



QUARTERLY REPORT
3-2020

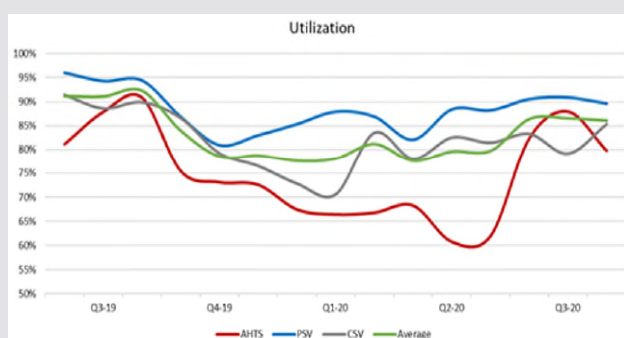
REPORT

3ND QUARTER 2020

- Successful restructuring of the Company was approved by an extraordinary general meeting on 20 October 2020
- This report is made based on the Company not being restructured as of 30 September 2020, the fourth quarter 2020 will be reflecting the strengthened balance sheet and positive equity
- The effects of the prolonged COVID-19 pandemic resulted in pressure on rates, increased cost and reduced utilization in the quarter
- Revenues for the third quarter of 2020 was MNOK 1,316 vs MNOK 1,480 in 2019, while EBITDA (adjusted) for the second quarter was MNOK 395 vs MNOK 515 in 2019
- Adjusted EBITDA reduction of MNOK 89 year to date 2020 compared to similar period in 2019 (MNOK 1,089 vs MNOK 1,178)
- Impairment of MNOK 862 in the quarter mainly related to Normand Maximus
- The COVID-19 pandemic and the decline in the offshore activity will affect the Company's performance also going forward

THE COMPANY

Solstad Group ("the Company") is a world leading owner and operator of offshore service vessels. As per September 2020, the Company owns and/or operates a fleet of in total 127 vessels. The overall utilization for the operational fleet in 3Q 2020 was 86% (92% in 2019), the subsea CSV fleet had a utilization of 83% (90%), AHTS fleet 83% (87%) and 90% (95%) for the PSV fleet.



FINANCIAL SUMMARY

Operating income for 3Q 2020 amounted to MNOK 1,316 compared to MNOK 1,480 in 3Q 2019. Revenues for Year to date 2020 was reduced with MNOK 147 (MNOK 3,851 vs MNOK 3,998 in 2019).

Operating expenses in 3Q 2020 amounted to MNOK 949, of which MNOK 867 are classified as vessel operating expenses.

Compared to 3Q 2019 operating expenses decreased by MNOK 59. Operating result before depreciation was MNOK 367 in 3Q 2020 compared to MNOK 472 in 3Q 2019. Administrative expenses for 3Q 2020 was MNOK 82, compared to MNOK 99 for 3Q 2019.

EBITDA adjusted ended at MNOK 395 in 3Q 2020 compared to MNOK 515 for 3Q 2019. Adjusted EBITDA Year to date 2020 of MNOK 1,089 vs MNOK 1,178 in 2019.

During 3Q 2020 the currency exchange rate for USD versus NOK has weakened. This resulted in a positive unrealized currency effects relating to the Company's assets and debt of MNOK 116.

Impairment charges totaling MNOK 862 were incurred in the quarter mainly related to the CSV Normand Maximus.

Ordinary result before taxes for 3Q 2020 ended negative with MNOK 1,144 compared to negative MNOK 998 for 3Q 2019.

Total booked equity at the end of the period was negative MNOK 8,012.

FINANCE

On 8 May 2020, Solstad signed a Restructuring Implementation Agreement (the "RIA") for a restructuring of the Group (the "Restructuring"). On 20 October 2020, the Restructuring was approved by the extraordinary general meeting of the

Company, which marked the effective date of the Restructuring in line with the terms of the RIA.

This report is prepared on the assumption of a going concern. For further reference to the closing of the Restructuring please refer to the subsequent event section.

EARLY TERMINATION OF CHARTER PARTY - NORMAND MAXIMUS

On 17 September 2020, Normand Maximus Operations Limited, a wholly owned and guaranteed subsidiary of Solstad Offshore ASA and disponent owner of the vessel "Normand Maximus", received notice of early termination of the charter party for the vessel from the charterers, Saipem (Portugal) Comercio Maritimo LDA ("Saipem").

The charter party includes early termination provisions. The original charter period for the vessel was eight years. The early termination means that the charterers terminate the charter after approximately four years of chartering. The estimated back-log lost following the termination is approximately NOK 1,890 million.

Normand Maximus is financed under a financial lease and the obligations of Normand Maximus Limited as bareboat charterer are guaranteed by the Company. Normand Maximus Limited and the Company is engaged in dialogue with the leasing company and owner of Normand Maximus with a view to agree on a solution for the financial lease taking into account the early termination by Saipem.

