabilities	236,672	234,263	338,329	162,243
Short term debt	3,942	6,368	12,744	4,334
<b>Total liabilities</b>	<b>240,614</b>	<b>240,631</b>	<b>351,073</b>	<b>166,577</b>

Revenue	0	35,687	64,132	29,916
Result after tax	-19,254	-8,476	-113,925	4,851

# 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:

	2019	2018
Received compensation	47,273	35,468

Advance payments are included in Other operating expenses.

During the last two years the Group has recognized Loss of Hire-revenues of MNOK 40 and MNOK 38 respectively.

## NOTE 14 - SHARE CAPITAL, SHAREHOLDERS AND TREASURY SHARES

	Shares	Share capital	Treasury shares
31.12.2019	291,532,299	583,065	-281
31.12.2018	291,532,299	583,065	-281

At 31.12.19 and 31.12.18, the Company's share capital represents 291,532,299 shares at NOK 2.  
The number of shareholders at 31.12.19 was 10,419 (10,458 in 2018).

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 31.12.2019 the Group had 140,522 treasury shares with cost price of MNOK 9,6.  
As at 31.12.2018 the Group had 140,522 treasury shares with cost price of MNOK 9,6.

## 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.

	2019	2018
Majority result from net profit for the year	-3,129,558	-5,858,195
Result from net profit for the year	-3,129,294	-5,887,730
Average number of shares at 31.12.	291,532,299	291,532,299
Treasury shares	140,522	140,522
Average number of shares to calculate earnings per share	291,391,777	291,391,777
Earnings per share (NOK) - majority	-10.74	-20.10
Earnings per share (NOK)	-10.73	-20.20

# 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	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>Associated company</b>								
Deep Well AS	563	1,049			12,876	12,313		
DESS Aquaculture Shipping AS*		9,718				1,400		
<b>Joint venture companies</b>								
Normand Installer SA	2,818	1,278			47,161	43,879		
<b>Other related parties</b>								
Owner of offices			9,717	9,725				
Ocean Yield			72,506	72,521			871,400	815,406
Ship Finance International			65,737	51,988			634,548	628,602

### The Group's affiliation with related parties:

Deep Well AS (sold in 2018) is an associated company in which the Group has a 22% share. Receivable is a subordinated loan. Income is interests.

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

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

\*The shares in DESS Aquaculture Shipping AS were sold to a related party in 2019. The sale resulted in a gain of MNOK 53.

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 from Ship Finance International (company controlled by one of the larger shareholders).

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, until the Restructuring is implemented, reference to note 28. The loan can be repaid in certain circumstances, including if Sterna participate in a share issue in SOFF or SI3.

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

	2019	2018
Taxes payable	32,696	37,221
Under/over accrual of tax payable	119,085	408
Change in deferred taxes	6,768	8,237
<b>Tax on ordinary result</b>	<b>158,549</b>	<b>45,865</b>

# NOTES

	2019	2018
<b>Apportionment of tax on ordinary result:</b>		
Norwegian tax - ordinary	10,879	6,230
Foreign	147,670	39,635
<b>Total tax</b>	<b>158,549</b>	<b>45,865</b>
<b>Outside Shipping Tax Regime</b>		
Temporary differences:		
Shares/ownership (current assets)	-843,670	-806,574
Over funding of pension	9,381	-152,043
Deferred income	4,604	-
Fixed assets/ provisions	-462,861	-632,941
Interest deductions carried forward	-64,116	-
Unrecovered loss carried forward	-2,288,043	-1,262,720
<b>Total temporary differences</b>	<b>-3,644,707</b>	<b>-2,854,278</b>
<b>Tax effect of temporary differences:</b>		
Shares/ownership (current assets)	-185,607	-177,446
Pension over funding	2,064	-33,449
Deferred income	1,013	-
Fixed assets/provisions	-101,829	-139,247
Interest deductions carried forward	-14,106	-
Unrecovered loss carried forward	-503,370	-277,798
Deferred tax asset not recognised	818,473	625,973
<b>Net deferred tax/ deferred tax asset (-)</b>	<b>16,637</b>	<b>-1,986</b>
<b>Changes in deferred tax in the balance sheet:</b>		
Opening balance deferred tax	-1,968	-5,678
Booked to profit and loss	6,768	8,237
Charged to equity (change pension)	11,837	-4,527
Translation adjustment	-	-
<b>End balance deferred tax/ deferred tax asset (-)</b>	<b>16,637</b>	<b>-1,968</b>
<b>Payable tax in the balance sheet consist of:</b>		
Tonnage tax	-	295
Other payable corporation tax	187,196	77,208
<b>Total payable tax in the balance sheet</b>	<b>187,196</b>	<b>77,502</b>
Tonnage tax is classified as operational expense,		
<b>Analysis of effective tax rate:</b>		
22% of pre-tax result	-653,564	-1,343,629
Effect of deferred tax asset not recognised	192,499	-190,205
Differential in tax rates foreign entities	27,493	21,938
Permanent differences/ Shipping Tax Regime	592,120	1,557,761
<b>Estimated tax</b>	<b>158,549</b>	<b>45,865</b>

Deferred tax asset is based on a tax rate of 22%.

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 the Group has included an MNOK 160 accrual for expected taxes related to operations in foreign waters. The accounts reflect the Groups best estimate for contingent liabilities at the end of the year.

The Group's tonnage taxed companies has decided to exit the Norwegian tonnage tax regime. The exit will have effect from 1 January 2016 and the Group is in process of preparing the required documentation. The Group expect to claim a loss carried forward in the region of NOK 9 billion for the period 2016 to 2018.

# 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, 2019, the pension plans have 355 active and 282 pensioners as members.

