



# Annual Report 2020

Propelling global energy markets.  
Into the future.

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## Financial Calendar

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

Annual Report 2020:	April 29th, 2021
Result 1. quarter 2021:	May 25th, 2021
Ordinary General Meeting:	May 25th, 2021
Result 2. quarter 2021:	August 24th, 2021
Result 3. quarterly 2021:	November 25th, 2021
Preliminary result 2021:	February, 2022

# 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.**

# Letter from the CEO

## When summarizing 2020, there are some major events that characterized Solstad and the industry we are a part of:

- **Solstad retains its role as a significant player in the offshore market.** The successful completion of the restructuring process was secured in October 2020. The result - a restructured balance sheet, strengthened cash position, positive equity and a simplified legal structure – this position the company for the future.
- **COVID-19 highlight the importance of resilience.** The COVID-19 pandemic challenged us in how we run operations both onshore and offshore. I am pleased that we avoided any major disruptions. The importance of a resilient organization that can handle the unprecedented has never been made clearer. We remain conscious of the strides that our crew must endure and call on authorities to recognize seafarers as key workers and ensure safe crew change logistics.
- **Overcapacity made a tough market worse.** The pandemic also had us revisit our optimistic market outlook at the beginning of 2020. Decline in demand in combination with the pervasive overcapacity in the market was a challenge throughout the year.
- **Renewables continued to grow in significance.** We are encouraged that we were able to grow the share of revenue from renewable projects and expect this trend to continue.

Looking into 2021, I am encouraged to see that the activity in our markets is slowly picking up. There is increased tender activity in Brazil, and we are mobilizing vessels for new contracts in Australia. In the UK, we are activating several PSV's from lay-up for new contracts. The entire CSV fleet, except for one vessel, is now on contracts around the globe. Rate levels have yet to catch up with the uptick in activity levels, but increased demand and vessel utilization is normally followed by improved rates.

To reach the goal of the Paris Agreement to limit global warming to well below 2 degrees, increased energy production from offshore wind is a key. In that regard 2020 was a year marked by positive developments: it was a record-setting year for the offshore wind industry in terms of investments and installed capacity. The activity grows year by year and in Solstad we work actively to increase our market share in this segment. In 2020 about 10% of our revenue came from renewables. Working directly with the windfarm owners and with the contractors, we see many opportunities emerging in the coming years.

Many of our clients are investing in both renewable energy and in oil & gas. We also have this dual focus, as oil & gas will likely continue to be the most important energy sources for a long time still. Market developments point to careful optimism regarding activity levels and vessel demand in the years to come.

No matter the segment or where in the world we operate, it is our responsibility to have a constant focus on improving our sustainability performance. We know this matter for our clients, our wider community and of course, the climate. In Solstad we have worked actively with this for many years and we started our Green Operations program already in 2009. Today, all our vessels working out of Norway have either battery-hybrid solution and/or shore power connection installed.

On the road to zero emissions in 2050, there are important goal posts. In 2030 the goal is a 50% GHG emissions reduction compared to 2008. We are on track by achieving the goal for 2020, 20% reduction compared to 2008. However, to achieve the target of zero emissions by 2050, we have to develop new technology, test alternative fuels, and continuously improve operational efficiency. This requires collaboration between shipowners, equipment suppliers, clients, authorities and others. Solstad looks forward to playing an active role in the transition.

Entering 2020, we had an optimistic view of the year ahead. The pandemic dramatically altered the outlook. In 2021 we once again see early signs of increased demand. Supported by very few newbuilds and an unlikely return of most the vessels currently in lay-up across the sector, there might be brighter times ahead.



**Lars Peder Solstad**  
CEO



# Key figures

- Successful restructuring of the Company was approved by an extraordinary general meeting on 20 October 2020
- This report is reflecting the changes to the Company following the closing of the restructuring.
- Equity strengthen with MNOK 8,078 compared to 2019 and booked equity end of year of MNOK 4,243
- Liquidity strengthen with MNOK 1,278 compared to 2019 and year end cash position of MNOK 2,412
- The effects of a lower oil price are that E&P companies are re- scrutinizing their spending plans and postponing or canceling projects resulting in reduced utilization in 2020
- EBITDA adjusted for 2020 was MNOK 1,282 vs MNOK 1,411 in 2019
- The COVID-19 pandemic and the decline in the offshore activity will affect the Company's revenues, utilization and increased cost.



## Key Financials

(MNOK)	2020 01.01-31.12	2019 01.01-31.12	2018 01.01-31.12
Revenue	5,026	5,245	4,910
EBITDA Adjusted	1,282	1,411	1,005
EBIT	-2,185	-1,196	-3,987
Profit before Tax	7,250	-2,971	-5,842
Cash and equivalents	2,412	1,134	1,351
Net working capital	-803	-26,264	-24,654
Equity	4,243	-3,835	-851
Net interest bearing debt*	-18,219	-30,983	-28,727
Order backlog	5,200	8,200	6,800

\*Including recognized debt relating to IFRS 16 Leases

# Financial Summary

(MNOK)	2020	2019	2018	2017	Ref
<b>PROFIT AND LOSS</b>					
Freight income	4,844	5,016	4,673	3,626	
Other operating income	182	228	237	151	
Operating result before depreciation and impairment	1,032	1,274	422	654	
Operating result	-2,226	-1,237	-3,987	694	
Net financial items	9,477	-1,734	-1,855	-1,024	
Ordinary result before tax	7,250	-2,971	-5,842	-330	
Net result for the year	7,254	-3,129	-5,888	-345	
Hereof majority's share	7,241	-3,130	-5,858	-314	
<b>BALANCE SHEET</b>					
Deferred tax asset	6	-	2	-	
Long term assets	22,204	27,003	28,599	32,295	
Current assets	3,869	2,830	3,015	3,628	
Total assets	26,069	29,833	31,615	36,111	
Equity	4,243	-3,835	-851	4,962	
Deferred tax	-	17	-	-	
Long-term liabilities and provisions	17,181	4,574	4,796	29,128	
Current liabilities	4,645	29,094	27,669	2,021	
Interest bearing liabilities	20,631	32,117	29,980	28,840	8
Bank overdraft	-	-	-	-	
Free and restricted bank deposits	2,412	1,134	1,351	1,875	
Net interest-bearing liabilities	18,219	30,983	28,629	26,965	9
<b>PROFITABILITY</b>					
Operating margin	21 %	24 %	9 %	17 %	1
Earning on equity	3,557 %	128 %	-286 %	-8 %	2
<b>LIQUIDITY</b>					
Liquid assets	2,412	1,134	1,351	1,875	6
Working capital	-803	-26,264	-24,654	1,607	7
Adjusted EBITDA	1,282	1,411	1,005	925	3
Current ratio	0.8	0.1	0.1	1.8	4
<b>CAPITAL</b>					
Total assets	26,069	29,883	31,651	36,111	
Equity	4,243	-3,835	-851	4,962	
Equity ratio	16 %	-13 %	-3 %	14 %	5

## 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 86.



# The Board of Directors



## HARALD ESPEDAL (b. 1972)

Harald Espedal is a graduate from The Norwegian School of Economics (NHH) in economics with additional studies in auditing. Today he is the Chairman of Lyse AS, 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: 656 687



## FRANK O. REITE (b. 1970)

Frank O. Reite first joined Aker in 1995 and was CFO in Aker ASA from August 2015 until August 2019. He came from the position of President & CEO of Akastor and has previously held a variety of executive positions in the Aker group, including overseeing and developing Aker's investments in Convento Capital Fund AS, Havfisk AS, Norway Seafoods AS and Aker Yards ASA. Frank O. Reite has experience from banking and has served as Director in Paine & Partners. Frank O. Reite holds a B.A. in business administration from Handelshøyskolen BI in Oslo.

SHARES IN SOLSTAD OFFSHORE ASA: 0



## INGRID KYLSTAD (b. 1985)

Ingrid Kylstad is Sustainability Lead in ZeroLab by Torvald Klaveness. Before joining Klaveness in 2021, Kylstad was COO in Katapult Ocean, a seed stage investor within ocean technology. Prior to that she worked for the Norwegian Shipowners Association and spent several years in Brussels working on policy and regulatory issues.

Kylstad holds an MSc in European Studies from London School of Economics and Political Science and a BSc in Liberal Arts from Maastricht University. She has also completed a management program at the Solvay Brussels School of Economics and Management.

SHARES IN SOLSTAD OFFSHORE ASA: 0



## ELLEN SOLSTAD (b. 1974)

Mrs. Solstad holds a bachelor's degree from BI. She has previous work experience from R.G Hagland AS and Solstad Offshore UK Ltd. Mrs. Solstad is currently Chairman of Solstad Family Office and a board member of Wilson ASA, Solvang ASA and Karmsund Interkommunale Havnevesen IKS.

SHARES IN SOLSTAD OFFSHORE ASA: 0



## THORHILD WIDVEY (b. 1956)

Thorhild Widvey was Minister of culture from 2013 to 2015 and Minister of Petroleum and Energy from 2004 to 2005. Ms Widvey was state secretary in the Norwegian Ministry of Foreign Affairs from 2003 to 2004 and in the Norwegian Ministry of Fisheries from 2002 to 2003. Prior to this she was a Member of Parliament (Stortinget) from 1989 to 1997, representing Høyre (the Conservative Party of Norway). Ms Widvey is chair of the Board in Statkraft AS; and has previous held a number of board positions both in privately and stock listed companies, including e.g. Hitec Vision AS (2006 to 2015); ENI Norway AS (2007 to 2015), Aker Drilling ASA (2005 to 2006), Oslo Havn KF (2012 to 2015) and Aker Philadelphia Shipyard AS (2011 to 2015) and Sjømannskirken (Norwegian Church Abroad) (2006 to 2015). She was a board member of Kværner ASA (2016-2020) and continue as member of the board of Aker Solutions after the merger with Kværner (2020-).

SHARES IN SOLSTAD OFFSHORE ASA: 0



## PEDER SORTLAND (b. 1963)

Peder Sortland, currently the CEO North Sea Infrastructure AS (NSI), has almost 30 years' experience from the oil & gas industry. Prior to NSI, Sortland held roles as the CEO of Global Maritime Group, Apply Group and Ross Offshore/Subsea Technology Group and as Regional Vice President for Subsea 7 in Norway. Sortland spent 18 years in Equinor up to Senior Vice President level, predominantly in areas of business development, commercial negotiations and strategy work. Sortland has a business education on MBA level from University of Wyoming and is a Fulbright Scholar.

SHARES IN SOLSTAD OFFSHORE ASA: 0



# The Board's Annual Report

**Solstad Offshore ASA (“The Company”, “The Group” or “Solstad”) is a world leading owner and operator of offshore service vessels (OSVs), offering maritime services to the global offshore and renewable energy industry.**

The Company owns and operates a fleet of PSV's (platform supply vessels), AHTS (anchor handling tug support vessels) and CSVs (construction and subsea vessels). The supply vessels (AHTS and PSVs) 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 2020 affected by the general, overcapacity of OSVs. The year started with an optimistic view of an improvement in activity level and rates in our key markets. However, negative impact from the COVID-19 pandemic and the drop in the oil price, did impact the Company's business and market outlook negatively. Despite a growing renewable energy market, the decline in the oil and gas activity gave an overall negative growth in 2020. The Company has been through a comprehensive restructuring, which was completed 20. October 2020. This enables the Company's ongoing operations, while also enabling us to take part in the growing Renewable energy activities. The measures taken throughout the restructuring also allow us to reduce overall vessel-capacity while retaining core assets, expertise and competencies, giving us the flexibility to adapt as the oil and gas market begins to recover.

The operating revenues decreased by about 4%, from MNOK 5,245 in 2019 to MNOK 5,026 in 2020. Operational cost in 2020 was MNOK 3,994 (MNOK 3,971 in 2019) adjusted for extraordinary restructuring cost of MNOK 109 the reduction of Operational cost amounts to 2%. EBITDA Adjusted for the year was MNOK 1,282 compared to MNOK

1,411 in 2019. The Company made impairments of the book value of the fleet of MNOK 1,895 (MNOK 1,032 in 2019) for 2020. The result after tax was MNOK 7,254 compared to MNOK -3,129 in 2019, and the booked equity is positive with MNOK 4,243.

## 1. Vision and values

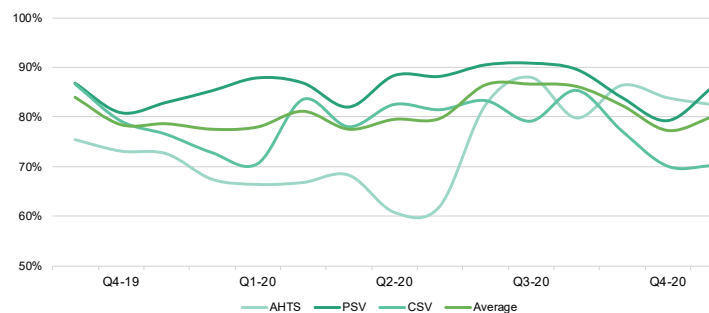
Solstad's vision is to be a reliable world leading shipping company, acknowledged by our clients, employees and other stakeholders by delivering high quality services to the global oil & gas and renewable energy markets. Our four core values are Safe – Reliable – Competent – Responsible. These values 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 with offices in Alesund, Aberdeen, Rio de Janeiro, Macae, Perth, Singapore, Manila and Odessa.

The Company's operating income in 2020 was divided into 49% (47%) from CSVs and 51% (53%) from AHTS and PSVs. Furthermore, the regional split of the revenues was 45% (45%) from the North Sea, 9% (15%) from South America, 5% (4%) from Africa, 5% (3%) from North and Central America, 18% (18%) from the Mediterranean part of Europe, 13% (9%) from Australia and 5% (6%) from Asia.