CASH FLOW AND CASH POSITION

During 3Q 2020, the overall cash position of the Company decreased from MNOK 1,112 to MNOK 1,054. The Net cash flow from operations was positive with MNOK 204 for 3Q 2020. Net cash flow from investments was negative by MNOK 97 mainly relates to regulatory docking of vessels. Net interest paid to lenders was MNOK 15, and net installments paid to lenders were MNOK 136. In addition there were negative currency effect of MNOK 13 due to NOK/USD exchange rate.

OUTLOOK

The Oil & Gas markets are still very much affected by the consequences of the significant drop in energy prices earlier this year. In addition, the Covid pandemic adds uncertainty to how and when the offshore activity will increase to a meaningful level again.

Activity linked to production will probably be less affected than activity linked to exploration and maintenance.

Within offshore-wind it is a different picture. Investments are forecasted to increase year by year going forward and could give a significant activity increase, both in Europe and other areas.

The offshore fleet, in general, is larger than the markets can consume, even under a normalized activity level. A large

number of vessels have to be taken permanently out of the market to improve the supply and demand balance.

In addition, the shipowning side is still very fragmented and a more consolidated industry would be necessary to further balance the market.

The Company's backlog is approximately MNOK 6,100 whereof MNOK 3,550 for the next 12 months.

The reduction of backlog from MNOK 8,100 last quarter is mainly related to the Saipem charter party termination of Normand Maximus.

RISK

The Company 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 factors for the Group.

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 utilization of the Group's fleet. A continuing weak market will impact future earnings and utilization 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 has implemented a wide range of measures to minimize the risk to people and operations from the COVID-19 pandemic, including social distancing, travel restrictions, excessive testing of marine crew and working from home. The company has so far avoided COVID-19 related disruptions to its operations and will continue to enforce proper measures to minimize the risk level. The Company continually evaluates measures to reduce risk exposure as mentioned above.

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. For further details, reference is made to section "Finance" and Annual Report 2019 Note 1, 2, 4 and 28 and the risk section of the Prospectus from the Company published on 19 October 2020.

SUBSEQUENT EVENTS

Successful restructuring of the Company

The Company and its subsidiaries have since Q3 2018 worked with their creditors towards a consensual financial restructuring. On 8 May 2020 the Company signed a Restructuring Implementation Agreement for a restructuring of the Group. The restructuring of the Company was approved by the Extraordinary General Meeting on 20 October 2020, and will be recognized in Q4 2020.

The estimated main effects from the implementation is set out below:

- A NOK 0.2 billion reduction of Fixed assets due to termination of vessels recognised according to IFRS 16.
- A NOK 1.3 billion increase in Current assets relating to new equity and Working Capital Facility offset by cost relating to the refinancing.
- A net NOK 9 billion reduction of Debt to credit institutions due to de-recognition of existing debt and recognition of reinstated debt, currently based on nominal values.
- A NOK 1.2 billion reduction of Other current liabilities due to lease liabilities and interest relief converted to equity.
- The total effect on equity is estimated to NOK 11 billion.

For further details, please refer to section 5 of the Prospectus of the Company published on 19 October 2020.

Alleged claim in relation to termination of time charter for "Normand Maximus"

As advised in the stock exchange notice 17 September 2020, the early termination by Saipem of the time charter for "Normand Maximus", entitles Normand Maximus Operations Limited (a wholly owned subsidiary of the Company) as disponent owner of "Normand Maximus", to an early termination fee in the amount of USD 44.3 million. The termination fee falls due for payment 4 December 2020.

Normand Maximus Operations Limited has since received a letter from Saipem as time charterer. In the letter, Saipem suggests that they have a claim for damages for alleged breach of the charter party.

The alleged claim by Saipem approximately equals the termination fee due to Normand Maximus Operations Limited. Saipem also states that they are entitled to withhold and/or set off their alleged claim against the termination fee and that the termination fee therefore will not be paid on the due date. Normand Maximus Operations Limited disagree with the allegations and that charterer- is entitled to withhold payment. Normand Maximus Operations Limited will pursue collection of the termination fee as necessary.

THE COMPANY AND ITS SHAREHOLDERS

As of today, Solstad Offshore ASA has 7,176 shareholders.

The Company's market value at Oslo Stock Exchange is MNOK 405.