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

The following assumptions are used:

	UK 2019	UK 2018	NORWAY 2019	NORWAY 2018
Discounted interest	2.00%	2.70%	2.30 %	2.60 %
Expected return			2.30 %	2.60 %
Regulation of salaries	4.00%	4.20%	2.25 %	2.75 %
Regulation of base amount			2.00 %	2.50 %
Regulation of pension	2.50%	2.70%	1.50 %	2.50 %

<b>Changes in pension obligation:</b>	<b>2019</b>	<b>2018</b>
Estimated liability at beginning of the year	635,476	661,754
Interest expense	15,770	15,653
Annual pension earnings	34,441	36,372
Curtailment / settlement	-131,531	-
Payroll tax of employer contribution, assets	-5,526	-3,058
Benefits paid	-32,228	-32,933
Actuarial (gain)/ loss on the obligation	-81,427	-42,313
<b>Estimated liability at year end</b>	<b>434,975</b>	<b>635,476</b>

<b>Changes in plan assets:</b>	<b>2019</b>	<b>2018</b>
Opening value of plan assets	516,218	540,912
Expected return	13,286	11,208
Curtailment / settlement	-104,170	-
Payroll tax of employer contribution, assets	-872	-3,058
Contributions by employer	40,917	26,869
Benefits paid	-29,570	-30,457
Actuarial gain/ (loss)	-27,425	-29,257
<b>Estimated plan assets at year end</b>	<b>408,384</b>	<b>516,218</b>

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

<b>Net plan assets/liabilities:</b>	<b>2019</b>	<b>2018</b>
Pension liabilities	434,975	635,476
Plan assets	408,384	516,218
<b>Net plan assets/ (liabilities) incl sosial security</b>	<b>-26,591</b>	<b>-119,258</b>
Social security	-3,141	-14,403

<b>Pension cost:</b>	<b>2019</b>	<b>2018</b>
Present value of pension obligation	34,105	35,030
Interest expense on obligation	15,770	15,653
Expected return on plan assets	-13,286	-11,208
Administration expense	1,208	1,342
Settlement/curtailment of net obligation	-27,361	-
<b>Pension cost</b>	<b>10,437</b>	<b>40,818</b>

Payments on contribution plan	8,708	19,283
<b>Total pension cost</b>	<b>19,144</b>	<b>60,101</b>

Actual return on plan assets	-14,138	-18,049
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# NOTES

Actuarial gain and loss (-)	2019	2018
Total actuarial gain/ loss	53,887	13,057
Currency	115	9
Tax effect	-11,837	-2,970
Change in previous year tax effect	-	6,907
Actuarial gain/ loss booked in Other comprehensive income	42,165	17,003

	UK	UK	NORWAY	NORWAY
Percentage composition of pension funds:	2019	2018	2019	2018
Equities	8.2%	9.0%	4.9 %	12.8 %
Bonds	60.0%	65.0%	54.4 %	12.5 %
Money market *	-2.7%	5.0%	7.2 %	10.2 %
Hold to maturity bonds	9.8%	11.0%	22.0 %	30.6 %
Loans and receivables				23.9 %
Real estate	1.1%	1.0%	11.5 %	9.1 %
Other	23.5%	9.0%		0.9 %

\* Negative because of a large amount under sale and repurchase contracts.

Pension liability for 2019 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 8.7 million is included in the net liability above (NOK 11.4 million in 2018).

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 37.6 million (NOK 40.8 million in 2018).

In addition a total of NOK 111 million (NOK 119 million in 2018) of deposits are pledged.

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, 2019 is NOK 23 million (NOK 52.5 million in 2018).

## NOTE 20 - ENVIRONMENTAL CONDITIONS

The company's vessels comply with current environmental requirements. In 2019, none of the company's vessels had conditions imposed on them for upgrading or improving technical equipment or any other measures necessary to satisfy 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:	2019	2018	2017
Ordinary dividend	-	-	-
Proposed dividend at general meeting:	2019	2018	2017
Ordinary dividend	-	-	-
Per share (NOK)	0.00	0.00	0.00

## NOTE 22 - OTHER LONG-TERM ASSETS

	2019	2018
Sellers credit	34,972	109,475
Loan to associated companies	23,059	23,059
Loan to other companies	14,260	13,921
Other receivables	47,932	28,537
<b>Total other long-term assets</b>	<b>120,223</b>	<b>174,992</b>

## NOTE 23 - ACCOUNTS RECEIVABLE AND OTHER SHORT-TERM RECEIVABLES

	2019	2018
Accounts receivable	859,726	901,665
Receivable from associated and joint venture companies	29,306	25,149
<b>Total accounts receivable</b>	<b>889,032</b>	<b>926,813</b>
Prepaid expenses	39,385	44,719
Earned, not invoiced revenue	98,673	47,952
VAT raceivable	137,302	30,323
Other short-term receivables	338,546	420,994
Receivable from associated and joint venture companies	7,640	11,058
<b>Total short-term receivables</b>	<b>621,546</b>	<b>555,046</b>

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:

	2019	2018
Bunkers	152,022	144,348
Lube oil	14,040	18,051
Provisions	-	401
Other	11,163	7,385
<b>Total stock</b>	<b>177,226</b>	<b>170,186</b>

## NOTE 25 - OTHER CURRENT LIABILITIES

	2019	2018
Accrued salary and VAT payable	254,543	270,522
Accrued interest on mortgage debt	-	194,587
Other current liabilities	510,384	857,833
<b>Total short-term liabilities</b>	<b>764,927</b>	<b>1,322,943</b>

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

# NOTES

## NOTE 26 - CONTINGENT LIABILITIES, ASSETS AND PROVISIONS

### Tax claims in Brazil

Chartering of non-Brazilian built tonnage in Brazil implies requesting tax exemption for temporary importation of vessels and spare parts through Brazilian Oil & Gas tax regime (REPETRO). There are several cases where Brazilian Tax Authorities claim to have identified procedural error, and where large fines are imposed.

The Company's subsidiaries in Brazil; Farstad Shipping Ltda., Deep Sea Supply Navegação Marítima Ltda. and Solstad Offshore Ltda. have all received claims related to importation of vessels and spare parts during the period 2008-2018. The claims relates to customs duties, notices of infringement and fines. The claims are annually adjusted according to market interest rate.