Utilization for the operational fleet of vessels in 2020 (excluding vessels in layup):



### Subsea construction and renewable energy

The CSV segment includes 26 vessels, whereof 3 vessels were in layup at year-end 2020. The Solstad CSV fleet is versatile, and the vessels are designed and equipped to support a wide range of offshore services within oil & gas and renewable energy projects.

During 2020 the fleet has successfully been involved in projects both within Renewable energy and Oil & gas, such as; geotechnical work, Walk to Work services, grouting, SURF operations, deep-sea mining, cable laying and repair, trenching and burial, ROV support, installation of subsea equipment, survey work, IMR operations, node seismic operations, diving and topside maintenance work.

Geographical areas of operation include Asia, South America, West Africa, North Africa, Europe and Gulf of Mexico. The company has also signed new contracts for the CSV segment in most of the mentioned areas.

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

The Derrick Lay Barge Norce Endeavour was sold and successfully delivered to new owner, while the Normand Energy and Normand Fortress was

activated from layup to commence new contracts.

### AHTS & PSV

The AHTS fleet includes 38 vessels, whereof 17 vessels are operational. The PSV fleet includes 51 vessels, with 32 vessels in operation. Strategic regions are Australia, Brazil and North Sea and the majority of the vessels are located in these regions. Most of the operating vessels was on term contracts and during 2020 we signed long term contracts with companies such as Chevron, Petrobras, Equinor and Total.

The size of the fleet has proven its flexibility as we have been able to relocate vessels to be awarded favorable contracts such as two big AHTS's participated in Total's successful campaign in South Africa and another AHTS where relocated from Australia to Brazil to commence a long term charter for Petrobras.

### Covid-19

COVID-19 has been a challenge for the majority of 2020 as it has affected both the market and the operational aspect of our industry, crew changes have in some cases been impacted significantly due to travel restrictions and in some cases; marine crew on vessels have been affected by the virus which has caused down time and subsequent cost for crew changes and cleaning, the impact has been limited to a minimum as the Company has proactively worked on preventive measures since the early start of the pandemic.

### Vessel divestment in 2020

During the year we have divested several vessels, this is mostly related to the smallest and less modern vessels. In the year we have divested 1 Derrick Lay Barge, 3 PSV's and 3 AHTS's in line with the restructuring plan for the company.

## 3. The Market

### Oil & Gas

Last year we expected a gradual return of the oil price however this was heavily affected by emergence of the Covid-19 pandemic. The year started with an oil price of USD 65 per barrel but stated to weaken in first quarter of the year. Along with the spread of the Covid-19 pandemic and the general concerns about the impact of the pandemic the oil price was under pressure. 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 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 markets going forward.

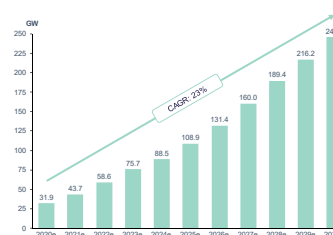
Operations within Oil & Gas will continue to be the main activity for Solstad for many years to come and with its fleet of about 85 modern offshore vessels (not included the non-strategic vessels to be divested), the Company are particularly well positioned in its Strategic markets the North Sea, Australia and Brazil.

### Renewable Energy

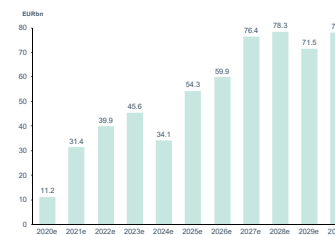
Despite the challenging macroenvironment, the renewable market, and in particular offshore wind, continued its growth in 2020. This are forecasts of strong, long-term growth in demand for renewable energy, driven by increasing social and political pressure to reduce carbon emissions, as well as the continued reduction in the development cost of offshore wind power. Activity in well established markets in Europe such as the UK, Germany and the Netherlands remained high, while activity in newer markets such as Taiwan also increased. During the year oil majors and other large entities invested into offshore-wind projects, giving a more diversified Client base going forward.

Solstad are well positioned to take an active part in the energy transition. Many of the Company's vessels are well suited for work within Offshore-wind projects and in 2020, about 10% of the revenue came from this segment.

### Global installed offshore wind capacity 2020e-30e



### Annual capex 2020e-30e assuming EUR 2.67 m<sup>1</sup> per MW



The EU aim for 60GW offshore wind within 2030 and 360GW within 2050 which estimates required investments of nearly EUR 800bn to meet the 2050 target

Note 1) based on EU objectives for EUR 800bn and 300GW between now and 2050

Source: Rystad Energy & European Commission



#### 4. Corporate particulars

As of 31.12.2020, the number of shareholders was 7,773 whereof total international shareholding was approximately 25 %. The largest shareholders, Aker Capital AS, DNB Bank ASA and Hemen Holding Ltd, hold 24,96%, 11,14 % and 9,20 %, respectively

#### 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 2020 are prepared in accordance with International Financial Reporting Standards "IFRS", as adopted by the European Union.

Operating income in 2020 was MNOK 5,026 compared to MNOK 5,245 in 2020. The decrease compared to 2019 is mainly driven from campaigns finalizing earlier than plan.

Operating expenses in 2020 amounted to MNOK 3,994 compared to MNOK 3,971 in 2019. The increase is mainly related to extraordinary cost related to the restructuring of the Company (MNOK 109).

EBITDA Adjusted for the year was MNOK 1,282 compared to MNOK 1,411 in 2019.

Operating result before financial items and tax was MNOK -2,226 compared to MNOK 1,237 in 2019, including impairments of fixed assets of MNOK 1,895 compared to MNOK 1,032 in 2019. The main reasons for the impairments in 2020 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. 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 consider as a realistic sales price.

Group result after tax for 2020 was MNOK 7,254 (MNOK -3,129 in 2019). Net financial items for 2020 was MNOK 9,477 (MNOK -1,734 in 2019), mainly effects from the financial restructuring of the Company. A MNOK 1,300 reduction of Other current liabilities due to lease liabilities and interest relief converted to equity. A net MNOK 9,400 reduction of Debt to credit institutions due to de-recognition of existing debt and recognition of reinstated debt based on nominal values.

As part of the successful restructuring of the Company the majority of the Company's old debt was refinanced. About one third of the previous debt was converted to equity, while two thirds returned as reinstated debt. Derecognition of old debt and recognition of new debt have been handled in accordance with IFRS 9. At initial recognition new debt is measured at fair value, which is lower than nominal value. This results in a gain (financial income, MNOK 1,066) at initial recognition and will be offset by increase in interest expenses over the loan period. The gain will be amortized and presented as interest expenses over the period until final maturity of the loans. Over the loan period, the effect on P&L and equity is zero.

Net earnings per share were NOK 29.13 (NOK -10.73 in 2019).

Operating result before depreciation and impairment amounted to 21% of revenues compared to 24% in 2019. Booked equity per 31.12.2020 was MNOK 4,243 (MNOK -3,835 in 2019) i.e. NOK 56.7 per share (NOK -13.2 per share in 2019).

Interest bearing debt as of 31.12.2020 was MNOK 20,631 (MNOK 32,117 in 2019), whereof MNOK

3,500 (MNOK 27,633 in 2019) is classified as current liabilities. The interest bearing debt has the following currency split, 33% NOK and 67% in USD. 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 2,412 in cash deposits (MNOK 1,134 at year-end 2019). The cash at year-end includes a MNOK 1.473 Working Capital Facility provided as a part of the restructuring agreement.

#### 7. Restructuring process

The Company finalized a successful restructuring approved by an extraordinary general meeting October 20th, 2020. The key highlights form the restructuring;

- Simplifying the Company structure with collapse of the former "silo" structure to secure free flow of liquidity
- Maintain the support from the industrial owners like Aker, Hemen and Solstad family
- Approval to dispose the vessels of less strategic importance
- A NOK 0.6 billion reduction of Right-of use assets due to termination of vessels recognized according to IFRS 16.
- A net NOK 9.6 billion reduction of Debt to credit institutions due to de-recognition of existing debt and recognition of reinstated debt based on nominal values.
- An additional NOK 1.1 billion reduction of Debt to credit institutions due to Fair value measurement of recognized debt according to IFRS 9.
- A NOK 0.2 billion reduction of Debt to credit institutions due Fair value measurement of Associated Subscription Rights (Warrants)
- A NOK 1.3 billion reduction of Other current liabilities due to lease liabilities and interest relief converted to equity.
- A NOK 1.5 billion increase in deposits, cash, etc relating to new equity and Working Capital Facility.
- The total effect on equity is NOK 11.6 billion.

#### 8. Health, 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, ISO 50001:2018, MLC (Maritime Labor Convention) and ISPS (International Ship and Port Facility Security). 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 2020, approximately 31,710 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 TRCF (Total Recordable Case Frequency, recordable injuries per 1 million working hours) of 1.26 for 2020 (1.64 in 2019). The goal of no incidents is maintained for 2021, 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.

In 2019 the Company implemented 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 349 liters of emissions of various types of oil products to sea in 2020. 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 18,700 Green Operations were performed in 2019 alone, resulting in 38,400 tons of fuel saved which prevented release of 122,000 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 Group administration consists of 181 men (56%) and 141 women (44%). Out of a total of 2,961 marine crew at year-end, only 147 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.

## 10. Market outlook

With the oil price back to USD 60 level, Oil & Gas companies have slowly started to increase their activity again after they put the brakes on last year. This might give an increased activity effect already in 2021. At least in some areas, like the North Sea. The offshore-wind operators and contractors continue to increase their activity, which have a positive effect on demand for part of the CSV fleet.

In total, it is expected an increased demand for vessels, but still with a fierce competition between a large number of Owners. Resulting in rate levels below or close to breakeven rates.

Globally, a large number of vessels are still in lay-up. Very few of them are candidates for contracts

with the recognized operators due to age, fuel consumption and activation cost. Solstad will sell around 35 of its vessels, in mentioned categories, to recycling and/or markets with limited access for International owners.

It is expected that very few new vessels will enter the market in coming years and in combination with an increased activity level, this could give sustainable rate levels at one point.

## 11. 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, 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 affecting oil prices in all regions where the Group operates and has negatively impacted the earnings and utilisation of the Group's fleet. A continuing postponement of a recovery of the 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 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 significant disruption COVID-19 related 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 global economy remains impacted by the unprecedented health and economic crisis following the outbreak of the Covid-19 pandemic. The Company continues to monitor the potential

operational, market and financial impacts to the Group including the mitigating impacts of the vaccination roll-out in 2021.

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

As advised in our 4Q 2020 report there is a dispute with Saipem on payment of the termination fee amounting to USD 44,3 million related to the early termination of the time charter for "Normand Maximus". As a consequence of the early termination, Saipem were to pay a termination fee in the amount of USD 44,3 million in December 2020. Saipem has forwarded a counterclaim, and the termination fee due from Saipem to Normand Maximus Operations Limited has not been paid to date. Normand Maximus Operations Limited is pursuing the full claim for the termination fee legally. The termination fee has not been recognized in 2020. Normand Maximus Limited as bareboat charterer of the vessel, has since the termination of the time charter with Saipem, been in dialogue with Maximus Limited as owner of "Normand Maximus" and Maximus Limited's financiers, to find a long term solution for the lease financing of Normand Maximus following Saipem's early termination of the time charter, and solve liquidity issues resulting from the non-payment of the termination fee. On 3 March 2021, the financiers of Maximus Limited enforced their share pledge over the shares in Maximus Limited, and the shares are thus now controlled by a syndicate of banks. The discussions with Maximus Limited for a solution have been ongoing for some time and are continuing notwithstanding the change of ownership to the shares in Maximus Limited. The Company believes there are good prospects that the discussions will lead to an agreement. The lease financing has customary default provisions for lease financings. These i.a entitles Maximus Limited to require Normand Maximus Limited to buy the vessel and/or exercise other rights and remedies under the lease financing if a solution is not found. Absent a solution, there is a risk in the current markets that Normand Maximus Limited as bareboat charterer of the Normand Maximus will not be able to finance such a purchase or other claims from Maximus Limited. As all obligations of Normand Maximus

Limited are guaranteed by Solstad Offshore ASA, this could have a material adverse effect on Solstad Offshore ASA's financial situation

## 12. Finance - Parent company

The result for Solstad Offshore ASA in 2020 was MNOK 822 (MNOK -744 in 2019). Net financial result of MNOK 917 (MNOK -720 in 2019) is mainly effects from the financial restructuring of the Company. Operating result was of MNOK -95 (MNOK -24 in 2019).

The Company's assets are mainly related to the value of shares in subsidiaries. Booked equity at year end was MNOK 328 (MNOK -744 in 2019). The debt at the same date was MNOK 2 (MNOK 1,371 in 2019), of which MNOK 0 in bond loan (MNOK 1,142 in 2019).

## 13. Going concern

The Consolidated Financial Statements have been prepared on the going concern basis. After the completion of the financial restructuring, the Company and the Group's financial situation have improved resulting in positive equity and strengthened liquidity. Following the completion of the restructuring, the Company simplified its legal structure through a collapse of the old "silo" structure and thereby secured free float of liquidity in the restructured Group. The borrowing facilities in the restructured group has been combined into one new fleet loan, with repayment terms that reflects the current market conditions. In addition, the Company has strengthened its liquidity by MNOK 1,500 in a new working capital facility. The Company is in a process to reduce the vessels of less strategic importance, this will reduce its cost base and increase the focus towards the key assets. All financial leased vessels in the restructured group have been redelivered and interest-bearing debt has been reduced with MNOK 9,600. Equity has in total been strengthened with MNOK 11,600 at year end 2020.

Given the prevailing market conditions, the covenant with greatest associated uncertainty over the prevailing next 12 month period, is the collateral vessels fair market values tested against the underlying vessel debt. Remedies are however

available for borrowers through partial down payment of relevant loan tranches. Both the Group's working capital- and liquidity status was stabilized during the restructuring of 2020.