Board of Directors in Solstad Offshore ASA
Skudeneshavn 19.11.2020

Harald Espedal
Chairman

Frank O. Reite
Director

Peder Sortland
Director

Thorhild Widvey
Director

Ellen Solstad
Director

Ingrid Kystad
Director

Lars Peder Solstad
CEO

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

(NOK 1,000)

	Note	2020 01.07-30.09	2019 01.07-30.09	2020 01.01-30.09	2019 01.01-30.09	2019 01.01-31.12
Operating income	2,3,4	1,315,911	1,480,268	3,850,841	3,998,169	5,244,881
Vessel operating expenses		-866,918	-909,233	-2,608,564	-2,663,496	-3,553,081
Administrative expenses		-81,898	-98,702	-273,361	-312,970	-417,962
Total operating expenses	4	-948,817	-1,007,935	-2,881,925	-2,976,466	-3,971,043
Operating result before depreciations	3	367,094	472,332	968,916	1,021,703	1,273,838
Ordinary depreciation	5	-327,636	-335,792	-1,072,775	-1,090,010	-1,446,517
Impairment	5,6	-862,158	-252,741	-1,822,655	-279,741	-1,031,902
Net gain/ loss on sale of assets		77	2,278	-28,882	-266	12,784
Operating result		-822,623	-113,923	-1,955,395	-348,313	-1,191,797
Result from Joint Ventures	7	5,853	-3,315	33,243	14,451	-44,787
Result from associated companies	7	8,550	15,180	27,502	31,433	40,766
Total other items		14,403	11,866	60,745	45,884	-4,021
Interest income		3,100	7,259	13,486	12,076	14,827
Realised currency gain/ -loss		-38,314	14,161	5,429	14,246	-17,241
Unrealised currency gain/ -loss		115,518	-441,109	-712,994	-310,612	-120,737
Interest charges		-415,447	-461,998	-1,181,624	-1,273,737	-1,644,510
Net financial charges / -income		-806	-13,892	-415,976	-26,241	-7,265
Net financing		-335,948	-895,578	-2,291,680	-1,584,268	-1,774,926
Ordinary result before taxes		-1,144,168	-997,635	-4,186,330	-1,886,697	-2,970,745
Taxes ordinary result	9	-3,438	-7,458	-15,816	10,650	-158,549
RESULT		-1,147,606	-1,005,093	-4,202,146	-1,876,047	-3,129,294
Other comprehensive income:						
Exchange differences on translating foreign operations		153,008	3,518	25,784	38,803	54,087
Available-for-sale financial assets		0	0	0	0	0
Actuarial gain/ loss		0	0	0	0	42,165
OTHER COMPREHENSIVE INCOME		-994,598	-1,001,576	-4,176,362	-1,837,244	-3,033,042
Result attributable to:						
Non-controlling interests		1,077	1,774	6,489	1,271	264
Majority share		-1,148,683	-1,006,867	-4,208,635	-1,877,318	-3,129,558
Earnings per share		-3.94	-3.45	-14.42	-6.44	-10.74
Other comprehensive income attributable to:						
Non-controlling interests		1,077	1,774	6,489	1,271	264
Majority share		-995,675	-1,003,349	-4,182,851	-1,838,515	-3,033,306
Other comprehensive income per share		-3.41	-3.44	-14.33	-6.30	-10.41
EBITDA adjusted	3,4	395,007	514,591	1,089,311	1,177,693	1,410,694
Average number of shares (1,000)		291,407	291,407	291,407	291,407	291,407

CONDENSED STATEMENT OF FINANCIAL POSITION

(NOK 1,000)

	Note	2020 30.09	2019 30.09	2019 31.12
ASSETS				
Fixed Assets:				
Intangible assets		10,487	103,172	69,961
Tangible fixed assets	5	20,233,632	23,751,250	22,601,638
Right-of-use assets	6	2,921,188	3,936,257	3,771,906
Investment in associated companies and Joint Ventures	7	443,796	687,731	386,405
Financial fixed assets		170,269	257,618	173,153
Total fixed assets		23,779,373	28,736,028	27,003,062
Current Assets:				
Stocks		168,884	147,184	177,226
Accounts receivables		1,048,225	1,126,020	889,032
Other receivables		565,847	569,736	621,546
Market based shares		8,295	8,826	8,215
Deposits, cash, etc	8	1,054,008	1,032,807	1,134,028
Total current assets		2,845,260	2,884,572	2,830,046
Assets held for sale	5	18,962	3,593	0
TOTAL ASSETS		26,643,595	31,624,193	29,833,108
EQUITY AND LIABILITIES				
Equity:				
Paid-in equity		4,602,782	4,602,782	4,602,782
Other equity		-12,623,744	-7,263,435	-8,440,894
Non-controlling interests		9,180	3,698	2,691
Total equity		-8,011,782	-2,656,955	-3,835,420
Liabilities:				
Long-term provisions		75,445	265,526	77,939
Other long-term debt	8	11,922	15,552	12,172
Debt to credit institutions	8	4,070,860	5,193,357	4,484,329
Total long-term debt		4,158,228	5,474,435	4,574,439
Current portion of long-term debt	8	28,304,817	26,888,828	27,632,528
Other current liabilities		2,192,333	1,917,885	1,461,561
Total current liabilities		30,497,150	28,806,713	29,094,089
Total liabilities		34,655,378	34,281,148	33,668,529
TOTAL EQUITY AND LIABILITIES		26,643,595	31,624,193	29,833,108