All claims are handled by the Company's lawyers in Brazil. The majority of the claims are rejected and chances to succeed are considered high. Although most claims are rejected, they represent liabilities which, in 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. Management also believes some liabilities can be measured and estimated reliably.

The total potential claim amounts to approximately MNOK 300 (MNOK 340). Based on an individual assessment of each case the Group's total recognized accrual is MNOK 31,4 (MNOK 24.2 in 2018). Legal fees are expensed as incurred.

## NOTE 27 - DEFERRED INCOME AND EXCESS VALUES CONTRACTS

### Deferred income

Deferred income of MNOK 35 (MNOK 33 in 2018) consists mainly of advance invoiced freight revenue for one (one in 2018) of the Group's vessels.

### 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 intangible fixed assets, and are amortised over the remaining duration of each charter contract.

	2019	2018
Book value as per 01.01.	208,422	406,892
Amortised	-138,461	-198,470
<b>Book value as per 31.12</b>	<b>69,961</b>	<b>208,422</b>

The amortization is recognized as a reduction to Freight Income. At the end of 2019 the future amortization schedule is:

	2020	2021
	46,706	23,255

# NOTES

## NOTE 28 - SUBSEQUENT EVENTS

### Restructuring Implementation Agreement

Solstad Offshore ASA (the "Company") and its subsidiaries ("SOFF" or the "Group") have since Q3 2018 worked with their creditors towards a consensual financial restructuring. On 8 May 2020 the Company signed a Restructuring Implementation Agreement (the "RIA") for a restructuring of the Group (the "Restructuring"). The key features of the Restructuring are:

- Debt to equity conversion of approximately NOK 10.9 billion
- New fleet loan maturing after 4 years
- Financing of additional liquidity
- Industrial shareholders to retain ownership of up to 33.34%
- Streamlining of corporate structure

The RIA has been entered into with a majority of the Restructuring's key stakeholders, including all of its secured finance providers except for three financial providers in the Solship Invest 3 AS and Farstad Shipping AS silos (the "Senior Finance Parties")

The RIA reconfirms the key elements of the Restructuring as described in the notice dated 31 March 2020:

1. The Group's balance sheet and liquidity will be notably strengthened.
2. Debt in an amount equivalent to approximately 10.9 billion (based on fixed foreign exchange rates) will be converted into equity. The debt converted to equity consists of secured debt, leasing obligations, bond obligations and other unsecured debt. All debt converted to equity will have the same conversion rate.
3. The Group's fleet will be refocused, and 37 vessels of the older and less sophisticated vessels are envisaged to be sold or scrapped over a period of time. The long-term business of the Group will be based on a core fleet of approximately 90 vessels.
4. The Group's financial and company structure will be simplified. Apart from certain ring-fenced structures, surviving secured debt of the Company will be included in a fleet loan maturing after four years. The fleet loan will be made available in NOK and USD. At prevailing foreign exchange rates, the consolidated surviving debt of the Group will be in an amount equivalent to approximately NOK 9,058 million and USD 886 million.

A part of the new fleet loan in an amount equivalent to approximately NOK 0.9 billion, will be secured by the non-core vessels that are likely to be sold or scrapped within a limited period of time following completion of the Restructuring. The net proceeds from such sales will be used to repay the relevant part of the fleet loan, and any remaining amount will subsequently be converted into equity at the same conversion rate as the debt being converted into equity at completion of the restructuring.

5. The SOFF 04 bonds will receive a fee of NOK 50 million financed by new equity, and the residual claim will be converted to equity in the Company. A bondholder meeting to resolve the Restructuring will be convened as soon as possible.
6. The bondholders in Solship Invest 1 AS will be repaid an amount equal to Solship Invest 1 AS' corporate cash (which amounts to approximately NOK 26 million). The residual claim will be converted to equity in the Company. A bondholder meeting to resolve the Restructuring will be convened as soon as possible.
7. The leasing agreements for five vessels owned by subsidiaries of SFL Corp Ltd. have been terminated. The relevant lessors will receive a fee of NOK 10 million, and the residual claim will be converted into shares in the Company.
8. The leasing agreements for two vessels owned by a subsidiary of Ocean Yield ASA, F-Shiplease AS will be replaced by new lease agreements on amended terms. Claims under the existing lease agreements will be converted into shares in the Company. The charter rate payable under the new lease agreements shall be a reference rate equal to the average per vessel EBITDA in a pool of seven similar vessels. F-Shiplease AS will carry all upside/downside from the operation of its vessels during the charter period.
9. Upon completion of the restructuring, the existing shares will represent 0.4%, and the converted debt will represent at least 64-75% of the Company's shares.
10. Existing industrial shareholders including Lars Peder Solstad and companies controlled by him ("LPS") will continue to support the Company, and will be offered to subscribe for shares so as to retain an ownership of up to 1/3 of the shares in the Company upon completion of the restructuring. The industrial shareholders will also be offered to subscribe for a convertible loan in the Company which will be converted into shares in so far as necessary for them to maintain their shareholding following the conversion of the part of the new fleet loan that will be converted into equity upon the sale or scrapping of the Group's non-core vessels (cf. item 4 above).

The remaining shareholders will be offered to subscribe for shares so as to retain a total ownership of up to 2%.

The Chairman of the Board Mr. Harald Espedal will be offered to subscribe for shares representing 0.9% of the shares in the Company. Fausken Invest AS, a company controlled by board member Frank O. Reite, will enter into a put/call agreement with Aker for shares with a subscription amount of NOK 1 million.

# NOTES

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The shares to be subscribed by the industrial shareholders and Harald Espedal will be subject to a three year lock up period.

The total subscription amount for the shares and convertible loan to be issued in consideration for cash (to represent up to approximately 36% of the shares of Company upon completion of the restructuring) will be up to approximately NOK 72.5 million.