The going concern assumption is based on the level of cash and cash equivalents at year end, terms and conditions of the banking and borrowing facilities, the forecasted cash flow prognosis for the Group and the backlog position at 31 December 2020.

Based on the information given on "Normand Maximus" related to the bareboat charter, the Board of Directors needs to point out that there is uncertainty related to the going concern assumption of Solstad Offshore ASA. For further information, please see Note 1, Note 2, Note 5 and

the prospectus in relation with capital increase.

#### 14. Subsequent events

The Company has sold the PSVs Sea Angler, Sea Bass, Sea Turbot and Sea Witch and the AHTS Lady Astrid and Lady Caroline. Delivery of the vessels to the new owner took place in 1Q 2021.

#### 15. Profit & loss allocation

The Board proposed that the following distribution is made:

Transfer to other equity	NOK	821,992,764
Net applie/transferred	NOK	821,992,764



#### 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 2020 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 Director in Solstad Offshore ASA  
Skudeneshavn April 29, 2021



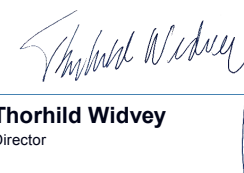
**Harald Espedal**  
Chairman



**Frank O. Reite**  
Director



**Peder Sortland**  
Director



**Thorhild Widvey**  
Director



**Ellen Solstad**  
Director



**Ingrid Kylstad**  
Director



**Lars Peder Solstad**  
CEO

# ESG Report

**Solstad assesses environmental, social and corporate governance issues in its business decisions, operation and financial reporting.**

Solstad's governance and management systems 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 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 relevant fields. We also engage with our stakeholders to promote and suggest sustainability initiatives as

part of our day to day operations.

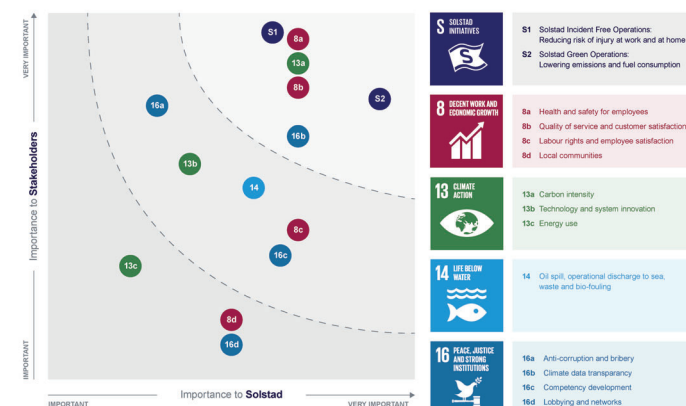
The company acknowledges that sustainability is a vital prerequisite for Solstad to be a profitable and responsible player in the industry and society at large. With an aim to continue increasing transparency, the company therefore issues and publishes environmental and other related reports according to recognized international 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 assessed and identified environmental, social and governance issues and matters that could affect the company's business, and/or stakeholders (Materiality assessment). This is published on the company's website. The UN Sustainable Development Goals (SDG) is now actively used by the company to align Solstad's commitments to these principles throughout its

### Importance to Stakeholders & Solstad





**8** DECENT WORK AND  
ECONOMIC GROWTH

**13** CLIMATE  
ACTION

**14** LIFE  
BELOW WATER


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. Solstad Solstad is from 2021 also publishing its ESG

leading indicators openly. We believe in ESG transparency and openness around these issues.

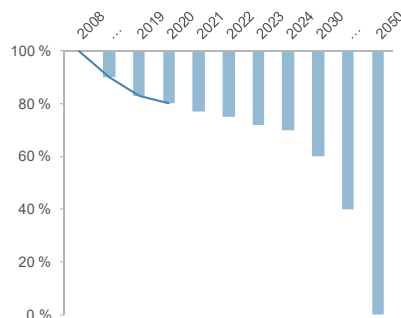
## Environmental

The high carbon intensity of shipping applies also to Solstad. The CO<sub>2</sub> climate gas emissions for 2020 was 691,511 tons or about 8002 tons operating vessel on average (down from 8007 tons per operation vessel in 2019).

The long-term goal for Solstad is to reduce emission to zero. We aim to reach the goal by 2050. By 2030 our goal is a 50% reduction compared to 2008.

From 2008 to 2019 a 17% reduction has been achieved through the operational measures (Solstad Green Operations – see below). The goal for 2020 was a further 3% reduction which was achieved. Every year going forward we plan to reduce our emissions through a range of measures. One of these is to install battery-hybrid systems and electrical shore power systems. Solstad is a leader on this area with soon 8 battery systems in place. Several new installations are planned for.

Solstad also recognize that the transformation to a zero emission future can not be achieved alone. Membership in the cluster associations 'MaritimeCleantech' and 'Getting To Zero Coalition'.



**8 VESSELS**  
INSTALLED BATTERY-  
HYBRID SYSTEM

## Getting to Zero Coalition



Norwegian Centres of Expertise  
**NCE Maritime CleanTech**

### Solstad Green Operations®

Since 2009, Solstad Green Operations (SGO) has been the Company's environmental program that aims to reduce CO<sub>2</sub> emissions through reduced fuel consumption in the fleet. About 18,714 Green Operations were performed in 2020 alone, resulting in 38,384 tons of fuel saved which prevented release of 122,000 tons of CO<sub>2</sub> emissions into the atmosphere. This is a little better than 2019 where

we had about 18,000 SGO's and 34,500 tons of fuel saved (108,000 tons of CO<sub>2</sub> avoided).

The SGO program's efficiency has been certified by DNV and a ISO 50001 Energy Management certification has been achieved in 2020. This was a major milestone for Solstad's efficiency program. Solstad is one of a few shipping companies in the world to be certified according to this standard.



**1 049 867**  
CO<sub>2</sub> TONS SAVED

### Energy management certified

Solstad is one of very few shipping companies in the world that is ISO50001 Energy Management certified. This shows our commitment to managing our energy use and thereby reducing emissions and cost. Through the program Solstad Green Operations® we have reduced fleet fuel consumption and emission of about 20% over the last 12 years.



From the fleet we had a total of 349 litres of various oil spills to sea in 2020 which is a little higher than previous year (113 litres in 2019). Even with an increasing fleet size there has been an overall decreasing trend in oil spills over the last 10 years due to targeted projects related to technical maintenance. Our goal is always zero spill to sea.

The Company has a program for sorting and reporting of all waste, and the program covers both ship and onshore organizations. Total amount of waste produced during the year was 2.837 tons.

## Social

The working environment, onshore as well as onboard the ships, is considered satisfactory. Sick leave onshore was 1.6% in 2020, down from 2.0% in 2019 (all locations).

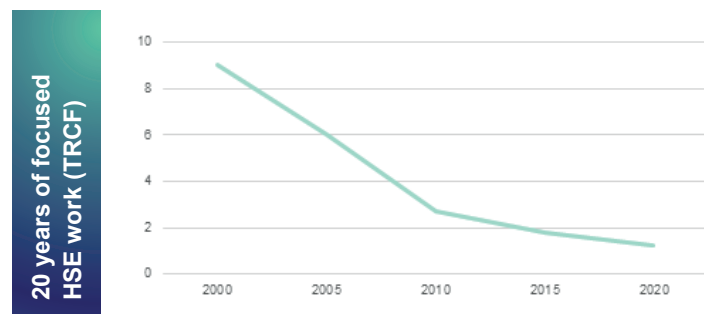
The Group administration consists of 181 men (56%) and 141 women (44%). Out of a total of 2,961 marine crew at year-end, only 147 were women.

This has now put into focus and an internal team consisting of female leaders has now started to work on promoting 'Women at Sea'.

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 competence, 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. 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.

Overall, the Company had three work-related lost-time incidents (LTI) in 2020 and the Total Recordable Frequency Factor (TRCF - recordable injuries per 1 million working hours) was 1.28. It



should be noted that this result is the lowest number in the company's recorded HSE history. The goal to have no lost-time injuries is maintained for 2021, 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.

## Solstad Incident Free Operations

The safety behaviour and culture program Solstad Incident Free Operations (SIFO) introduced in 2019 is fully implemented and in use throughout the company's operations. This program is fundamental to our operations.



**SOLSTAD INCIDENT FREE OPERATIONS**  
LOOKING OUT FOR EACH OTHER

## Governance

The Company operates in accordance with international regulations and standards and is certified to ISM (International Safety Management code), ISO 14001:2015, ISO 9001:2015, ISO 45001:2018, ISO 50001:2018, MLC (Maritime Labour Convention) and ISPS (International Ship and Port Facility Security).

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). Over the past year a range of internal digital courses and self-training programmes has been rolled out to all relevant employees. Internal audits are carried out on all ships and offices on an annual basis. The company had a total of 672 audits in 2020 (all offices and vessels / internal and external audits) with just minor findings.

The common Solstad management system (SIMS - Solstad Integrated Management System) 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 2020, 31,710 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.

In 2020 the company implemented a 'Whistle-blower' arrangement to ensure all employees can be heard if needed. This arrangement is linked to the top management and is intended to assist individuals who believe they have discovered malpractice or impropriety. In addition, cases linked to bribery, corruption and fraud is also handled through same channels. In 2020 the company received one report which was followed up and had no significant effect on the company. Reported cases will be included as part of ESG leading indicators according to recognized standards going forward.

## ESG leading indicators

Annual report

	Unit	Target	2020	2019	2018	GRI *****	SDG
<b>Environment</b>							
CO <sub>2</sub> , scope 1 (own activity)	tCO <sub>2</sub>	-3 %*	696,888	801,578	714,722	305-1	13
CO <sub>2</sub> , scope 2 (Purchased electricity)**	tCO <sub>2</sub>	-	203	214	156	305-2	13
Energy consumption sum Scope 1 and 2	MWh	-	2,721,186	3,005,373	2,576,754	302-1	13
NO <sub>x</sub> emission	tNO <sub>x</sub>	-3 %	9,601	11,329	10,089	305-7	13
SO <sub>x</sub> emission	tSO <sub>x</sub>	-3 %	457	532	512	305-7	13
Number of Oil spills	No.	0	12	14	13	306-3	14
Oil spill litres	Litres	0	349	113	679	306-3	14
Fines for non-compliance of environmental regulations	No.	0	0	0	0	419-1	16
Single use plastic water bottles on board our vessels	No.	0	145,200	184,450	N/A	305-1	14
<b>Social</b>							
Permanent employees	%	-	97 %	96 %	96 %	401-2	8
Gender diversity sea (Target 10% female crew by 2025)	%	6 %	5 %	-	-	102-8	8
Gender diversity office management level (Target 35 % female managers by 2025)	%	25 %	23 %	21 %	15 %	102-8	8
Retention rate offshore crew	%	90 %	97 %	96 %	97 %	401-1	8
Retention rate onshore employees	%	90 %	96 %	90 %	93 %	401-1	8
TRCF (12-months rolling - Total Recordable Case Frequency)***	No.	1.10	1.28	1.65	1.86	403-9	8
Fraction of all employees received sustainability training ****	%	100 %	43 %	-	-	404-2	8
<b>Governance</b>							
Gender diversity Board of Directors	%	50 %	50 %	40 %	50 %	102	8
Incidents related to Corruption and Bribery	No.	0	0	0	0	205-3	8
Share of Revenue from Renewable energy segment (non oil and gas)	%	-	10 %	5 %	7 %	201-2	13

\* increased fleet fuel efficiency

\*\* Office locations 2020 (10) - 2019 (11) - 2018 (13)

\*\*\* per 1,000,000 hour

\*\*\*\* Training started 21.12.2020

\*\*\*\*\* GRI (Global Reporting Initiative as guidance only)

SDG: UN Sustainable Development Goals

# Corporate governance

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

## Implementation and reporting

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

## Business

Solstad Offshore ASA's objective as set out in the Articles of Association, is to conduct integrated shipping operations with advanced vessels in its market segments, utilizing owned or chartered vessels. The operations are primarily the provision of maritime services to the oil and gas 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 2020, the Company's equity amounted to MNOK 4,247. 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 2020 or for the coming years.

On the General Meeting, held on June 26th 2020, 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

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 2020 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 tradable shares

The shares in Solstad Offshore ASA are freely tradable. 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 three 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 communication

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.