STATEMENT OF CASH FLOW

(NOK 1,000)

CASH FLOW FROM OPERATIONS	2020 30.09	2019 30.09	2019 31.12
Result before tax	-4,186,330	-1,886,697	-2,970,745
Taxes payable	-14,217	-1,706	-35,634
Ordinary depreciation and write downs	2,895,430	1,369,750	2,478,419
Gain (-)/ loss long-term assets	37,454	-17,304	50,276
Interest income	-13,486	-12,076	-14,827
Interest expense	1,181,624	1,273,737	1,644,510
Terminated leases	373,707	0	0
Effect of change in pension assets	-1,865	-3,654	-38,304
Change in value of financial instruments	-170,482	30,457	-107,062
Unrealised currency gain/ -loss	682,235	312,206	125,283
Change in short-term receivables and payables	109,332	-190,872	272,565
Change in other accruals	-143,425	-311,516	-394,414
Net cash flow from operations	749,976	562,325	1,010,067
CASH FLOW FROM INVESTMENTS			
Investment in tangible fixed assets	-21,338	-40,229	-48,471
Payment of periodic maintenance	-343,221	-275,592	-363,662
Consideration sale of fixed assets (vessels)	1,014,170	56,577	73,640
Payment of long-term receivables	5,974	-21,558	28,429
Received interests	6,450	7,481	8,505
Realization of shares and holdings	1,701	0	0
Net cash flow from investments	663,737	-273,321	-301,559
CASH FLOW FROM FINANCING			
Paid leases	-388,382		-490,706
Paid interests	-51,188	-324,910	-165,790
Drawdown long-term debt	1,108,454	594,441	972,972
Repayment of long-term debt	-2,231,985	-891,859	-1,244,816
Net cash flow from financing	-1,563,100	-622,328	-928,340
Effect of changes in foreign exchange rates	69,367	14,786	2,514
Net change in cash	-149,386	-333,324	-219,832
Cash at 01.01	1,134,028	1,351,346	1,351,346
Cash at balance sheet date	1,054,008	1,032,807	1,134,028

STATEMENT OF CHANGES IN EQUITY

(NOK 1,000)

	Share capital	Treasury shares	Share premium	Other paid-in capital	Other changes	Other equity	Total majority shares	Non-controlling interests	Total equity
Equity 01.01.2020	583,065	-281	3,698,350	321,648	401,259	-8,842,152	-3,838,111	2,691	-3,835,420
Result	-	-	-	-	-	-4,208,635	-4,208,635	6,489	-4,202,146
Translation adjustments	-	-	-	-	25,784	-	25,784	-	25,784
Other comprehensive income	0	0	0	0	25,784	-4,208,635	-4,182,851	6,489	-4,176,362
Equity 30.09.2020	583 065	-281	3 698 350	321 648	427,043	-13,050,787	-8,020,962	9,180	-8,011,782

	Share capital	Treasury shares	Share premium	Other paid-in capital	Other changes	Other equity	Total majority shares	Non-controlling interests	Total equity
Equity 31.12.2018	583,065	-281	3,698,350	321,648	347,172	-5,803,053	-853,099	2,427	-850,672
IFRS 16 implementation effect	-	-	-	-	-	30,962	30,962	-	30,962
Equity 01.01.2019	583,065	-281	3,698,350	321,648	347,172	-5,772,091	-822,137	2,427	-819,710
Result	-	-	-	-	-	-1,877,318	-1,877,318	1,271	-1,876,047
Translation adjustments	-	-	-	-	38,803	-	38,803	-	38,803
Other comprehensive income	0	0	0	0	38,803	-1,877,318	-1,838,515	1,271	-1,837,244
Equity 30.09.2019	583,065	-281	3,698,350	321,648	385,975	-7,649,409	-2,660,653	3,698	-2,656,955

	Share capital	Treasury shares	Share premium	Other paid-in capital	Other changes	Other equity	Total majority shares	Non-controlling interests	Total equity
Equity 31.12.2018	583,065	-281	3,698,350	321,648	347,172	-5,803,053	-853,099	2,427	-850,672
IFRS 16 implementation effect	-	-	-	-	-	37,269	37,269	-	37,269
Equity 01.01.2019	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
Other comprehensive income	0	0	0	0	54,087	-3087,393	-3,033,306	264	-3,033,042
Other adjustments	-	-	-	-	-	11,025	11,025	-	11,025
Equity 31.12.2019	583,065	-281	3,698,350	321,648	401,259	-8,842,152	-3,838,111	2,691	-3,835,420

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

(NOK 1,000)

NOTE 1 - GENERAL

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

The Company has implemented IFRS 16 Leases as of January 1, 2019. The nature and effects of the implementation are disclosed in the notes below. Further reference is made to Note 1 to the 2018 Annual accounts.