11. LPS will be granted warrants through an incentive program, to achieve up to a 10% share of the Company (based on the shares outstanding, and including LPS' shares, in the Company at completion of the Restructuring).

The effectiveness of the RIA is conditional on credit committee approvals with the Senior Finance Parties, to be obtained within 29 May 2020 or such later date that may be agreed with the Company.

The implementation of the Restructuring is further subject to the approval of the general meeting of the Company and relevant bondholders meetings, agreement on long form documentation with relevant stakeholders and related customary condition precedent documentation.

The closing of the Restructuring is expected to take place in July 2020, however the RIA has a long stop date which can be extended to 8 November 2020 if more time is required.

Some creditors in subsidiaries of Farstad Shipping AS and Solship Invest 3 AS have not yet acceded to the RIA. The inclusion in the restructuring of these companies and their debtors in the Group remains subject to further negotiations between the stakeholders. The Company expects that the Restructuring can be consummated in all material respect even if these creditors ultimately decide not to accede to the RIA.

All liabilities towards the financial creditors will be subject to standstill provisions in the period leading up to the closing of the Restructuring. Until the Restructuring is implemented, the Group continues its unilateral standstill towards certain creditors. In the bondholder meetings to be held in May, the bondholders will be asked to waive the current defaults in SOFF 04 and the Solship Invest 1 AS bond loan as were advised in the notice by the Company 31 March 2020.

## **Other subsequent events**

Saipem Portugal Commercio Maritimo Ltd has exercised the purchase option for the DLB Norce Endeavour, and the delivery of the barge took place in April 2020.

The vessel former named Normand Skude owned by a subsidiary Group company Sofo Skude AS was sold to a third party in May 2020. All debt relating to the vessel has been repaid in full. There will be no material accounting effect from this transaction.

There is a potential risk connected to the impact of COVID-19 virus and the effect this will have on the global market where the Group is operating. This might affect the Group's financial performance as a consequence of both internal and external factors that could present possible challenges in the period of time. The Group has so far been able to continue normal operations of its vessels even if crew changes has become difficult due to COVID-19. There is an increased risk in the sector of delays in execution of offshore projects as a result of COVID-19. It could be expected that both COVID19 and the oil price development will have a negative effect on the Group. Currently there are limited information available to provide clear data for calculating any estimates on financial exposure. The Group will continuously monitor financial exposure, taking measure to mitigate the risks and ensure timely recognition of all relevant estimates in financial reporting.



# NOTES

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## 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



**CORPORATE ACCOUNTS**  
FOR  
SOLSTAD OFFSHORE ASA (PARENT COMPANY)

# PROFIT AND LOSS ACCOUNT

1.1 - 31.12

PARENT COMPANY (NOK 1,000)	NOTE	2019	2018
Other operating income		13,958	20,885
<b>Total operating income</b>		<b>13,958</b>	<b>20,885</b>
Personnel costs	4	-7,913	-7,551
Other operating expenses	4	-30,465	-10,331
<b>Total operating costs</b>		<b>-38,378</b>	<b>-17,881</b>
<b>Operating loss</b>		<b>-24,420</b>	<b>3,003</b>
Interest income from companies in the Group	9	29,309	21,769
Other interest income		3,390	2,446
Other financial income	5	-	162,011
Interest costs from companies in the Group	9	-5,947	-2,780
Other interest charges		-69,928	-61,554
Other financial charges	5	-676,649	-4,481,835
<b>Net financial items</b>		<b>-719,825</b>	<b>-4,359,943</b>
<b>Ordinary result before taxes</b>		<b>-744,245</b>	<b>-4,356,940</b>
Tax on ordinary result	10	-	-
<b>Net result for the year</b>		<b>-744,245</b>	<b>-4,356,940</b>
Transfers and disposable income			
Transfer from other equity	11	-744,245	-4,356,940
<b>Total transfers and disposable income</b>		<b>-744,245</b>	<b>-4,356,940</b>

# BALANCE SHEET

PARENT COMPANY (NOK 1,000)	NOTE	31.12.2019	31.12.2018
<b>ASSETS</b>			
<b>Fixed Assets</b>			
Intangible fixed assets			
Deferred tax asset	10	-	-
<b>Financial fixed assets</b>			
Investments in subsidiaries	6	563,443	1,195,397
Investment in jointly-owned companies	7	25,038	25,038
Loan to jointly-owned companies	8	47,161	43,879
Other long-term receivables	8	12,876	47,142
<b>Total financial fixed assets</b>		<b>648,519</b>	<b>1,311,456</b>
<b>Total fixed assets</b>		<b>648,519</b>	<b>1,311,456</b>
<b>Current assets</b>			
<b>Receivables</b>			
Other short-term receivables	9	49,857	5,413
<b>Total receivables</b>		<b>49,857</b>	<b>5,413</b>
Bank deposits and cash equivalents		7,261	7,290
<b>Total current assets</b>		<b>57,119</b>	<b>12,703</b>
<b>TOTAL ASSETS</b>		<b>705,637</b>	<b>1,324,159</b>

# BALANCE SHEET

PARENT COMPANY (NOK 1 000)	NOTE	31.12.2019	31.12.2018
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
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
<b>Total restricted equity</b>	<b>11</b>	<b>3,080,754</b>	<b>3,080,754</b>
<b>Earned equity</b>			
Other equity	11	-3,824,848	-3,080,754
<b>Total earned equity</b>		<b>-3,824,848</b>	<b>-3,080,754</b>
<b>Total equity</b>	<b>11,12</b>	<b>-744,095</b>	<b>-</b>
<b>Liabilities</b>			
<b>Provisions</b>			
Other provisions	16	-	21,018
<b>Total provisions</b>		<b>-</b>	<b>21,018</b>
<b>Other long-term liabilities</b>			
Debt Group companies	9	116,914	84,163
Bond Loan	17	1,141,928	1,079,364
Other long term liabilities	17	111,711	110,563
<b>Total long-term liabilities</b>		<b>1,370,553</b>	<b>1,274,091</b>
<b>Current liabilities</b>			
Accounts payable	9	67,792	25,121
Other current liabilities		11,387	3,930
<b>Total current liabilities</b>		<b>79,179</b>	<b>29,051</b>
<b>Total liabilities</b>		<b>1,449,732</b>	<b>1,324,159</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>705,637</b>	<b>1,324,159</b>