# Consolidated statement of comprehensive income

**Group accounts (NOK 1,000)**

	2020 01.01-31.12	2019 01.01-31.12	Note
<b>Freight income</b>	<b>4,844,027</b>	<b>5,016,387</b>	3,27
Other operating income	181,603	228,495	3
<b>Total Operating income</b>	<b>5,025,630</b>	<b>5,244,881</b>	
Personnel costs	-2,025,250	-2,096,165	9,18
Administrative expenses	-476,829	-417,962	
Other operating expenses	-1,491,671	-1,456,916	9
<b>Total Operating expenses</b>	<b>-3,993,750</b>	<b>-3,971,043</b>	
<b>Operating result before depreciation and impairment</b>	<b>1,031,880</b>	<b>1,273,838</b>	
Depreciation	-1,076,114	-1,185,595	6
Depreciation capitalised periodic maintenance	-282,231	-260,921	6
Impairment fixed assets	-1,895,040	-1,031,902	6
Net gain/loss on sale of assets	-28,896	12,784	2,6
Income from investment in joint ventures	23,975	-44,787	12
<b>Operating result</b>	<b>-2,226,427</b>	<b>-1,236,585</b>	
Income from investments in associated companies	41,423	40,766	12
Interest income	6,373	14,827	
Other financial income	12,345,724	56,809	
Interest charges	-1,437,619	-1,644,510	
Other financial costs	-1,479,125	-202,052	
<b>Net financial items</b>	<b>9,476,776</b>	<b>-1,734,160</b>	8
<b>Ordinary result before taxes</b>	<b>7,250,349</b>	<b>-2,970,745</b>	
Tax on ordinary result	3,517	-158,549	17
<b>Net result</b>	<b>7,253,866</b>	<b>-3,129,294</b>	
Comprehensive income:			
Translation adjustments foreign currency	580,397	54,087	
<b>Comprehensive income that may be reclassified in subsequent periods</b>	<b>580,397</b>	<b>54,087</b>	
Acturial gain /(loss)	-5,921	42,165	18
<b>Comprehensive income that may not be reclassified in subsequent periods</b>	<b>-5,921</b>	<b>42,165</b>	
<b>Comprehensive income</b>	<b>7,828,342</b>	<b>-3,033,042</b>	
<b>Net result attributable to:</b>			
Non-controlling interests	13,122	264	
Equity holders of the parent	7,240,743	-3,129,558	
<b>Comprehensive income attributable to:</b>			
Non-controlling interests	13,122	264	
Equity holders of the parent	7,815,219	-3,033,306	
Earnings per share (NOK)	29.13	-10.73	15

# Consolidated statement of financial position

(NOK 1,000)

	2020 31.12	2019 31.12	Note
<b>ASSETS</b>			
<b>LONG-TERM ASSETS:</b>			
<b>INTANGIBLE FIXED ASSETS:</b>			
Deferred tax assets	5,581	-	17
Contracts	7,499	69,961	27
<b>TOTAL INTAGIBLE FIXED ASSETS</b>	<b>13,079</b>	<b>69,961</b>	
<b>LONG-TERM FIXED ASSETS:</b>			
Vessels and new build contracts	18,716,131	21,824,314	2,6
Right-of use-assets	2,457,322	3,771,906	7,28
Capitalized periodic maintenance	760,223	666,179	6
Other tangible fixed assets	33,265	111,144	6
<b>TOTAL LONG-TERM FIXED ASSETS</b>	<b>21,966,941</b>	<b>26,373,544</b>	
<b>FINANCIAL ASSETS:</b>			
Investment in joint ventures	109,904	92,559	12
Loans to associated companies and joint ventures	45,961	47,161	16
Investments in associated companies	1,128	293,846	12
Investments in shares	2,991	5,769	12
Other long-term receivables	60,195	120,223	22
<b>TOTAL FINANCIAL ASSETS</b>	<b>220,179</b>	<b>559,558</b>	
<b>TOTAL LONG-TERM ASSETS</b>	<b>22,200,199</b>	<b>27,003,062</b>	
<b>CURRENT ASSETS:</b>			
Inventory	165,330	177,226	24
<b>Receivables:</b>			
Account receivables	839,628	889,032	4,23
Other short-term receivables	414,011	621,546	23
<b>Total receivables</b>	<b>1,253,639</b>	<b>1,510,577</b>	
<b>Investments:</b>			
Market based shares	11,100	8,215	12
Bank deposits and cash equivalents	2,411,905	1,134,028	19
<b>TOTAL CURRENT ASSETS</b>	<b>3,841,974</b>	<b>2,830,046</b>	
<b>Assets held for sale</b>	<b>26,803</b>	<b>-</b>	<b>6</b>
<b>TOTAL ASSETS</b>	<b>26,068,976</b>	<b>29,833,108</b>	



# Consolidated statement of financial position

(NOK 1,000)

	2020 31.12	2019 31.12	Note
<b>EQUITY &amp; LIABILITIES:</b>			
<b>EQUITY:</b>			
<b>PAID-IN EQUITY:</b>			
Share capital (74,872,682 a 1,-)	74,873	583,065	14
Treasury shares	-	-281	14
Other paid-in capital	-	321,648	
Share premium	175,572	3,698,350	
<b>TOTAL PAID-IN EQUITY</b>	<b>250,445</b>	<b>4,602,782</b>	
<b>RETAINED EARNINGS:</b>			
Other equity	3,976,816	-8,440,894	
<b>TOTAL RETAINED EQUITY</b>	<b>3,976,816</b>	<b>-8,440,894</b>	
Non-controlling interests	15,814	2,691	
<b>Total Equity</b>	<b>4,243,075</b>	<b>-3,835,420</b>	
<b>LIABILITIES</b>			
<b>LONG-TERM PROVISIONS:</b>			
Deferred tax	-	16,637	17
Deferred income	-	34,710	27
Pension obligations	25,015	26,591	18
Other financial liabilities	12,869	-	4
<b>TOTAL LONG-TERM PROVISIONS</b>	<b>37,885</b>	<b>77,939</b>	
<b>OTHER LONG-TERM LIABILITIES:</b>			
Other long-term liabilities	12,372	12,172	4,5
Interest bearing liabilities	16,875,360	685,031	4,5
Leasing obligations	255,288	3,799,298	4,5
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>17,143,021</b>	<b>4,496,501</b>	
<b>CURRENT LIABILITIES</b>			
Accounts payable	532,405	339,227	4
Taxes payable	168,016	187,196	17
Other current financial liabilities	-	170,211	4
Other current liabilities	444,678	764,927	25
Current interest bearing liabilities	940,944	27,147,543	4,5
Current leasing obligations	2,558,953	484,985	4,5
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,644,996</b>	<b>29,094,089</b>	
<b>TOTAL LIABILITIES</b>	<b>21,825,902</b>	<b>33,668,529</b>	
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>26,068,976</b>	<b>29,833,108</b>	

Board of Director in Solstad Offshore ASA  
Skudeneshavn April 29, 2021

  
Harald Espedal  
Chairman


  
Frank O. Reite  
Director

  
Ingrid Kystad  
Director

  
Thorhild Widvey  
Director

  
Ellen Solstad  
Director

  
Peder Sortland  
Director

  
Lars Peder Solstad  
CEO



# Consolidated 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
<b>Equity 01.01.2020</b>	<b>583,065</b>	<b>-281</b>	<b>3,698,350</b>	<b>321,648</b>	<b>401,259</b>	<b>-8,842,152</b>	<b>-3,838,111</b>	<b>2,691</b>	<b>-3,835,420</b>
Result	-	-	-	-	-	7,240,743	7,240,743	13,122	7,253,866
Actuarial gain/loss (-)	-	-	-	-	-	-5,921	-5,921	-	-5,921
Translation adjustments	-	-	-	-	580,397	-	580,397	-	580,397
<b>Other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>580,397</b>	<b>7,234,822</b>	<b>7,815,219</b>	<b>13,122</b>	<b>7,828,342</b>
Share capital decrease	-582,773	281	-	-	-	582,492	0	-	0
Transfer of paid-in capital	-	-	-3,698,350	-321,648	-	4,019,999	0	-	0
Share capital increase by conversion of debt	48,075	-	131,723	-	-	-	179,798	-	179,798
Share capital privat placement	26,506	-	43,849	-	-	-	70,355	-	70,355
<b>Equity 31.12.2020</b>	<b>74,873</b>	<b>0</b>	<b>175,572</b>	<b>0</b>	<b>981,656</b>	<b>2,995,161</b>	<b>4,227,261</b>	<b>15,814</b>	<b>4,243,075</b>
<b>Equity 31.12.2018</b>	<b>583,065</b>	<b>-281</b>	<b>3,698,350</b>	<b>321,648</b>	<b>347,172</b>	<b>-5,803,053</b>	<b>-853,099</b>	<b>2,427</b>	<b>-850,672</b>
IFRS 16 implementation effect	-	-	-	-	-	37,269	37,269	-	37,269
<b>Equity 01.01.2019</b>	<b>583,065</b>	<b>-281</b>	<b>3,698,350</b>	<b>321,648</b>	<b>347,172</b>	<b>-5,765,784</b>	<b>-815,83</b>	<b>2,427</b>	<b>-813,403</b>
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>Other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>54,087</b>	<b>-3,087,393</b>	<b>-3,033,306</b>	<b>264</b>	<b>-3,033,042</b>
Other adjustments	-	-	-	-	-	11,025	11,025	-	11,025
<b>Equity 31.12.2019</b>	<b>583,065</b>	<b>-281</b>	<b>3,698,350</b>	<b>321,648</b>	<b>401,259</b>	<b>-8,842,152</b>	<b>-3,838,111</b>	<b>2,691</b>	<b>-3,835,420</b>

# Consolidated statement of cash flow

(NOK 1,000)

	2020 31.12	2019 31.12
<b>CASH FLOW FROM OPERATIONS</b>		
<b>Result before tax</b>	<b>7,250,349</b>	<b>-2,970,745</b>
Taxes payable	-35,649	-35,634
Ordinary depreciation and write downs	3,253,386	2,478,419
Gain (-)/ loss long-term assets	321,975	50,276
Interest income	-6,373	-14,827
Interest expense	1,437,619	1,644,510
Terminated leases	439,559	0
Non-cash refinance effects	-11,713,286	0
Effect of change in pension assets	7,695	-38,304
Change in value of financial instruments	-170,239	-107,062
Unrealised currency gain/ -loss	140,113	125,283
Change in short-term receivables and payables	212,570	272,565
Change in other accruals	-361,760	-394,414
<b>Net cash flow from operations</b>	<b>775,960</b>	<b>1,010,067</b>
<b>CASH FLOW FROM INVESTMENTS</b>		
Investment in tangible fixed assets	-57,385	-48,471
Payment of periodic maintenance	-406,800	-363,662
Consideration sale of fixed assets (vessels)	1,014,170	73,64
Payment of long-term receivables	64,006	28,429
Received interests	6,243	8,505
Realization of shares and holdings	36	0
<b>Net cash flow from investments</b>	<b>620,270</b>	<b>-301,559</b>
<b>CASH FLOW FROM FINANCING</b>		
Paid-in capital	70,355	-
Lease interests paid	-241,442	-282,931
Lease instalments	-220,335	-207,775
Paid interests	-157,973	-165,790
Drawdown long-term debt	1,467,962	972,972
Repayment of long-term debt	-1,077,155	-1,244,816
<b>Net cash flow from financing</b>	<b>-158,588</b>	<b>-928,340</b>
Effect of changes in foreign exchange rates	40,236	2,514
<b>Net change in cash</b>	<b>1,237,642</b>	<b>-219,832</b>
Cash at 01.01	1,134,028	1,351,346
<b>Cash at balance sheet date</b>	<b>2,411,905</b>	<b>1,134,028</b>

# Notes

## Notes to condensed statement of comprehensive income and statement of financial position

(NOK 1,000)

## Note 1 - Accounting Principles

The Group, Solstad Offshore ASA ("SOFF" or "the Company"), operates a shipping business from its head office in Nesavegen 39, 4280 Skudeneshavn, Norway, and its main activities are the operation of offshore service and construction vessels. The Group is listed on Oslo Stock Exchange. The financial statements were approved by the Board of Directors on April 29, 2021, 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 International Financial Reporting Standards (IFRSs) and interpretations by the International Accounting Standards Board (IASB) which have been approved by the European Union (EU).

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

The Consolidated Financial Statements have been prepared on the going concern basis. After the completion of the financial restructuring, the Company and the Group's financial situation have improved resulting in positive equity and strengthened liquidity. Following the completion of the restructuring, the Company simplified its legal structure through a collapse of the old "silo" structure and thereby secured free float of liquidity in the restructured Group. The borrowing facilities in the restructured group has been combined into one new fleet loan, with repayment terms that reflects the current market conditions. In addition, the Company has strengthened its liquidity by MNOK 1,500 in a new working capital facility. The Company is in a process to reduce the vessels of less strategic importance, this will reduce its cost base and increase the focus towards the key assets. All financial leased vessels in the restructured group have been redelivered and interest-bearing debt has been reduced with MNOK 9,600. Equity has in total been strengthened with MNOK 11,600 at year end 2020. The going concern assumption is based on the level of cash and cash equivalents at year end, terms and conditions of the banking and borrowing facilities, the forecasted cash flow prognosis for the Group and the backlog position at 31 December 2020.

Based on the information given on "Normand Maximus" related to the bareboat charter there is uncertainty related to the going concern assumption of Solstad Offshore ASA. For further information, please see Note 2, Note 5 and the prospectus in relation with capital increase.

### Changes in accounting principles

The Group has not implemented any new accounting standards or otherwise made any significant changes to account principles during 2020.

### Approved IFRS and IFRIC interpretations not yet implemented

None of the issued, not yet effective, accounting standards or amendments to such standards are expected to have significant effect for the Group's financial reporting. Nor does issued IFRIC interpretations expect to significantly change the Group's accounting policies or practices.

### 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 present the total profit & loss and financial position of Solstad Offshore ASA and its subsidiaries as one. The consolidated accounts include companies in which Solstad Offshore ASA has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Generally, there is a presumption that ownership of more than 50% of the voting shares results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: contractual arrangements with other vote holders of the investee, rights arising from other contractual arrangements, and the Group's voting rights and potential voting rights.

Subsidiaries are consolidated 100% line by line in the group accounts.

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

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. The purchase price is allocated to identifiable assets and liabilities from the subsidiary and is recognized at fair value in the consolidated accounts at the acquisition date. Any excess cost of acquisition over the fair value of the net identifiable assets of the subsidiary 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 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. The exchange differences arising on translation for consolidation are recognized in other comprehensive income (OCI).

The non-controlling interest in equity 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 joint control through entering into an agreement of joint control, requiring unanimous consent in strategic decisions (decisions relating to relevant activities).

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, presented in OCI.

#### 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 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. 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.

The Group classifies its financial assets in two categories:

- Financial assets at amortized cost
- Financial assets at fair value through profit or loss (FVTPL)

#### Financial assets at amortized cost

The Group measures financial assets at amortized 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 amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Groups financial assets at amortized cost includes trade and other receivables, lease receivables and other non-current assets.