The interim accounts are prepared on the assumption of a going concern. Further reference is made to Note 10 Subsequent Events.



Normand Jarl - MT 6022

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

(NOK 1,000)

NOTE 2 - 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. Contract with day rate is contract where income is eared on a day-by-day basis, based on an agreed day rate with the customer. Revenue from contracts with day rate is recognized accordingly.

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

Some of the contracts also includes victualling and onshore project management. Victualling is meals and bedding provided to the customers personnel onboard the vessel. The Group also provides ordinary management services, such as technical services, crewing, 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.

	2020 01.07-30.09	2019 01.07-30.09	2020 01.01-30.09	2019 01.01-30.09	2019 01.01-31.12
Service element from contracts with day rate	494,971	524,651	1,531,493	1,708,161	2,050,887
Management fee	3,422	7,468	24,572	21,179	27,616
Victualling	27,963	36,916	70,988	90,819	116,828
Project management	-	4,253	4,253	4,253	4,253
Other	66,229	3,373	67,708	10,102	79,798
Revenue from contracts with customers	592,586	576,662	1,699,015	1,834,515	2,279,381
Lease element from contracts with day rate	723,326	903,606	2,151,827	2,163,654	2,965,500
Total operating income	1,315,911	1,480,268	3,850,841	3,998,169	5,244,881

Contract balances	30.09.2020	30.09.2019	31.12.2019
Trade receivables from charters	1,048,225	1,126,020	889,032
Contract assets	-	-	-
Contract liabilities	35,840	34,362	34,710

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

(NOK 1,000)

NOTE 3 - REPORTING PER SEGMENT

	Q3 2020			Q3 2019		
	AHTS/PSV	Subsea	Total	AHTS/PSV	Subsea	Total
Revenue from contracts with customers	338,242	254,343	592,585	342,794	233,867	576,661
Lease element from contracts with day rate	339,178	384,147	723,326	459,132	444,475	903,607
Total operating income	677,421	638,490	1,315,911	801,926	678,342	1,480,268
Crew expenses	326,794	157,058	483,852	352,094	211,485	563,579
Other expenses	205,598	231,418	437,016	258,795	163,860	422,655
Total operating expenses	532,392	388,477	920,868	610,889	375,345	986,234
Bunkers	16,810	11,139	27,949	6,485	15,218	21,703
Operating result before depreciations	128,219	238,876	367,094	184,553	287,779	472,332
Excess and less values freight contracts	10,696	2,814	13,510	23,666	6,727	30,392
Net result from Joint Venture	-	5,853	5,853	-	1,496	1,496
Adjusted operating result before depreciations	138,915	247,540	386,455	208,219	296,002	504,220

	Year to date Q3 2020			Year to date Q3 2019		
	AHTS/PSV	Subsea	Total	AHTS/PSV	Subsea	Total
Revenue from contracts with customers	969,066	729,948	1,699,014	1,085,148	749,366	1,834,514
Lease element from contracts with day rate	987,007	1,164,820	2,151,827	1,068,610	1,095,045	2,163,655
Total operating income	1,956,073	1,894,768	3,850,841	2,153,758	1,844,411	3,998,169
Crew expenses	1,028,229	495,296	1,523,525	1,107,185	609,523	1,716,708
Other expenses	648,947	589,528	1,238,475	695,972	462,573	1,158,545
Total operating expenses	1,677,176	1,084,824	2,762,000	1,803,157	1,072,096	2,875,253
Bunkers	78,501	41,424	119,925	47,836	53,377	101,213
Operating result before depreciations	200,396	768,521	968,916	302,765	718,938	1,021,703
Excess and less values freight contracts	44,690	14,960	59,650	80,750	29,356	110,106
Net result from Joint Venture	-	33,243	33,243	-	28,690	28,690
Adjusted operating result before depreciations	245,086	816,724	1,061,809	383,515	776,984	1,160,499

Internally the Group reports and monitors its operation in the following segments:

- AHTS/PSV, anchorhandling- and platform supply vessels
- Subsea, construction vessels operating subsea construction and renewable contracts

Figures are exclusive share result from Joint Ventures.