Skudeneshavn, 27 May, 2020

  
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	2019	2018
Profit/loss before taxes		-744,245	-4,356,940
Write-down of financial assets	5,6,9	675,074	4.478.716
Interest income		-32,699	-19.323
Interest expense		75,875	64.334
Gain conversion of debt	5		-162.011
Unrealised currency gain/loss		-1,654	-4.246
Change in short-term receivables/payables		42,671	6.568
Change in other accruals		-39,102	22.442
<b>Net cash flow from operations</b>	<b>(A)</b>	<b>-24,080</b>	<b>29.540</b>
<b>CASH FLOW FROM INVESTMENTS</b>			
Payment of long-term receivables		-	-270.034
Disposal of shares		-	32.418
<b>Net cash flow from investments</b>	<b>(B)</b>	<b>0</b>	<b>-237.617</b>
<b>CASH FLOW FROM FINANCING</b>			
Interests received		9	119
Interests paid		-1,795	-15.873
New/ repayment of (-) long-term debt	17	25,837	33.276
<b>Net cash flow from financing</b>	<b>(C)</b>	<b>24,051</b>	<b>17.521</b>
<b>Net change in cash and cash equivalents</b>	<b>(A+B+C)</b>	<b>-29</b>	<b>-190,556</b>
Cash and cash equivalents at 01.01		7,290	197,845
<b>Cash and cash equivalents at 31.12</b>	<b>15</b>	<b>7,261</b>	<b>7,290</b>

# 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 31.12.18	11.121	8.688	9.948
Per 31.12.19	11.594	8.780	9.864

### 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 recorded 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 22% 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 third quarter the Company entered into an agreement with the majority of financial creditors to suspend and defer payments of principal and interest extended until March 31th, 2020, subsequently prolonged to May 8, 2020 when the Company signed the Restructuring Implementation Agreement. Reference is made to Note 28 in the Group Annual Report for further information.

## 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 and 28 in the Group Annual Report for further information on the Going concern assumption and Subsequent event.

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

	2019	2018
Wages and directors fee	6,359	5,822
Employer's National Insurance	855	810
Pension costs	455	270
Other benefits	22	25
Travelling costs, courses and other personnel costs	221	624
<b>Total employee costs</b>	<b>7,913</b>	<b>7,551</b>
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
<b>2019</b>			
Lars Peder Solstad (CEO)	2,254	154	104
Sven Stakkestad (Deputy CEO)	1,894	100	351
<b>2018</b>			
Lars Peder Solstad (CEO)	2,178	154	97
Sven Stakkestad (Deputy CEO)	1,992	102	173
<b>Board of Directors</b>			<b>Director's fee</b>
Harald Espedal			401
Toril Eidesvik			278
Frank O. Reite			240
Ellen Solstad			278
Merete Haugli			240
Harald Thorstein			240
Anders Onarheim			25

In 2019, NOK 1,832,188 is charged as auditors fees and NOK 490,627 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 option programmes for any Board Member. No loans have been given to key employees.

The Managing Director has an agreement that secures 12 months salary.

At year-end 2019, the Group has established certain discretionary incentive schemes for key executives, the outcome of which is contingent on the refinancing process and continued employment. The amounts to be paid under these schemes are linked to the base salary of the respective employees and can maximum, for certain executives, be 12 months of 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 was zero in 2019. Comparative figures for 2018, totalling MNOK 162, was realized gain related to conversion of debt booked at discount value.

Other financial costs of MNOK 677 consist of write-down of shares in subsidiary MNOK 611, write-down of loan to subsidiary MNOK 29, write-down of other long-term receivables MNOK 35 and currency loss MNOK 2.

Comparative figures for 2018 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 of MNOK 4.

## NOTE 6 - SHARES IN SUBSIDIARIES

31.12.2019	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	-
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	-
Farstad Shipping AS	Skudeneshavn	100 %	30,000	1	30	-
Normand Vision Chartering AS	Skudeneshavn	100 %	5,000	6	30	-
Solstad Offshore Asia Pacific Ltd	Singapore	100 %	20,000,000,000	(*)	USD 175,877	178,982
<b>Total</b>						<b>563,443</b>

(\*) Singapore shares does not have nominal value.

The shares in subsidiaries Solstad Offshore Asia Pacific Ltd and Solship Invest 1 AS are written down by MNOK 611 in 2019.

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



# NOTES

## NOTE 6 - SHARES IN SUBSIDIARIES (CONT'D)

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	-
Farstad Shipping AS	Skudeneshavn	100 %	30,000	1	30	-
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
<b>Total</b>						<b>1,195,397</b>

(\*) 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 31.12.19 (100%)	Result 2019 (100%)
NISA Inc. (JV)	Marly (Sveits)	50 %	501	25,038	27,190	-26,379

	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

# NOTES

## NOTE 8 - OTHER LONG TERM ASSETS

Other long term assets include:

	31.12.2019	31.12.2018	Interest
Shareholders loan NISA SA	47,161	43,879	6 mths LIBOR + 1.5%
Loan to Deep Well AS	12,876	12,313	5%
Loan to Nord Well AS	-	34,829	
	<b>12,876</b>	<b>47,142</b>	

Loan to Nord Well AS relates to the sale of shares in Deep Well AS. The proceeds from the sale will not be available until an Exit for the Company occurs. An Exit is amongst others, dissolution of the Company, sale of the majority of the Company's assets or sale of the shares in the Company. The Nord Well receivable has been written down to zero in 2019.