#### 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 derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

a. the Group has transferred substantially all the risks and rewards of the asset, or

b. the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

#### Impairment of financial assets

For trade and other receivables, lease receivables 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 recognizes 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 initially recognized at fair value and subsequently measured at amortized 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 amortized cost using the effective interest method. Interest expense is recognized in profit or loss. Any gain or loss on derecognition is also recognized 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 derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. The Group also derecognizes 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 recognized at fair value. The difference between the carrying amount and the consideration paid is recognized 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 the normal operating cycle. The short-term portion of the long-term debt and other liabilities for which there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period are classified as current liabilities. 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 and liabilities are classified as long-term assets and liabilities.

#### Foreign currency translation

The functional and presentation 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
<b>Per 31.12.19</b>	11.594	8.780	9.864	2.184	6.167
<b>Per 31.12.20</b>	11.646	8.533	10.470	1.643	6.587

#### Segment information

The Group reports internally on operating- and geographical segments. The operating segments 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 presents activities by geographical markets in the segment note based on the location of the Group's vessels and operations throughout the year.

#### Property, plant and equipment – impairment charges and depreciation

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

Each part of a fixed asset that is significant to the total cost of the item are separately identified and depreciated over that component's useful lifetime. The ships are divided into the following components: hull, anchor handling, loading and unloading equipment, thrusters, DP and lifting equipment and other equipment. Based on the Group's periodic maintenance program and running replacement the vessels vital parts, the expected lifetime of the assets is set to 20 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 capitalized 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 the value in use. When determining value in use, 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 and recognized impairment write-downs are reversed if there are any changes to the estimates of recoverable amount. Reversals of previous impairments are 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 over the lease term are used, unless the Company is reasonably certain to obtain ownership of the vessel at the end of the leasing period, in which case straight-line depreciations over the estimated economic life of the vessels are used. The assets are subject to impairment assessments under the same principles as other assets.

The Group primarily leases vessels, but also has lease contracts related to various offices used in its operations.

##### *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 include 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.

#### **Assets held for sale**

Non-current assets held for sale consist of vessels that have been decided to be disposed of, by sale or otherwise. Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and their fair value less costs of disposal. Any excess of the carrying amount over the fair value less cost of disposal is recognized as an impairment loss. Depreciation of such assets is discontinued as from their classification as held for sale.

#### **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 more likely than not, based on the legal provisions or business liabilities of past events, that an outflow of resources will be required to cover its liabilities and if the amount can be accurately estimated. All provisions are reviewed at balance sheet date and adjusted, if necessary, to reflect best estimate. In instances where the timeframe may be of significance, a provision is made for the current value of future payments to cover liabilities.

#### **Excess values contracts**

Identified excess values in charter contracts acquired through business combinations are classified as intangible fixed assets and are amortized over the remaining duration of each charter contract.

#### **Tax**

Tax consists of tax payable and changes in deferred tax.

Tax payable is based on taxable profit for the year and calculated using tax rates (22%) that have been enacted as of the balance sheet date.

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.

#### **Pension obligations**

The Group has a defined benefit plan for seafarers and administrative personnel, and a contribution plan for administrative personnel hired after 1.1.2007, which is recognized in profit and loss when incurred. The liability of the defined benefit pension plan is the present value of the defined benefit liability at the balance sheet date minus the fair value of plan assets. 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 recognized in comprehensive income in the period they occur.

#### **Revenue from contracts with customer - charter and rental 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. Revenue from bareboat agreements are regulated by IFRS 16. The time charter contracts contains both a lease component that is regulated by IFRS 16 and a service component that is regulated by IFRS 15. Both the lease component and the service component are recognized together as income in operating income (ref. note 3 for split). Leases, in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Lease income for the leasing of vessels are recognized as operating leases and recognized in the income statement on a straight-line basis over the lease period. The lease period commences from the time the ship is made available to the tenant and terminates upon agreed return.

#### **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 and management fees, are recognized in the period in which the performance obligations are being satisfied.

#### **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.

#### **Inventories**

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

#### **Earnings per share**

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

#### **Cash Flow**

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

### Critical accounting judgement and estimates uncertainty

Reference is made to assumption of going concern in introduction section Note 1

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, expenses and financial items during the reporting periods. Accounting estimates are employed in the financial statements to determine reported amounts. Useful lifespan and residual value of vessels, impairment, 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.

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 years old vessel.

Financial liabilities are initially recognized at fair value. The methodologies applied for fair value calculations include assessments and estimations based on available market data, such as the level of interest rates, interest rate margins and credit spreads at the date of recognition. These estimates are based on

Management's knowledge combined with advice obtained from professional external specialists. Please also refer to Note 8.

A certain part of the Group's financial liability is linked to vessels deemed to be "non core". Warrants are issued for this debt and the warrants are measured to fair value at each accounting period. Estimated value for the warrants is affected by the expected sales price for the vessels and the share price at the end of the accounting period.

Accruals for bad debt is based on historical losses, current available information regarding customers and Management's expectations for each receivable.

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.

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

## Note 2 - Major transactions / events

### Major transactions / events in 2020

#### Successful restructuring

The Company finalized a successful restructuring approved by an Extraordinary General Meeting October 20th, 2020. The main accounting effects from the restructuring was:

- A NOK 0.6 billion reduction of Right-of use assets due to termination of vessels recognized according to IFRS 16.
- A net NOK 9.6 billion reduction of Debt to credit institutions due to de-recognition of existing debt and recognition of reinstated debt based on nominal values.
- An additional NOK 1.1 billion reduction of Debt to credit institutions due to Fair value measurement of recognized debt according to IFRS 9.
- A NOK 0.2 billion reduction of Debt to credit institutions due to Fair value measurement of Associated Subscription Rights (Warrants)
- A NOK 1.3 billion reduction of Other current liabilities due to lease liabilities and interest relief converted to equity.
- A NOK 1.5 billion increase in deposits, cash, etc relating to new equity and Working Capital Facility.
- The total effect on equity is NOK 11.6 billion.

A restructuring cost of total MNOK 109 has been recognized as cost in the accounts for 2020. In addition MNOK 100 was recognized as capitalized borrowing cost.

#### Sale of vessels

In the first quarter Saipem Portugal Comercio Maritimo Ltd exercised a 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.

#### Normand Maximus

In September 2020, Saipem gave notice of an early termination the time charter for "Normand Maximus". Further reference is made to Note 5 Mortgage Debt and Other Long-term Liabilities.

#### Covid-19

COVID-19 has been a challenge for the majority of 2020 as it has affected both the market and the operational aspect of our industry, crew changes have in some cases been impacted significantly due to travel restrictions and in some cases; vessels have been infected by the virus which has caused down time and subsequent cost for crew changes and cleaning, the impact has been limited to a minimum as the Company has proactively worked on preventive measures since the early start of the pandemic.

#### Exit Norwegian tonnage tax regime

Exit from the Norwegian tonnage tax regime was performed in 2020. The exit had effect from January 1st, 2016. An unrecovered loss carry forward of NOK 10 billion was claimed.

### 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 October 2020.

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 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.

## 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 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	2019
Service element from contracts with day rate	2,032,598	2,050,887
Management fees	27,268	27,616
Victualling	93,111	116,828
Project management	3,329	4,253
Additional crew and other services	57,896	79,798
Revenue from contracts with customers	2,214,202	2,279,381
Lease element from contracts with day rate	2,811,429	2,965,500
Total operating income	5,025,630	5,244,881
<b>Contract balances:</b>		
Trade receivables from charters (Note 4)	839,628	889,032
Contract assets	-	-
Contract liabilities (Note 27)	-	34,710

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 2020 that was included in the contract liability balance at the beginning of the year amounts to MNOK 34.7 (MNOK 0 in 2019).

The Group had no customer with more than 10% of total revenue in 2020.

The Group had one customer with more than 10% of total revenue in 2019. Not disclosed customer.

### EBITDA

	2020	2019
Freight income	4,844,027	5,016,387
Other operating income	181,603	228,495
<b>Total operating income</b>	<b>5,025,630</b>	<b>5,244,881</b>
Personnel costs	-2,025,250	-2,096,165
Administrative expenses	-476,829	-417,962
Other operating expenses	-1,491,671	-1,456,916
<b>Total operating costs</b>	<b>-3,993,750</b>	<b>-3,971,043</b>
<b>Operating result before depreciations and impairment</b>	<b>1,031,880</b>	<b>1,273,838</b>
Leases	6,465	-
Accrued loss on Accounts receivables	7,115	2,416
Restructuring cost	108,887	-
Excess and less values freight contracts	62,462	138,461
Result Joint Ventures	23,975	-44,787
Result associated companies	41,423	40,766
<b>EBITDA adjusted</b>	<b>1,282,208</b>	<b>1,410,694</b>

### 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.

	31.12.2020		31.12.2019	
	Minimum payment	Present value minimum payment	Minimum payment	Present value minimum payment
Next year	3,178,154	3,100,638	3,832,507	3,739,032
Year 2	1,272,896	1,211,561	2,001,773	1,905,317
Year 3	622,587	578,134	1,264,164	1,173,902
Year 4	78,346	70,977	673,579	610,229
Year 5	69,040	61,021	385,422	340,657
Over 5 years	15,003	12,937	-	-
Finance cost	-	200,757	-	388,309
<b>Total minimum lease payment</b>	<b>5,236,026</b>	<b>5,236,026</b>	<b>8,157,445</b>	<b>8,157,445</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 2020 and 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.

	AHTS / PSV		Subsea / Renewable Energy		Total	
	2020	2019	2020	2019	2020	2019
Revenue from contracts with customers	1,236,351	1,375,513	977,851	903,869	2,214,202	2,279,381
Lease element from contracts with day rate	1,316,502	1,421,959	1,494,927	1,543,541	2,811,429	2,965,500
<b>Total operating income</b>	<b>2,552,852</b>	<b>2,797,472</b>	<b>2,472,778</b>	<b>2,447,410</b>	<b>5,025,630</b>	<b>5,244,881</b>
Crew expenses	1,364,057	1,520,215	662,114	748,245	2,026,171	2,268,460
Other expenses	940,871	911,511	877,326	646,443	1,818,197	1,557,954
<b>Total operating expenses</b>	<b>2,304,927</b>	<b>2,431,726</b>	<b>1,539,440</b>	<b>1,394,688</b>	<b>3,844,367</b>	<b>3,826,414</b>
<b>Operating result before depreciations</b>	<b>158,252</b>	<b>287,463</b>	<b>873,628</b>	<b>986,375</b>	<b>1,031,880</b>	<b>1,273,838</b>
Assets and liabilities						
Fixed assets	10,752,648	13,186,125	10,936,560	12,825,677	21,689,208	26,011,803
Investments in JV and associated companies	-	-	111,032	386,405	111,032	386,405
Unallocated assets	-	-	-	-	4,272,756	3,434,901
<b>Total assets</b>	<b>10,752,648</b>	<b>13,186,125</b>	<b>11,047,592</b>	<b>13,212,082</b>	<b>26,072,996</b>	<b>29,833,108</b>
Segment liabilities	10,693,565	16,620,598	8,470,747	11,942,004	19,164,313	28,562,602
Unallocated liabilities	-	-	-	-	2,661,589	5,105,926
<b>Total liabilities</b>	<b>10,693,565</b>	<b>16,620,598</b>	<b>8,470,747</b>	<b>11,942,004</b>	<b>21,825,902</b>	<b>33,668,529</b>
Other segment information						
Investment in tangible fixed assets	43,280	35,647	14,105	10,922	57,385	46,568
Addition of periodic maintenance	123,344	237,331	283,455	137,202	406,800	374,533
Depreciation and write-down (1)	1,748,839	1,221,670	1,432,644	1,204,112	3,181,483	2,425,782

(1) The segment result is presented exclusive gain/ loss sale of assets, interests, currency gain/ loss and other financial items.

(2) Depreciation includes both 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 is allocated to the following areas:

	2020		2019	
North Sea	45 %	2,255,509	45 %	2,369,707
North- and Central America	5 %	227,141	3 %	169,066
Mediterranean / remaining part of Europe	18 %	910,039	18 %	955,119
Africa	5 %	250,754	4 %	217,840
South America	9 %	459,455	15 %	770,469
Australia	13 %	652,298	9 %	468,352
Asia	5 %	270,435	6 %	294,328
<b>Total</b>	<b>100 %</b>	<b>5,025,630</b>	<b>100 %</b>	<b>5,244,881</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.

## 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.

### Credit risk

Due to the downturn in the business the Group's exposure to losses on trade and lease receivables has increased. 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 of account receivables:

per 31.12.2020	Not yet due	0 - 1 month over due	1 - 3 months over due	Older than 3 months	Total
Account receivables	598,036	157,932	33,969	49,690	839,628

The top 10 customers amount to 48% of total account receivables in 2020.

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

The top 10 customers amount to 50% of total account receivables in 2019.

The following table shows the accruals of bad debt:

<b>per 31.12.2019</b>	<b>95,642</b>
Accrued in the period	8,662
Translation adjustment	783
<b>per 31.12.2020</b>	<b>105,086</b>

## 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 the Group previously entered into fixed interest rate contracts for parts of the long-term liabilities.

As of 31.12.2020 there is no fixed-interest contracts. Per 31.12.2019, the Group had one fixed-interest swap of MNOK 180 with maturity 27.07.2020.

Following the restructuring of the Group in 2020, the majority of its loan agreements with fixed interest rates through CIRR financing was refinanced through a new senior reinstated multicurrency term loan facility. As per 31.12.2020 3% of the of the Group's loan agreements consisted of fixed interest rates through CIRR financing. As per 31.12.2019 this represented approximately 18% of the Group debt. The remaining debt had floating interest rates. Per 31.12.2020 the Group had no exposure in neither interest swaps nor currency swap agreements. As of 31.12.2019 interest swaps had an overall negative value of about MNOK 1,6, further the Group had two currency swaps with a negative value of MNOK 168.