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

(NOK 1,000)

NOTE 4 - EBITDA

	2020 01.07 - 30.09	2019 01.07 - 30.09	2020 01.01 - 30.09	2019 01.01 - 30.09	2019 01.01 - 31.12
Total operating income	1,315,911	1,480,268	3,850,841	3,998,169	5,244,881
Total operating expenses	-948,817	-1,007,935	-2,881,925	-2,976,466	-3,971,043
EBITDA	367,094	472,332	968,916	1,021,703	1,273,838
Excess and less values freight contracts	13,510	30,394	59,650	110,106	138,461
Net result from Joint Venture	5,853	-3,315	33,243	14,451	-44,787
Net result from associated companies	8,550	15,180	27,502	31,433	40,766
Accrual loss accounts receivable	-	-	-	-	2,416
EBITDA adjusted	395,007	514,591	1,089,311	1,177,693	1,410,694

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

NOTE 5 - FIXED ASSETS

	Vessels	Periodic maintenance	Other	Total
Opening balance 01.01.2020	21,824,314	666,179	111,144	22,601,638
Additions	18,242	343,221	-	361,464
Transferred	16,003	-	-41,909	-25,906
Asset held for sale	-	-	-18,962	-18,962
Disposals	-1,083,584	-	-	-1,083,584
Translation adjustment	452,940	-1,448	-2,601	448,891
Depreciation	-701,627	-213,031	-12,597	-927,254
Impairment	-1,122,655	-	-	-1,122,655
Closing balance 30.09.2020	19,384,673	794,921	54,038	20,233,632

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

The Company is in a process of selling an onshore training facility. The asset is classified as held-for-sale in Condensed Statement of Financial Position. Total book value is MNOK 19.

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

(NOK 1,000)

NOTE 5 - FIXED ASSETS - (CONTINUED)

Impairment testing of vessels

Summary

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

Based on value-in-use-calculations the Company has recognized an impairment of MNOK 162.2 in 3Q 2020. Total impairment of fixed assets recognized year to date 3Q 2020 is MNOK 1,122.7.

Impairment testing

Impairment testing (value-in-use-calculation) was performed for all vessels where book value exceeds 65% of broker value. Broker value is set as an average of 3 acknowledged, independent brokers. Each vessel is considered a separate cash generating unit. The value-in-use-calculations are based on the long-term forecast for 2020-2024.

The main assumptions used in the computations are charter rates, utilization, escalation of expenses, operational area, interest rate, weighted average cost of capital (WACC) and performance per Q3 2020 compared to forecast.

Discounting rate

The discounting rate is based on a common WACC for the Company. The cost of equity is derived from the 10-year interest rate for state bonds (risk-free interest rate), the Company's own market risk premium and an unlevered beta. The debt element of the discounting rate is based on the risk-free interest rate, plus the Company's average margin for secured debt, as well as a premium equivalent to the difference between risk-free interest rate and the bank's lending rates. The discounting rate used for Q3 2020 remains at 9%.

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 2025 to 2027 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 2027.

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 2025.

Residual values

Estimated residual values used in the value-in-use-calculations are set using the same principle as for the ordinary depreciations. Initially the value is set to 50% of cost price, expected cost of sale deducted, and adjusted for age and changes in broker valuations. The assumption is that the broker values decline by 2.5% per year, until the vessel is 20 years old.

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

(NOK 1,000)

NOTE 6 - RIGHT-OF-USE ASSETS

	Right-of-use assets			Lease liabilities
	Vessels	Office	Total	
Opening balance 01.01.2020	3,521,309	250,597	3,771,906	4,284,283
Other adjustments	-	22,613	22,613	-
Additions	3,393	-	3,393	-
Disposals	-329,192	-	-329,192	-718,278
Translation adjustment	296,084	-10,786	285,298	353,428
Depreciation	-123,087	-9,743	-132,830	-
Impairment	-700,000	-	-700,000	-
Interest expense	-	-	-	205,532
Lease payments	-	-	-	-388,382
Closing balance 30.09.2020	2,668,507	252,681	2,921,188	3,736,584

Impairment testing of Right-of-use assets

Based on value-in-use-calculations the Company has recognized an impairment of MNOK 700 in 3Q 2020. Further reference is made to Note 5 Fixed Assets.

Guarantee

The obligations of Normand Maximus Limited as bareboat charterer is guaranteed by the Company. Normand Maximus Limited and the Company is engaged in dialogue with the leasing company and owner of Normand Maximus with a view to agree on a solution for the financial lease taking into account the early termination by Saipem (Portugal) Comercio Maritimo LDA. Further reference is made to the board of directors report.

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 over 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 an 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.