## NOTE 9 - INTER COMPANY GROUP

Solstad Offshore ASA had the following debt to companies in the Group:

	31.12.19	31.12.18	Interest
Normand Drift AS	41,984	40,338	6mths NIBOR + 2.75%
Solstad Offshore Asia Pacific Ltd	74,930	43,826	6mths NIBOR + 3.75%
<b>Inter company loans</b>	<b>116,914</b>	<b>84,163</b>	
Solstad Shipping AS	38,481	2,326	
Solstad Rederi AS	4,135	4,135	
Solstad Management AS	25,176	18,660	
<b>Trade account payable</b>	<b>67,792</b>	<b>25,121</b>	

A MNOK 527 intercompany loan (NIBOR + 4.75%) to Solstad Rederi AS was in 2018 written down to zero based on negative equity in the subsidiary.

Other short-term receivables of MNOK 49.9 mainly consists of expenses related to the ongoing refinancing process for the Solstad Offshore group.

# NOTES

## NOTE 10 - TAX

	2019	2018
<b>Taxable income</b>		
Result before tax	-744,245	-4,356,940
Changes in temporary differences	13,811	-
Permanent differences	640,246	4,478,724
Unrecovered interest	43,176	-
Transferred to/from loss carry forward	47,012	-121,784
<b>Taxable income</b>	<b>0</b>	<b>0</b>
Change in deferred taxes	0	0
<b>Tax on ordinary result</b>	<b>0</b>	<b>0</b>
Provisions	-	-21,018
Long term receivables	-36,829	-2,000
Unrecovered interests carried forward	-43,176	-
Unrecovered loss carried forward	-181,956	-134,945
<b>Total temporary differences</b>	<b>-261,961</b>	<b>-157,962</b>
Calculated deferred tax asset	57,631	34,752
Unrecognized part of deferred tax asset	-57,631	-34,752
<b>Booked deferred tax asset</b>	<b>0</b>	<b>0</b>
<b>Analysis of effective tax rate:</b>		
22% / 23% of Profit before Tax	-163,734	-1,002,096
Tax effect of dividends and gain/ loss sale of shares	-	-40,410
Deferred tax asset not recognised	22,880	-32,387
Tax effect of permanent differences	140,854	1,074,894
<b>Estimated tax</b>	<b>0</b>	<b>0</b>

Provisions for deferred tax are recorded for accounting 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 31.12.2018	583,065	-250	1,497,184	1,000,755	-3,080,754	-
Annual result					-744,245	-744,245
Uncollected dividend prior years					150	150
Equity 31.12.2019	583,065	-250	1,497,184	1,000,755	-3,824,848	-744,095

At 31.12.19, the Company's share capital represents 291,532,299 shares at NOK 2. The number of shareholders at 31.12.19 was 10,419.

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 31.12.2019:

	Number of shares	Ownership
Aker Capital AS	58,496,302	20.07 %
Hemen Holding Ltd *	31,789,231	10.90 %
SOFF Invest AS	18,860,075	6.47 %
Ocean Yield AS	8,836,681	3.03 %
DNB Nor Bank ASA	8,803,917	3.02 %
Nordlaks Holding AS	4,650,000	1.60 %
Stavern Helse og Forvaltning AS	4,500,000	1.54 %
Nordnet Livsforsikring AS	4,348,846	1.49 %
	<b>140,285,052</b>	<b>48.12%</b>

\* The shareholding of Hemen Holding Ltd at 31 December 2019 reflects the official shareholder register (VP5) and may deviate from the actual shareholding.

In accordance with the definition in corporate law, the Directors had the following holdings at 31.12.2019:

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

The CEO Lars Peder Solstad controlled 21,875,052 shares at 31.12.2019.

The Deputy CEO Sven Stakkestad controlled 5,541 shares at 31.12.2019.

The company's auditor does not hold shares in the company.

Pr 31.12.2019 the company had 124,975 treasury shares at the cost price of MNOK 9.6.

# NOTES

## NOTE 12 - EARNINGS PER SHARE

In 2019, earnings per share was NOK -2.55. The equivalent value in 2018 was NOK -14.95.

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 prevents 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 furnished the following guarantees (NOK million):

Solstad Rederi AS	8,277	- for financing of vessels
Solstad Offshore Asia Pacific Ltd	1,489	- for financing of vessels
Normand Maximus	2,804	- 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 was accounted for as a provision. The guarantee obligation is no longer present. Hence, the provision is reversed in 2019.

## NOTE 17 - BOND LOAN AND OTHER LONG TERM LIABILITIES

The company has issued the following bond loans:

	Book value 31.12.2019	Book value 31.12.2018	Maturity
Balance recognized borrowing cost	-3,203	-5,033	
SOFF04	1,145,131	1,084,397	09/2021
	<b>1,141,928</b>	<b>1,079,364</b>	

There are no installments to be paid prior to maturity. Average interest rate is 5%.

	31.12.2019	31.12.2018	Interest
Mortgage loan	109,754	108,606	Nibor + 3.4%

Mortgage loan has maturity in full in 2021.

May 8, 2020 the Company signed a Restructuring Implementation Agreement. Reference is made to Note 28 in the Group Annual Report for further information.



## 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 2019, the profit and loss account and the statement of cash flows 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 2019, the 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 2019, 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 2019 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 3 129 million during the year ended 31 December 2019. At the same date, the Group had NOK 33 669 million in total liabilities, and the Group's current liabilities exceeded current assets by NOK 26 264 million. Further, the Group's equity was negative with NOK 3 835 million and the Company's equity was negative with NOK 744 million. On 8 May 2020, the Group signed a Restructuring Implementation Agreement ("RIA") with the majority of the key stakeholders involved in the restructuring process, as outlined in Note 28. The RIA includes conversion of approximately NOK 10,9 billion of debt to equity and a new fleet loan. The effectiveness of the RIA is conditional on credit committee approvals with the key stakeholders involved in the restructuring process, and formal approval from both the bondholders and shareholders. The going concern assumption is dependent on a successful completion

of the RIA. There is a risk that the required approvals of the RIA are not completed as expected, 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 conditions, along with other matters as set forth in note 1, indicate that material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## 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 2019. In addition to the matter described in the *Material uncertainty related to going concern* section, 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. The Group recognized an impairment of vessels of NOK 1 027 million in 2019. The book value of vessels as at 31 December 2019 after the impairment was NOK 21 824 million. Considering the judgement required and the uncertainty in the estimation of the recoverable amounts, we consider impairment of vessels a key audit matter.