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	2020	+ / - 184,737
+ / - 100	2019	+ / - 322,766

## Foreign currency risk

The Group's presentation 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. 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, AUD, EUR and BRL 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 %	2020	+ / - 420,774
+ / - 10 %	2019	+ / - 498,778
Change in USD		Effect
+ / - 10 %	2020	+ / - 205,819
+ / - 10 %	2019	+ / - 255,389
Change in GBP		Effect
+ / - 10 %	2020	+ / - 52,751
+ / - 10 %	2019	+ / - 88,149
Change in AUD		Effect
+ / - 10 %	2020	+ / - 77,770
+ / - 10 %	2019	+ / - 49,591
Change in EUR		Effect
+ / - 10 %	2020	+ / - 66,572
+ / - 10 %	2019	+ / - 31,884
Change in BRL		Effect
+ / - 10 %	2020	+ / - 17,862
+ / - 10 %	2019	+ / - 3,764

The Group's long-term debt has the following allocation as at December 31, 2020; NOK 33% and USD 67%. The corresponding allocation for 2019 was NOK 43%, USD 52%, GBP 3% and AUD 2%. With a reasonable change in the currency of USD versus NOK of 10 % the effect on result before tax would have been MNOK 1,194 in 2020 (MNOK 1,447 in 2019).

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 been reduced after the financial restructuring of the Company was completed. Following restructuring interest-bearing debt has been significantly reduced, among others amortization relief has been given for a period of time and the Company has in place a working capital facility up to MNOK 1,500 The offshore shipping business is currently in a severe downturn, which has major impact on operating cash generation. 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 over a period of time been in discussions with its 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 and this was effectuated 20th October 2020.

Pursuant to a senior secured facilities agreement that refinanced the restructured Group, certain banks made an additional super senior term loan facility up to NOK MNOK 1,500 available to Solstad Shipholding AS for general corporate and working capital purposes ("Super senior term loan"). This has super senior status to all other liabilities under the facility and represents a non-amortizing bullet loan with maturity 31.03.2024. As per 31.12.2020 this facility was undrawn. The funds made available under the "Super senior term loan" facility is freely available for the restructured part of the Group subject that free cash in this group of companies is minimum MNOK 600.



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

per 31.12.2020	Less than 3 months	3 to 12 months	2 to 3 years	4 to 5 years	Over 5 years	Total
Interest bearing liabilities	129,354	1,007,099	1,840,414	15,405,860	781,586	19,164,313
Lease obligations (1)	93,032	284,415	755,517	1,548,192	154,753	2,835,909
Other long-term liabilities	-	2,158	-	-	10,215	12,372
Account payables	532,405	-	-	-	-	532,405
Interest payments	133,401	399,206	1,019,388	177,733	50,963	1,780,691
	<b>888,193</b>	<b>1,692,877</b>	<b>3,615,319</b>	<b>17,131,785</b>	<b>997,517</b>	<b>24,325,690</b>

per 31.12.2019	Less than 3 months	3 to 12 months	2 to 3 years	4 to 5 years	Over 5 years	Total
Interest bearing liabilities (2)	-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 long-term liabilities	-	-	1,957	-	10,215	12,172
Account payables	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>

#### Reclassification of long-term liabilities to current liabilities

(1) Lease obligation for Normand Maximus of MNOK 2,534 is reclassified to current portion of long term debt, due to a contractual default with a covenant waiver less than 12 months.

(2) In the 2019 comparative figures long term debt of about MNOK 21,500 was in accordance with IFRS classified as Current portion of long term debt, due to the standstill agreements with the banks and bond holders where the covenant waiver period was less than 12 months.

## 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 2-3 years prior to the restructuring of the Company the equity ratio was at a very critical level. After the successful restructuring the equity ratio has improved, as a result of the debt conversion.

	31.12.2020	31.12.2019
Total equity	4,243,075	-3,835,420
Total assets	26,068,976	29,833,108
Equity ratio	16 %	-13 %

## 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 fair value of long-term debt (mortgage loans) is calculated by determining the net present value of estimated cash flows applying an assumed estimated market rate for the Group. The assumed market rate has been determined by observing publicly available terms and conditions of relevant peers' for similar loans (obtained primarily from financial statements, stock exchange notifications and quotes for listed loans, together with statistics and bank reports) and adjusted for assumed differences from the Group's agreed loan facility terms, as well as the Group's capital situation and assumed value of main assets. As the basis for this estimated market rate, which is a significant value driver for the loans, is not based on observable market data, the valuation of the loans are level 3 estimates. 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.

## Interest rate risk:

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

Fixed rate contracts	Nominal value	Yearly regulation	Currency	Interest rate	Maturity	Value at 31.12.2020	Value at 31.12.2019
Contract 1	180,000	11,581	NOK	2,78 %	27.07.2020	-	-1,664
						-	<b>-1,664</b>

Interest- and currency swap contracts	Nominal value	Yearly regulation	Currency	Maturity	Value at 31.12.2020	Value at 31.12.2019
Solstad Rederi AS / Normand Seven	45,000	45,000	NOK	31.03.2020	-	-19,868
Farstad Supply AS / Far Sigma	300,375	40,050	NOK	31.03.2020	-	-148,679
					-	<b>-168,547</b>

## Financing risk:

The following table shows the total mortgage loan based on existing financing and their maturity dates as per 31.12.2020:

Loan	Drawn	Maturity interval		Interest interval		Average interest
Loan, fixed interest	690,577	10.12.2026	10.04.2031	3.64 %	6.10 %	5.42 %
Loan, floating interest	18,473,736	31.03.2021	07.03.2029	2.32 %	10.98 %	3.21 %

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 %

## Fair Value:

The following table shows the booked and fair value of financial assets and obligations.

Financial assets		2020		2019	
	Note	Booked value	Fair value	Booked value	Fair value
Cash to bank	5, 19	2,411,905	2,411,905	1,134,028	1,134,028
Investments in shares (long-term)	12	4,119	4,119	299,615	299,615
Other long-term receivables		60,195	60,195	120,223	120,223
<b>Total financial assets</b>		<b>2,476,219</b>	<b>2,476,219</b>	<b>1,553,866</b>	<b>1,553,866</b>

Financial liabilities	Note	2020		2019	
		Booked value	Fair value	Booked value	Fair value
Mortgage loan with floating interests	5	17,125,727	17,125,727	19,151,675	18,983,128
Mortgage loan with fixed interests	5	690,577	690,577	7,397,582	7,395,918
Bond loan	5	-	-	1,283,317	85,213
Leasing obligations with floating interest	5	2,814,242	2,814,242	4,284,283	4,284,283
Total financial liabilities		20,630,545	20,630,545	32,116,857	30,748,542
Herof current part of long-term debt		3,499,897	3,499,897	27,632,528	27,462,317

### 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

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:

	2020			2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Current financial assets						
Shares	11,100	-	-	8,215	-	-
<b>Total per level</b>	<b>11,100</b>	<b>-</b>	<b>-</b>	<b>8,215</b>	<b>-</b>	<b>-</b>
<b>Total all levels</b>	<b>11,100</b>			<b>8,215</b>		
Fixed interests contract	-	-	-	-	1,843	-
<b>Total per level</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,843</b>	<b>-</b>
<b>Total all levels</b>	<b>-</b>			<b>1,843</b>		
	2020			2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Non current financial assets						
Shares	-	-	2,991	-	-	5,769
<b>Total per level</b>	<b>-</b>	<b>-</b>	<b>2,991</b>	<b>-</b>	<b>-</b>	<b>5,769</b>
<b>Total all levels</b>	<b>2,991</b>			<b>5,769</b>		
Fixed interests contract	-	-	-	-	1,843	-
<b>Total per level</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,843</b>	<b>-</b>
<b>Total all levels</b>	<b>-</b>			<b>1,843</b>		

	2020			2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Current financial liabilities						
Fixed interest contracts	-	-	-	-	1,664	-
Debt to credit institutions	-	-	940,944	-	-	27,147,543
Leasing liability	-	-	2,558,953	-	-	484,985
Currency swap contracts	-	-	-	-	168,547	-
<b>Total per level</b>	<b>-</b>	<b>-</b>	<b>3,499,897</b>	<b>-</b>	<b>170,211</b>	<b>27,632,528</b>
<b>Total all levels</b>	<b>3,499,897</b>			<b>27,802,739</b>		

	2020			2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Non current financial liabilities						
Debt to credit institutions	-	-	16,875,360	-	-	685,031
Leasing liabilities	-	-	255,288	-	-	3,799,298
<b>Total per level</b>	<b>-</b>	<b>-</b>	<b>17,130,648</b>	<b>-</b>	<b>-</b>	<b>4,484,329</b>
<b>Total all levels</b>	<b>17,130,648</b>			<b>4,484,329</b>		

## Note 5 - Mortgage debt and other liabilities

	2020	2019
Mortgage	16,875,360	685,031
Other liabilities	12,372	12,172
Leasing obligations	255,288	3,799,298
Total long-term debt	17,143,021	4,496,501
Short-term portion of long-term debt	3,499,897	25,88,722

For maturity profile reference is made to Note 4,

### Reclassification of long-term liabilities to current liabilities

Current portion of long term debt includes MNOK 2,534 reclassification of lease obligation for Normand Maximus, due to a contractual default with a covenant waiver less than 12 months. Short term portion of long term debt includes a MNOK 658 loan tranche for non-core vessels. These vessels will be circulated for sale. Any proceeds from the sales will reduce the loan tranche. There are warrants issued for the loan tranche. Any unsettled remaining debt after sale of the vessels will be converted to equity in accordance with the warrants. In the 2019 comparative figures long term debt of about MNOK 21,500 was in accordance with IFRS classified as Current portion of long term debt, due to the standstill agreements with the banks and bond holders where the covenant waiver period was less than 12 months.

	2020	2019
Book value of pledged assets:		
Bank deposits and cash equivalents	2,411,905	110,702
Account receivables	839,628	889,032
Vessels	19,476,354	22,490,494
Total booked value	22,727,887	23,490,228

All owned vessels are placed as security for the mortgages.

	2020	2019
<b>Borrowing cost and interest relief:</b>		
Capitalization borrowing cost	122,570	75,613
Capitalized interest relief		93,372

Borrowing cost is presented net with the loans and is amortized until maturity of the loan.

#### Other long-term liabilities

Other long-term liabilities of NOK 12 million (NOK 12 million in 2019) are mainly loan from minority interests.

#### Parent Company Guarantee

Solstad Offshore ASA has issued a Parent Company Guarantee of MNOK 20,826, hereof lease guarantee of MNOK 2,556.

#### Changes in liabilities arising from financing activities

	1 January 2020	Refinance effect	Fair value adjustment	Cash flows	Other	31 December 2020
Current interest bearing liabilities	27,147,543	-9,852,483	-	-1,077,155	-15,276,961	940,944
Non-current interest bearing liabilities	685,031	-	-1,012,025	1,467,962	15,734,391	16,875,360
Current leasing obligations	484,985	-1,016,268	-	-220,335	3,310,572	2,558,953
Non-current leasing obligations	3,799,298	-302,781	-	-	-3,241,229	255,288
Other long-term liabilities	12,172	-	-	201	-	12,372
Total liabilities from financing activities	32,129,029	-11,171,532	-1,012,025	170,673	526,773	20,642,918

	31 December 2018	IFRS 16	1 January 2019	Cash flows	Other	31 December 2019
Current interest bearing liabilities	25,888,722	-	25,888,722	-271,844	1,530,665	27,147,543
Non-current interest bearing liabilities	1,081,101	-	1,081,101	-	-396,070	685,031
Current leasing obligations	-	-	-	-207,775	692,760	484,985
Non-current leasing obligations	3,010,550	1,416,710	4,427,260	-	-627,962	3,799,298
Other long-term liabilities	97,779	-	97,779	-7,411	-78,197	12,372
Total liabilities from financing activities	30,078,152	1,416,710	31,494,862	-487,030	1,121,196	32,129,029

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

#### Covenants:

Solstad Offshore ASA is subject to various financial covenants under its prevailing financing agreements. These are divided into two structures; one common set of covenants for the reinstated multicurrency term loan facility (including the "Super senior term loan") that was subject to the restructuring in 2020, with Solstad Shipholding AS as the registered borrower ("Solstad Shipholding") and separate covenants applicable to the remaining vessel owning companies in the Group.

In connection with the restructuring in 2020, the Group completed an organizational corporate restructuring with a view to dissolve the former silo structure of the Group, which was a result of the combinations with the REM Offshore, Farstad Shipping AS and Deep Sea Supply groups during recent years. The purpose of the corporate restructuring was to create a new simplified group structure, which also reflects the requirements under the Group's new financing structure. The restructuring also reduced the complexity in the daily operations and cash management in the Group. There is free float of liquidity between the companies in the structure that was subject to debt-to-equity conversion in the restructuring. Solstad Shipholding AS is the registered borrower for this reinstated debt. Cash flow in the remaining part of the Group is subject to ring-fencing within each borrower entity. There are restrictions in the Solstad Shipholding AS loan agreement to provide financial support the other ship owning entities in the Group. Vessels owned by both Normand Ships AS and Far Superior AS was subject to refinancing during the restructuring process with amended terms and conditions including extension of maturity dates to correspond to the term of the reinstated fleet loan facility in Solstad Shipholding AS, March 2024. Termination date for the underlying vessel financing in SOFO Tonjer AS and NISA Ltd is Sept 2021 and Feb. 2023 respectively. The Group's financing of four vessels financed with the Brazilian development bank, BNDES, was not part of the restructuring, but amendments to these financings to meet the market conditions are ongoing. A preliminary deferral of installments under these agreements is agreed to end Aug. 2021. The exposure under these loan agreements is not guaranteed by the Company.