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

(NOK 1,000)

NOTE 7 - INVESTMENT IN ASSOCIATED COMPANIES AND JOINT VENTURES

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

AC	JV
Solstad Offshore Crewing Services Philippines (25 %)	Normand Installer SA (50 %)
Maximus Limited (25 %)	

	AC	JV	TOTAL
Opening balance	293,846	92,559	386,405
Share of result year to date	27,502	33,243	60,745
Additions	-	-	-
Disposals	-	-	-
Other adjustments	-10,404	7,050	-3,353
Closing balance	310,944	132,852	443,796

Other adjustments includes received dividends and currency effects.

NOTE 8 - INTEREST BEARING DEBT

	2020 30.09	2019 30.09	2019 31.12
Long term debt	4,082,782	5,208,909	4,496,501
Current portion of long term debt	28,304,817	26,888,828	27,632,528
Total interest bearing debt (*)	32,387,599	32,097,737	32,129,029
Bank deposits	1,054,008	1,032,807	1,134,028
Net interest bearing debt	31,333,591	31,064,930	30,995,001

Long term debt is divided as follows: 43% NOK, 52% USD, 3% GBP and 2% AUD. At the end of the quarter, fixed interest agreement loans were entered into for around 22% of interest bearing debt.

Long term debt of about MNOK 25,000 have in accordance with IFRS been classified as Current portion of long term debt as per September 30, 2020, due to the standstill agreements with the banks and bond holders where the covenant waiver period is less than 12 months. The waiver period end March 31, 2020, subsequently prolonged to May 8, 2020 and replaced by the Restructuring Implementation Agreement. Further reference is made to Note 28 in the 2019 Annual accounts.

*Inclusive recognized debt relating to IFRS 16 Leases MNOK 3,737 (MNOK 4,473), whereof MNOK 583 (MNOK 1,122) are leases from related parties, and debt to related parties MNOK 1,199 (MNOK 666). Certain IFRS 16-leases are terminated in 2020, resulting in a charge to Other net financial charges/-income.

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

NOTE 9 - TAX EXPENSE

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.

NOTE 10 - SUBSEQUENT EVENTS

Successful restructuring of the Company

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 restructuring of the Company was approved by the Extraordinary General Meeting on 20 October 2020, and will be recognized in Q4 2020.

The estimated main effects from the implementation is set out below:

- A NOK 0.2 billion reduction of Fixed assets due to termination of vessels recognised according to IFRS 16.
- A NOK 1.3 billion increase in Current assets relating to new equity and Working Capital Facility offset by cost relating to the refinancing.
- A net NOK 9 billion reduction of Debt to credit institutions due to de-recognition of existing debt and recognition of reinstated debt, currently based on nominal values.
- A NOK 1.2 billion reduction of Other current liabilities due to lease liabilities and interest relief converted to equity.
- The total effect on equity is estimated to NOK 11 billion.

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

NOTE 11 - ALTERNATIVE PERFORMANCE MEASUREMENT DEFINITIONS

Solstad Offshore ASA has included the below 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.

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

EBITDA - Operating result before depreciation.

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

Adjusted Operating result before depreciations- Operating result before depreciation adjusted excess values charter parties from mergers and result from Joint Ventures