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 internal 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 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 6 to the consolidated financial statements regarding vessels, impairment charges, the valuation model and the sensitivities.

Independent auditor's report – Solstad Offshore ASA

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### Classification and note disclosures of interest-bearing liabilities

As at 31 December 2019, the Group had current interest-bearing liabilities of NOK 27 148 million and non-current interest-bearing liabilities of NOK 685 million (excluding interest-bearing liabilities in joint ventures and lease liabilities). 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, 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 read the loan agreements and the standstill agreements and evaluated the covenant compliance calculations prepared by Management. We obtained and read minutes from board meetings. We considered the related IFRS standards and guidance and assessed the classification of the interest-bearing liabilities as at 31 December 2019. 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 28 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 2019 was NOK 563 million and NOK 0, respectively, after impairment of NOK 611 million related to investment in subsidiaries and impairments of NOK 29 million related to intercompany receivables. 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 evaluations and estimates, the level of Management's judgement involved, and the values involved, 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.

Independent auditor's report – Solstad Offshore ASA

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## 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.

Independent auditor's report – Solstad Offshore ASA

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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, 27 May 2020  
ERNST & YOUNG AS

*The auditor's report is signed electronically*

Asbjørn Rødal  
State Authorised Public Accountant (Norway)

Independent auditor's report – Solstad Offshore ASA

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**Asbjørn Rødal**

**Statsautorisert revisor**

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Serienummer: 9578-5999-4-4255051

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## AHTS EMPLOYMENT

Vessel name	Design	Year built	BHP	Employment *) at 27.05.20	1H - 2020	2H - 2020	1H - 2021	2H - 2021
BOS Turmalina	UT 722 L	2006	14 416	Apr. 21 + opt.				
BOS Turquesa	UT 722 L	2007	18 088	Spot				
Far Sagaris	UT 731 CD	2009	23 664	Jun. 20 + opt.				
Far Sapphire	UT 732 CD	2007	27 472	Spot				
Far Saracen	UT 731 CD	2010	23 664	Aug. 20 + opt.				
Far Scout	UT 722 L	2001	16 823	Aug. 20 + opt.				
Far Senator	UT 731 CD	2013	24 371	Aug. 20 + opt.				
Far Sigma	UT 731 CD	2014	24 371	Oct 20 / Spot				
Far Statesman	UT 731 CD	2013	24 371	May. 20 / Spot				
Far Stream	UT 712 L	2006	16 005	Dec. 20 + opt.				
Far Sword	UT 712 L	2006	16 005	Idle				
Nor Captain	Khiam Chuan	2007	10 880	Idle				
Normand Drott	AH 12	2010	32 792	Dec. 20 / Spot				
Normand Ferking	VS 490	2007	20 700	Nov. 20 + opt.				
Normand Prosper	AH 12	2010	32 600	Dec. 20 / Spot				
Normand Ranger	VS 490	2010	28 000	Sep. 20 / Spot				
Normand Scorpion	UT 731 CD	2009	24 143	Feb. 23 + opt.				
Normand Sirius	UT 731 CD	2014	24 371	Feb. 23 + opt.				
Normand Topázio	UT 728 L	2005	12 240	Jun. 22 + opt.				

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

Contract Charterer's option Spot

## IN LAY-UP

Vessel name	Design	Year built	BHP	Vessel name	Design	Year built	BHP
Elang Laut 1	Khiam Chuan	2009	12 240	Normand Atlantic	UT 740	1997	18 600
Far Sabre	UT 712 L	2008	15 953	Normand Borg	UT 722 L	2000	16 800
Far Santana	UT 730	2000	19 203	Normand Ivan	VS 480	2002	20 000
Far Scimitar	UT 712 L	2008	15 950	Normand Mariner	A 101	2002	23 330
Far Sound	UT 712 L	2007	16 157	Normand Master	A 101	2003	23 478
Far Sovereign	UT 741	1999	27 401	Normand Neptun	UT 740	1996	18 600
Far Strait	UT 712 L	2006	16 157	Normand Titan	UT 712 L	2007	16 320
Lady Astrid	UT 722	2003	12 240	Sea Ocelot	Khiam Chuan	2007	10 880
Lady Caroline	UT 722	2003	12 240	Sea Panther	KMAR 404	1998	15 000
Nor Tigerfish	Khiam Chuan	2007	5 422	Sea Tiger	KMAR 404	1998	15 000