The loan agreements include customary security provisions including cross-collateralized mortgaged over relevant vessels, assignment of insurances and earnings, pledges over shares, assignment of any relevant intra-group loans, assignment over any

monetary claims under any hedging agreements (if relevant), pledge over bank accounts, step-in rights/direct agreements with respect to management agreements and such other security as reasonably required by the banks. Of the Groups senior secured facilities, the loan agreements in Solstad Shipholding AS and Far Superior AS are guaranteed by the Company. The loan agreements entered into in subsidiaries of Solstad Brasil Holding AS, Farstad Shipping Ltda and Deep Sea Navegacao Maritimos Ltda, is guaranteed by Farstad Shipping AS and Solship Invest 3 AS respectfully. The loan agreements in SOFO Tonjer AS, Normand Ships AS and NISA Ltd is not guaranteed.

As advised in our 4Q 2020 report there is a dispute with Saipem om payment of the termination fee amounting to USD 44,3 million related to the early termination of the time charter for "Normand Maximus". As a consequence of the early termination, Saipem were to pay a termination fee in the amount of USD 44,3 million in December 2020. Saipem has forwarded a counterclaim, and the termination fee due from Saipem to Normand Maximus Operations Limited has not been paid to date. Normand Maximus Operations Limited is pursuing the full claim for the termination fee legally. The termination fee has not been recognized in 2020. Normand Maximus Limited as bareboat charterer of the vessel, has since the termination of the time charter with Saipem, been in dialogue with Maximus Limited as owner of "Normand Maximus" and Maximus Limited's financiers, to find a long term solution for the lease financing of Normand Maximus following Saipem's early termination of the time charter, and solve liquidity issues resulting from the non-payment of the termination fee. On 3 March 2021, the financiers of Maximus Limited enforced their share pledge over the shares in Maximus Limited, and the shares are thus now controlled by a syndicate of banks. The discussions with Maximus Limited for a solution have been ongoing for some time and are continuing notwithstanding the change of ownership to the shares in Maximus Limited. The Company believes there are good prospects that the discussions will lead to an agreement. The lease financing has customary default provisions for lease financings. These i.a entitles Maximus Limited to require Normand Maximus Limited to buy the vessel and/or exercise other rights and remedies under the lease financing if a solution is not found. Absent a solution, there is a risk in the current markets that Normand Maximus Limited as bareboat charterer of the Normand Maximus Limited will not be able to finance such a purchase or other claims from Maximus Limited. As all obligations of Normand Maximus Limited are guaranteed by Solstad Offshore ASA, this could have a material adverse effect on Solstad Offshore ASA's financial situation.

The prevailing financial covenants for Solstad Offshore ASA are mainly summarized as follows:

#### Solstad Shipholding AS

1. Positive working capital
2. Min free liquidity: Available Cash min MNOK 500
3. Interest Coverage ratio > 1.0x (applicable from 01.07.2022 and first tested 30.09.2022).
4. Positive MVC

#### Far Superior AS

1. Positive working capital
2. Min free liquidity MNOK 5 (from 01.01.2022) and MNOK 15 from 01.07.2022.
3. Positive MVC

#### NISA Ltd (50,1%)

1. Positive working capital
2. Min free liquidity MUSD 0,25
3. Min MVC 200%

#### Farstad Shipping Ltda

1. No applicable financial covenants

#### Normand Ships AS

1. Positive working capital
2. Min free liquidity MNOK 10
3. Positive MVC

#### SOFO Tonjer AS

1. Min free liquidity > MNOK 10
2. MVC > 130%

#### Normand Maximus Limited (BB Charterer)

Company to covenant that Solstad Shipholding AS maintains:

1. Positive working capital
2. Min free liquidity: Available Cash min MNOK 500
3. Interest Coverage ratio > 1.0x (applicable from 01.07.2022 and first tested 30.09.2022).

#### Deep Sea Navegacao Maritimos Ltda

1. No applicable financial covenants

Given the prevailing market conditions, the covenant with greatest associated uncertainty over the prevailing next 12 month period, is the collateral vessels fair market values tested against the underlying vessel debt. Remedies are however available for borrowers through partial down payment of relevant loan tran-ces. Both the Group's working capital- and liquidity status was stabilized during the restructuring of 2020.

In addition to the financial covenants the loan agreements include customary provisions related to operational aspects related to acceptable ship registries, bareboat registrations, class requirements, information undertakings, sanctions provisions and such other requirements as reasonably required under bank financing agreements.

The Company is in compliance with all the covenants related to bank loan agreements at year end 2020.

## Note 6 - Tangible fixed assets

	Vessel	Fixture	Total
Cost price 01.01.2020	35,191,317	267,797	35,459,114
Acc. depreciations / write downs 01.01.2020	-13,367,002	-156,653	-13,523,656
Book value 01.01.2020	21,824,314	111,144	21,935,459
Additions	38,414	-	38,414
Disposals	-3,010,794	-	-3,010,794
Transferred	16,003	-41,909	-25,906
Transfer to asset held for sale	-10,666	-16,138	-26,803
Disposals of acc. depreciations / write downs	1,903,094	-	1,903,094
Translation adjustment	53,418	-4,496	48,922
Cost price 31.12.2020	32,277,692	205,255	32,482,947
Acc. depreciations / write downs 31.12.2020	-13,561,561	-171,990	-13,733,551
Book value 31.12.2020	18,716,131	33,265	18,749,396
Depreciation current period	-905,928	-12,979	-918,907
Write down current period	-1,191,725	-2,358	-1,194,082

	Vessel	Fixture	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
Disposals 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

Capitalized periodic maintenance	2020	2019
Capitalized periodic maintenance at 01.01	666,179	579,100
Additions this year	406,800	362,842
Disposal this year	-8,739	-
Depreciation of planned periodic maintenance this year	-280,983	-260,921
Write down this year	-958	-
Translation adjustment	-22,077	-14,842
Capitalized periodic maintenance at 31.12	760,223	666,179

The vessels are divided into the following categories; 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 are 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 19,476 (MNOK 22,655 in 2019) are held as a guarantee for the Group's loans, see note 5.

There is no capitalized interest in 2020 or 2019.

### 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 2021-2024. 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 used for 2020 is 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 budget and long term forecast. 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 2021. 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 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 47 vessels were written down by MNOK 1,193 in 2020. The impairment was divided on segments as follows (remaining recoverable amount in parentheses): PSV MNOK 566 (MNOK 6,117), AHTS MNOK 552 (MNOK 4,622) and CSV MNOK 74 (MNOK 8,737).

### 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 150 and MNOK 710, respectively. A reduction in dayrates or utilization bringing the revenue down by 3-6%, will increase the write-down by MNOK 150-540. With an inflation of cost of 5% points higher, the write-down would increase by approximately MNOK 70.

## ASSETS HELD FOR SALE

In Q1 2021 the Company have sold tree PSV's the assets is classified as held-for-sale in the Statement of Financial Position. The book value is MNOK 10.7.

The Company has in Q1 2021 sold an onshore training facility. The asset is classified as held-for-sale in Statement of Financial Position. Total book value is MNOK 16.

## Note 7 - Right-of-use assets

Right-of-use asstes				
	Vessels	Office	Total	Lease liabilities
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	-551,297	-	-551,297	-1,319,049
Translation adjustment	49,000	-15,819	33,181	69,343
Depreciation	-109,552	-12,924	-122,475	-
Impairment	-700,000	-	-700,000	-
Interest expense	-	-	-	241,442
Leasing payment	-	-	-	-461,777
Closing balance 31.12.2020	2,212,854	244,468	2,457,322	2,814,242

Right-of-use asstes				
	Vessels	Office	Total	Lease liabilities
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
Opening balance 01.01.2019	3,673,291	269,141	3,942,432	4,427,260
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
Leasing payment	-	-	-	-490,706
Closing balance 31.12.2019	3,521,309	250,597	3,771,906	4,284,283

### Impairment testing of Right-of-use assets

Based on value-in-use-calculations the impairment was MNOK 700 in 2020 (MNOK 0 in 2019). Further reference is made to Note 6 Tangible Fixed Assets.

### Guarantee

Vessel lease liability is guaranteed by the Parent Company with MNOK 2,556, for further reference is made to Note 5 Mortgage Debt and Other Long-term Liabilities and Note 2 Major Transactions/Events.

The Parent Company has also guaranteed for a put option related to the leased vessel. The put is valued at MUS\$ 323 as of 31.12.2020.

### Default put option

The lease agreement for Normand Maximus includes a default put option. Year end 2020 the Company is in a contractual default. As the default was effective within the non-cancellable period and was not exercised at the end of 2020, the effect is not recognized in the balance sheet. Further reference is made to Note 2 Major Transactions/Events.

### Variable lease payments

The Company has two vessels on lease with variable lease payments. The total payments for 2020 was MNOK 6.5 (MNOK 0 in 2019).

## Note 8 - Financial items

Financial items	2020	2019
Interest expenses	-1,437,619	1,644,510
Interest income	6,373	14,827
Net currency loss	-420,466	-137,978
Income from investment in associated companies	41,423	40,766
Gain sale shares	155	53,266
Gain/ loss (-) financial derivatives	-17,084	3,193
Impairment of shares	-294,745	-200
Dividends	-	350
Other financial income / -expend (-)	-68,805	-63,874
<b>Restructuring effects:</b>		
Derecognition of capitalized borrowing costs and interest relief	-127,085	-
Termination of Right-of-use-assets (IFRS 16)	-550,950	-
Gain debt converted to equity	9,644,363	-
Gain purchase of own debt	942,343	-
Gain fair value recognition of debt	1,066,639	-
Gain fair value warrants	177,950	-
Interest relief refinancing	514,275	-
<b>Net financial items</b>	<b>9,476,776</b>	<b>-1,734,160</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.

### Restructuring effects:

Derecognition of capitalized borrowing costs and interest relief includes all remaining balances relating to refinanced loans and obligations scheduled to be amortized over previously agreed maturity period.

Termination of Right-of-use-assets relates to 6 vessels accounted for as IFRS 16-leases. The 6 vessels were hired on long-term leasing contracts with related parties (Ocean Yield and Ship Finance International). The cost represent the remaina book value of the vessels at the time of termination. The corresponding remaining lease obligations for the vessel is included in the debt converted to equity.

Gain debt converted to equity represent the book value of loans and obligations at March 31st, 2020 being converted to equity by issuing shares in Solstad Offshore ASA.



Gain purchase of own debt relates to a pre-conversion of debt to equity process where about MNOK 966 of the debt was re-purchased.

Gain fair value recognition of debt represents the calculated difference between face value and fair value for the refinanced debt at initial recognition. The difference will be amortized and presented as interest expense over the period until final maturity of the loan.

Gain fair value of warrants relates to the part of the refinanced debt specifically allocated to the non-core part of the fleet. Warrants are issued for this debt. The warrants are measured at the end of each accounting period.

Interest relief refinancing represent the calculated interest for the period between March 31st and October 20th, 2020. Interest for this period was calculated and recognized during 2020. At effective date for the refinancing the calculated interests for this period was relieved.

## Note 9 - Other expenses, wages, employees and distinctive contributions

Other operating expenses:	2020	2019
Technical cost	569,457	534,909
Bunker and lube oil	181,152	177,147
Insurance	106,186	85,366
IT, communications and other costs	634,876	659,494
Total other operating expenses	1,491,671	1,456,916
<b>Wages and personnel costs:</b>		
Employees, vessels	2,025,675	2,096,165
Employees, administration	304,531	323,507
Total employee cost	2,330,206	2,419,672
<b>Wages and employee cost:</b>		
Wages	1,748,737	1,726,325
Social security	193,903	254,815
Pension costs	12,075	19,144
Other benefits	42,347	62,967
Traveling costs, courses and other personnel costs	333,144	356,421
Total employee cost	2,330,206	2,419,672
Average number of man-years	3,528	3,549

### Remuneration to Directors, Managing director and Auditors

2020	Wages	Bonus	Other benefits	Pension cost
Lars Peder Solstad (CEO)	2,312	2,289	155	107
Kjetil Ramstad (CFO)	1,779	1,562	155	103
Tor Inge Dale (COO)	1,892	703	11	107
Hans Knut Skår (EVP Subsea & Renewable Energy)	1,892	703	11	114
Kenneth Lande (EVP AHTS / PSV)	1,892	703	11	109
	<b>9,767</b>	<b>5,960</b>	<b>345</b>	<b>540</b>

2019	Wages	Bonus	Other benefits	Pension cost
Lars Peder Solstad	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 Constructions)	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>-</b>	<b>297</b>	<b>874</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 and in addition a right to subscribe 5,038,187 shares in the Company with a nominal value of NOK 1 per share.