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

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

Current ratio - Current assets divided by current liabilities

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

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

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

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

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

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

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

AHTS EMPLOYMENT

Vessel name	Design	Year built	BHP	Employment * at 19.11.20	4Q - 2020	1H - 2021	2H - 2021	2022
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	Sep. 23 + opt.				
Far Sapphire	UT 732 CD	2007	27 472	Spot				
Far Scout	UT 722 L	2001	16 823	Dec. 20				
Far Senator	UT 731 CD	2013	24 371	Jan. 22 + opt.				
Far Sigma	UT 731 CD	2014	24 371	Spot				
Far Statesman	UT 731 CD	2013	24 371	Sep. 23 + opt.				
Far Stream	UT 712 L	2006	16 005	Jan. 21 + 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	Nov. 20 / Spot				
Normand Ferking	VS 490	2007	20 700	Nov. 21 + opt.				
Normand Prosper	AH 12	2010	32 600	Nov. 20 / Spot				
Normand Ranger	VS 490	2010	28 000	Spot				
Normand Saracen	UT 731 CD	2010	23 664	Jan. 22 + opt.				
Normand Scorpion	UT 731 CD	2009	24 143	Aug. 23 + opt.				
Normand Sirius	UT 731 CD	2014	24 371	Aug. 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 19.11.20	4Q - 2020	1H - 2021	2H - 2021	2022
Far Scotsman	PSV 08 CD	2012	4 000	May. 22				
Far Searcher	UT 751 E	2008	5 127	Sep. 22 + opt.				
Far Seeker	UT 751 E	2008	4 905	Spot				
Far Solitaire	UT 754 WP	2012	6 336	Dec. 21				
Far Spica	PSV 08 CD	2013	4 000	Dec 20 + opt.				
Far Swan	VS 470 Mk II	2006	3 628	Oct. 21				
Far Symphony	P 105	2003	4 929	Dec. 21				
Normand Arctic	PSV 12 LNG	2011	4 900	Spot				
Normand Falnes	VS 485	2011	5 492	Dec. 21 + opt				
Normand Flipper	UT 745 E	2003	4 340	Nov. 21 + opt.				
Normand Fortune	VS 485	2013	5 275	Apr. 22 + opt.				
Normand Leader	VS 499	2013	6 164	Dec. 21 + opt				
Normand Naley	VS 485	2011	5 506	Dec. 21 + opt.				
Normand Serenade	UT 751 CD	2009	5 944	Spot				
Normand Server	PSV 06 CD	2011	5 300	Jan. 22 + opt.				
Normand Service	PX 105	2014	4 459	Spot				
Normand Sitella	PSV 08 CD	2013	4 000	Idle				
Normand Skimmer	PSV 08 CD	2012	4 000	Nov. 25 + opt.				
Normand Skipper	VS 4420	2005	6 608	Jan. 23 + opt.				
Normand Springer	PX 105	2014	4 459	Apr. 21 + 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	Spot				
Normand Surfer	PX 105	2014	4 459	Spot				
Normand Swift	PX 105	2014	4 459	Spot				
Normand Sygna	Vard 1 07	2014	5 700	Sep. 23 + opt.				
Normand Tortuga	PSV 05-L CD	2014	4 047	May 21 + opt				
Sea Brasil	PSV 09 CD	2012	4 700	Nov. 21				
Sea Falcon	PX 105	2013	4 419	Nov. 20 + opt.				
Sea Flyer	PX 105	2013	4 419	Dec. 20				
Sea Forth	PX 105	2013	4 419	Dec. 20				
Sea Frost	PX 105	2013	4 419	Jan. 23 + opt.				
Sea Spark	PX 105	2013	4 419	Idle				
Sea Spear	PX 105	2014	4 459	Spot				

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 Trym	UT 755 LN	2006	3 298
Far Splendour	P 106	2003	3 503	Normand Vibran	UT 755 LN	2008	3 375
Far Strider	VS 483	1999	3 965	Sea Angler	UT 755L	2007	3 250
Normand Aurora	P 105	2005	4 929	Sea Bass	UT 755 L	2008	3 250
Normand Carrier	HY 832 CD	2010	3 735	Sea Pollock	UT 755 L	2008	3 250
Normand Corona	MT 6000 MK II	2006	4 348	Sea Tantalus	PSV 05-L CD	2013	4 047
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 Titus	PSV 05-L CD	2014	4 047				

CSV EMPLOYMENT

Vessel name	Design	Year built	BHP	Employment *) at 19.11.20	4Q - 2020	1H - 2021	2H - 2021	2022
Far Saga	UT 745 L	2001	10 812	Oct. 21	█	█	█	█
Far Samson	UT 761 CD	2009	47 627	Nov. 20	█			
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	Nov. 20	█			
Normand Baltic	STX 06 CD	2010	11 736	Jul. 21 + opt.	█	█	█	
Normand Clipper	VS 4125	2001	22 195	Feb. 23 + opt.	█	█	█	█
Normand Cutter	VS 4125	2001	22 204	Dec. 20 + opt.		█		
Normand Commander	MT 6016 MK II	2006	10 196	Oct. 23 + opt.	█	█	█	█
Normand Energy	VS 4220	2007	25 017	Nov. 20 + opt.	█	█		
Normand Flower	UT 737	2002	14 000	Apr. 21 + opt.	█	█	█	
Normand Frontier	Vard 3 03	2014	20 651	Mar. 22 + opt.	█	█	█	█
Normand Installer	VS 4204	2006	31 360	Nov. 21 + opt.	█	█	█	█
Normand Jarl	MT 6022	2013	14 552	Aug. 22 + opt.	█	█	█	█
Normand Jarstein	MT 6022 L	2014	17 232	Nov. 20 + opt.	█	█	█	█
Normand Maximus	Vard 3 19	2016	39 111	Nov. 20	█			
Normand Mermaid	P 103	2002	14 400	Spot / Mar. 21 + opt.	█	█	█	█
Normand Navigator	Vard 3 07	2015	22 549	Mar. 21 + 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	Oct. 23 + opt.	█	█	█	█
Normand Sentinel	Vard 3 07	2015	22 794	Dec. 22 + opt.	█	█	█	█
Normand Subsea	VS 4710	2009	19 800	Dec. 23 + opt.	█	█	█	█
Normand Tonjer	VS 495	2010	11 600	Nov. 21 + opt.	█	█	█	█
Normand Vision	Vard 3 06	2014	27 850	Nov. 21 + 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



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