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## PSV EMPLOYMENT

Vessel name	Design	Year built	DWT	Employment *) at 27.05.20	1H - 2020	2H - 2020	1H - 2021	2H - 2021
Far Scotsman	PSV 08 CD	2012	4 000	Dec. 21				
Far Searcher	UT 751 E	2008	5 127	Sep. 22 + opt.				
Far Seeker	UT 751 E	2008	4 905	May 20 + opt.				
Far Solitaire	UT 754 WP	2012	6 336	Jun. 20 / Spot				
Far Spica	PSV 08 CD	2013	4 000	Spot				
Far Swan	VS 470 Mk II	2006	3 628	Oct. 21				
Far Symphony	P 105	2003	4 929	Dec. 20 + opt.				
Normand Arctic	PSV 12 LNG	2011	4 900	Jun. 20				
Normand Aurora	P 105	2005	4 929	Dec. 20 + opt.				
Normand Carrier	HY 832 CD	2010	3 735	Idle				
Normand Falnes	VS 485	2011	5 492	May. 22 + opt				
Normand Flipper	UT 745 E	2003	4 340	Sep. 21 / Spot				
Normand Fortune	VS 485	2013	5 275	Apr. 22 + opt.				
Normand Leader	VS 499	2013	6 164	Nov. 20				
Normand Naley	VS 485	2011	5 506	Feb. 22 + opt.				
Normand Serenade	UT 751 CD	2009	5 944	Oct. 20 / Spot				
Normand Server	PSV 06 CD	2011	5 300	Jan. 22 + opt.				
Normand Service	PX 105	2014	4 459	Jun. 20 + opt.				
Normand Sitella	PSV 08 CD	2013	4 000	Oct. 20 / Idle				
Normand Skimmer	PSV 08 CD	2012	4 000	May 20 / Spot				
Normand Skipper	VS 4420	2005	6 608	Jan. 23 + opt.				
Normand Springer	PX 105	2014	4 459	Jun. 20 + opt.				
Normand Starling	PSV 08 CD	2013	4 000	Mar. 21				
Normand Sun	Vard 1 07	2014	5 635	Jul. 23 + opt.				
Normand Supporter	PSV 06 CD	2012	5 300	Feb. 22 + opt.				
Normand Supra	PX 105	2014	4 459	Oct. 20 + opt.				
Normand Surfer	PX 105	2014	4 459	Oct. 20 + opt.				
Normand Swan	PX 105	2014	4 459	May 20 + opt.				
Normand Swift	PX 105	2014	4 459	Jul. 20				
Normand Sygna	Vard 1 07	2014	5 700	Sep. 23 + opt.				
Normand Titus	PSV 05-L CD	2014	4 047	Idle				
Normand Tortuga	PSV 05-L CD	2014	4 047	Feb. 21 + opt				
Sea Brasil	PSV 09 CD	2012	4 700	Dec. 20 + opt.				
Sea Falcon	PX 105	2013	4 419	Nov. 20 + opt.				
Sea Flyer	PX 105	2013	4 419	Jan. 21 + opt.				
Sea Forth	PX 105	2013	4 419	Jan. 21 + opt.				
Sea Frost	PX 105	2013	4 419	Jul. 23 + opt.				
Sea Spark	PX 105	2013	4 419	Jul. 20				
Sea Spear	PX 105	2014	4 459	Spot / Oct. 20				
Sea Tantalus	PSV 05-L CD	2013	4 047	Idle				

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

Contract Charterer's option Spot

## IN LAY-UP

Vessel name	Design	Year built	BHP	Vessel name	Design	Year built	BHP
Far Spirit	VS 470 Mk II	2007	3 624	Normand Vibran	UT 755 LN	2008	3 375
Far Splendour	P 106	2003	3 503	Sea Angler	UT 755L	2007	3 250
Far Strider	VS 483	1999	3 965	Sea Bass	UT 755 L	2008	3 250
Normand Corona	MT 6000 MK II	2006	4 348	Sea Pollock	UT 755 L	2008	3 250
Normand Provider	UT 755	2007	3 326	Sea Triumph	PSV 05-L CD	2014	4 047
Normand Sira	MT 6009	2008	3 642	Sea Trout	VS 470 MK II	2007	3 570
Normand Supplier	UT 755	2010	3 268	Sea Turbot	UT 755 L	2008	3 250
Normand Swan	PX 105	2014	4 459	Sea Witch	UT 755 L	2008	3 520
Normand Trym	UT 755 LN	2006	3 298				

## CSV EMPLOYMENT

Vessel name	Design	Year built	BHP	Employment *) at 27.05.20	1H - 2020	2H - 2020	1H - 2021	2H - 2021
Far Saga	UT 745 L	2001	10 812	Sep. 23 + opt.				
Far Samson	UT 761 CD	2009	47 627	Aug. 20 + opt.				
Far Sentinel	Vard 3 07	2015	22 794	Dec. 22 + opt.				
Far Superior	Vard 3 17	2017	15 667	Oct. 21 + opt.				
Nor Spring	Sasaship	2008	7 956	Idle				
Normand Australis	Conan Wu	2009	5 400	Idle				
Normand Baltic	STX 06 CD	2010	11 736	Aug. 20 + opt.				
Normand Clipper	VS 4125	2001	22 195	Feb. 23 + opt.				
Normand Cutter	VS 4125	2001	22 204	Aug. 20 + opt.				
Normand Commander	MT 6016 MK II	2006	10 196	Oct. 23 + opt.				
Normand Energy	VS 4220	2007	25 017	Dec. 20				
Normand Flower	UT 737	2002	14 000	Apr. 21 + opt.				
Normand Frontier	Vard 3 03	2014	20 651	Mar. 22				
Normand Installer	VS 4204	2006	31 360	Dec. 20				
Normand Jarl	MT 6022	2013	14 552	Sep. 20 + opt.				
Normand Jarstein	MT 6022 L	2014	17 232	Oct. 20 + opt.				
Normand Maximus	Vard 3 19	2016	39 111	Oct. 24 + opt.				
Normand Mermaid	P 103	2002	14 400	Spot				
Normand Navigator	Vard 3 07	2015	22 549	Nov. 20 + opt.				
Normand Ocean	MT 6022	2014	17 476	Oct. 21 + opt.				
Normand Pacific	ST 257 L CD	2010	22 073	Dec. 21 + opt.				
Normand Pioneer	UT 742	1999	27 920	Mar. 21 + opt.				
Normand Poseidon	MT 6016	2009	10 196	Jul. 20 + opt.				
Normand Subsea	VS 4710	2009	19 800	Dec. 23 + opt.				
Normand Tonjer	VS 495	2010	11 600	Nov. 20 + 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

## IN LAY-UP

Vessel name	Design	Year built	BHP	Vessel name	Design	Year built	BHP
Far Scotia	UT 755	2001	5 454	Normand Fortress	MT 6016 MK II	2007	10 759
Nor Valiant	Conan Wu	2008	5 470	Normand Progress	UT 742	1999	27 920



Normand Tonjer - VS 495



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