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

Board of Directors fee:	2020	2019
Harald Espedal	676	401
Toril Eidesvik	443	278
Frank O. Reite	376	240
Ellen Solstad	370	278
Harald Thorstein	390	240
Merete Haugli	383	240
Anders Onarheim	25	25

Auditors EY	2020	2019
Audit - statutory accounts	13,151	12,571
Other attestation services	50	82
Tax related services	5,806	2,150
Other services	10,883	1,066
Total	<b>29,890</b>	15,869

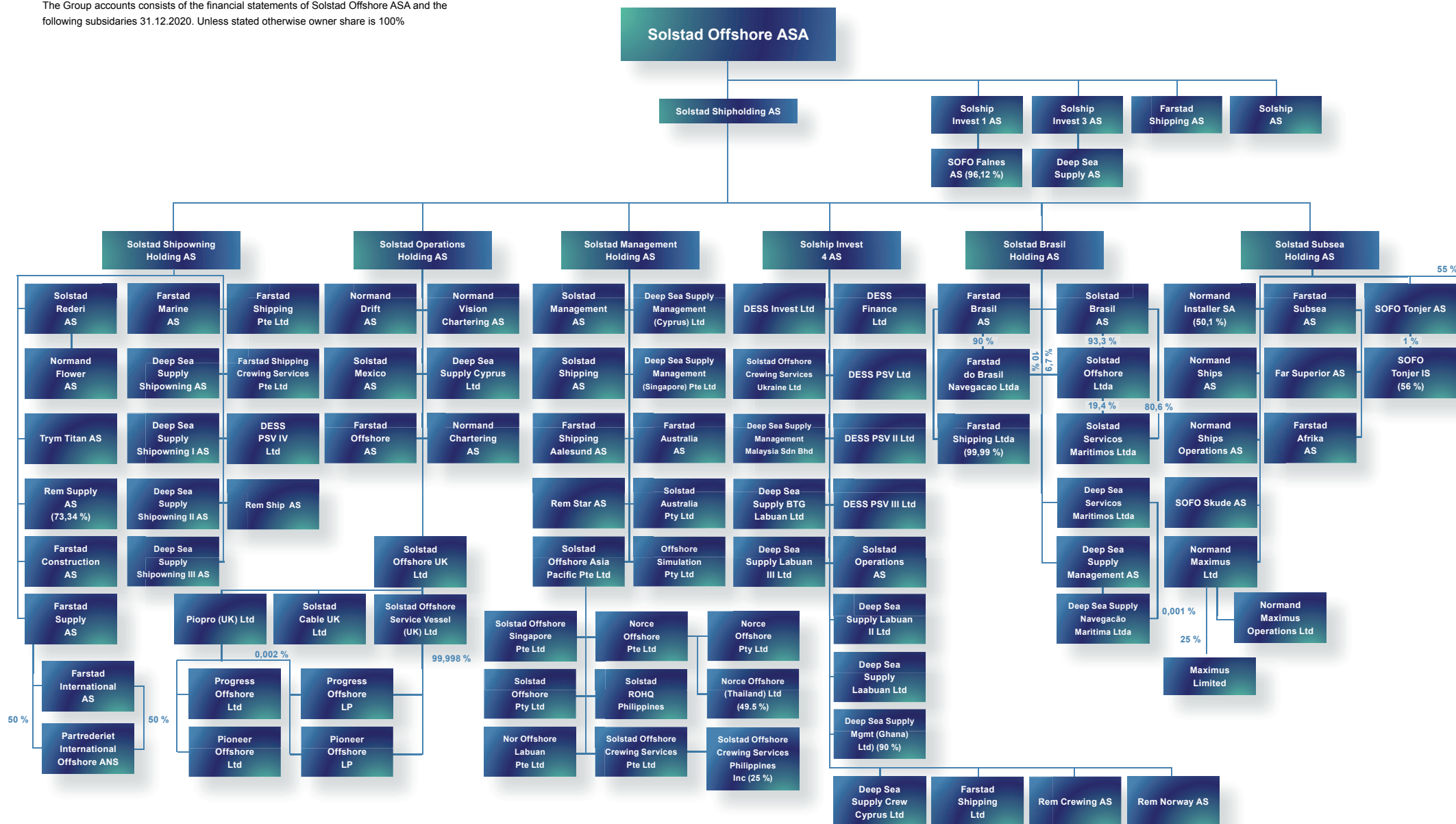
Audit fees relates to statutory audit of accounts. Fee for tax advice is mainly assistance related to tax reporting to authorities in other countries. For 2020 and 2019 these services are mainly related to crew, and hence, they are viewed as compliance services. Auditor-related services include consultancy, reports and assistance on accounting matters and the restructuring process.

## Note 10 - Government grants

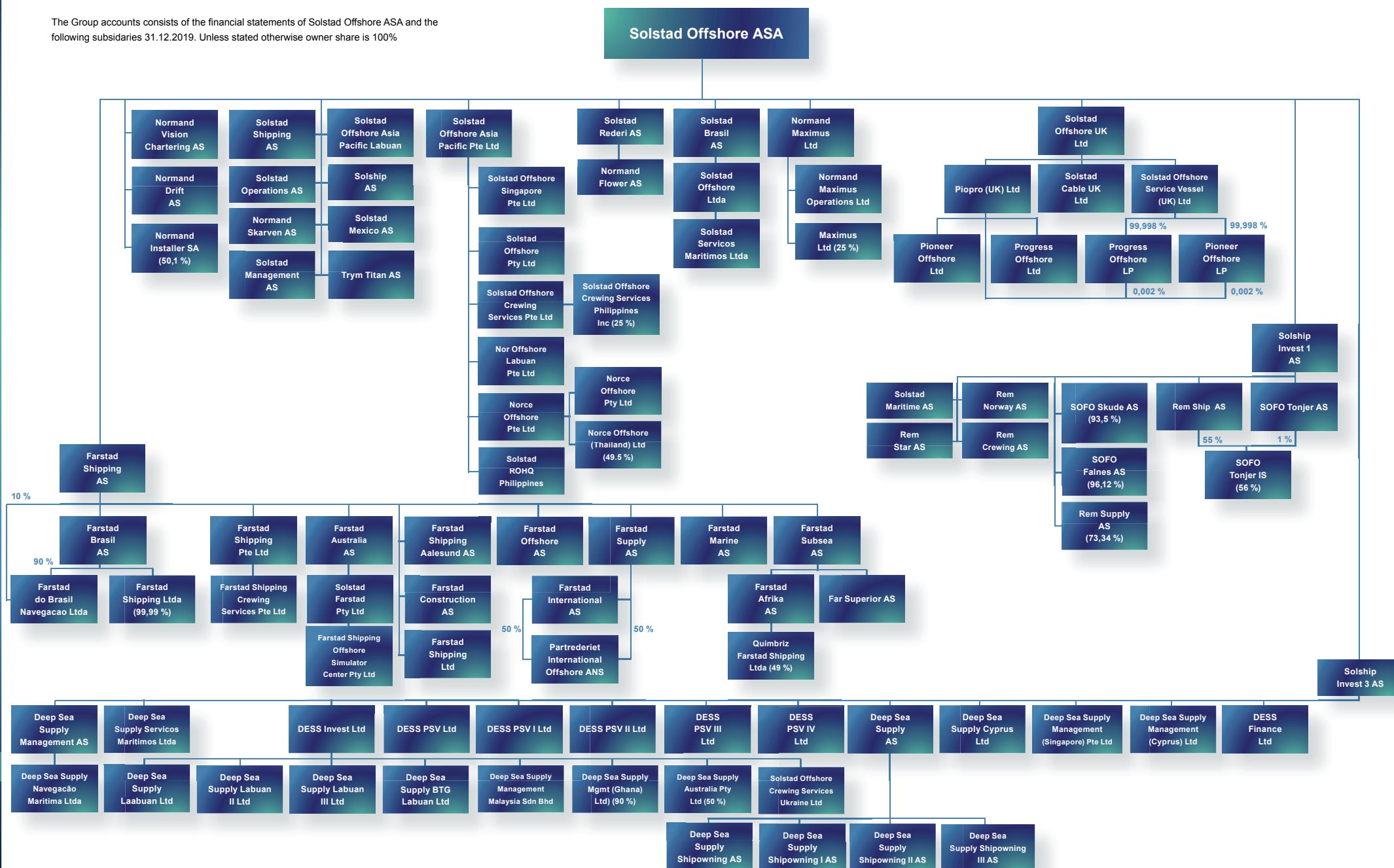
	2020	2019
Net pay scheme at NOR-vessels	206,973	177,466
Government grants to reduction of payroll expenses	206,973	177,466

## Note 11 - Share in subsidiaries

The Group accounts consists of the financial statements of Solstad Offshore ASA and the following subsidiaries 31.12.2020. Unless stated otherwise owner share is 100%



The Group accounts consists of the financial statements of Solstad Offshore ASA and the following subsidiaries 31.12.2019. Unless stated otherwise owner share is 100%



## Note 12 - Share in Joint Ventures, Associated companies and other investments

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

		Place of Business	Ownership	Date of Financial statement
Normand Installer SA (NISA)	JV	Marly, Sveits	50%	31.12.2020
Solstad Offshore Crewing Services Philippines (SOCS)	AC	Manila, Philippines	25 %	31.12.2020
Maximus Limited (MAXL)	AC	GeorgeTown, Cayman Islands	25 %	31.12.2020
DESS Aquaculture Shipping AS (AQUA)	AC	Grimstad	26.53 %*	31.12.2019

\* Sold in 2019

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.

Joint venture NISA:	2020	2019
Cost price 01.01.	1,631	1,631
Acc result and adjustments	90,928	134,361
Book value 01.01.	92,559	135,992
Share of result	23,975	-44,787
Other adjustments	-6,630	1,354
Book value 31.12.	109,904	92,559
Balance sheet:		
Bank deposit and cash equivalents	39,496	30,941
Current assets	33,424	23,113
Long-term assets	504,000	565,000
Short-term liabilities	-50,067	-152,966
Long-term financial liabilities	-322,148	-280,970
Net Assets	204,704	185,118
Share of balance sheet:	102,352	92,559
Revenue and profit:		
Revenues	202,429	148,767
Operating expenses	-82,492	-69,933
Depreciations	-15,947	-18,225
Impairment	-30,617	-119,188
Financial income	2,146	
Interest expense	-27,535	-30,992
Result before tax	47,983	-89,571
Taxes	-33	-4
Result	47,950	-89,575
Share of revenue and profit:	23,975	-44,787

Associated companies	2020			
	SOCS	MAXL		Total
Cost price 01.01.	385	250,853		251,239
Acc result and adjustments	949	41,658		42,607
Book value 01.01.	1,335	292,511		293,846
Share of result	-169	41,592		41,423
Impairment of investment (1)		-294,745		
Other adjustments	-38	-39,358		-39,396
Book value 31.12.	1,128	-		1,127
Share of balance sheet:				
Current assets	4,886	38,613		43,499
Long-term assets	601	688,651		689,251
Short-term liabilities	-5,068	-11,964		-17,032
Long-term financial liabilities	-5	-413,231		-413,236
Net Assets	414	302,069		302,483
Share of revenue and profit:				
Revenues	2,573	92,341		94,914
Operating expenses	-2,757	-29,502		-32,259
Financial expense	104	-21,247		-21,143
Result before tax	-81	41,592		41,511
Taxes	-62			-62
Result	-143	41,592		41,449

(1) The investment in Maximus Limited is written down to zero in 2020.

Associated companies	2019			
	SOCS	MAXL	AQUA	Total
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		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 financial liabilities	-18	-467,604		-467,622
Net Assets	789	295,594		296,383
Share of revenue and profit:				
Revenues	2,528	99,864		102,393
Operating expenses	-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



Financial assets at amortized cost - long term		2020		2019	
Unlisted shares	Share	Book value	Share	Book value	
Bleivik SIM Holding AS	29.54 %	2,991	29.54 %	2,991	
Solnør Gaard Goldbane AS	0.00 %	-	6.43 %	1,665	
Offshore Simulator Center	0.00 %	-	25.00 %	910	
Sunnmøre Gold AS	0.00 %	-	0.94 %	203	
Hafast AS	2.64 %	-	2.64 %	-	
		2,991		5,769	

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

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

Financial assets at fair value through profit and loss - current			2020		2019	
Listed shares	Cost price	Share	Book value	Cost price	Share	Book value
Reach Subsea ASA	10,000	5.48 %	11,100	10,000	5.48 %	7.950
Team Tankers International Ltd.	5,000	0.03 %	-	5,000	0.03 %	265
			11,100			8.215

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

Share 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.

## Subsidiaries with significant non-controlling interests

The Group have four subsidiaries with significant non-controlling interests (NCI) as of 31st December 2020. Information regarding these is as follows (NOK 1,000):

2020 Name	Country	NCI	Result allocated to NCI	Accumulated NCI	Paid dividend
SOFO Falmes AS	Norway	4 %	233	-2,640	-
Rem Supply AS	Norway	27 %	5,379	-21,521	-
SOFO Tonjer IS	Norway	44 %	6,322	39,975	-

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

2020			
Condensed financial statement	SOFO Falmes AS	Rem Supply AS	SOFO Tonjer IS
Non-current assets	-	229,341	176,331
Current assets	15,705	70,855	37,315
<b>Total assets</b>	<b>15,705</b>	<b>300,195</b>	<b>213,646</b>
Long term liabilities	10,215	355,372	99,992
Short term debt	73,664	26,069	23,105
<b>Total liabilities</b>	<b>83,879</b>	<b>381,441</b>	<b>123,096</b>
Revenue	30,843	77,299	57,562
<b>Result after tax</b>	<b>6,012</b>	<b>20,174</b>	<b>14,369</b>

2019				
Condensed financial statement	SOFO Falmes AS	SOFO Skude AS	Rem Supply AS	SOFO Tonjer IS
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
<b>Result after tax</b>	<b>-14,824</b>	<b>-7,750</b>	<b>-10,325</b>	<b>9,309</b>

## Note 13 - Insurance settlements

When damages occur to vessels or equipment that are reported as insurance cases, the Group pays for the repairs in advance. The following compensation has been received from the insurance companies:

	2020	2019
Received compensation	69,845	47,273

Insurance deductible per damage is included in Other operating expenses.

Freight revenue includes recognition of Loss of Hire-revenues of MNOK 29 and MNOK 40 for the two last years respectively.



## Note 14 - Share capital, shareholders and treasury shares

	Shares	Share capital	Treasury
<b>01.01.2020</b>	<b>291,532,299</b>	<b>583,065</b>	<b>-281</b>
Share capital decrease	-291,240,767	-582,773	281
Share capital increase by conversion of debt	48,074,688	48,075	-
Share capital privat placement	26,506,462	26,506	-
<b>31.12.2020</b>	<b>74,872,682</b>	<b>74,873</b>	<b>-</b>
<b>01.01.2019</b>	<b>291,532,299</b>	<b>583,065</b>	<b>-281</b>
<b>31.12.2019</b>	<b>291,532,299</b>	<b>583,065</b>	<b>-281</b>

At 31.12.19 the Company's share capital represents 291,532,299 shares at NOK 2.

In an Extra Ordinary General Meeting on 20.10.20 the share capital was decreased by 291,240,767 shares. Subsequently, in the same meeting, the share capital was increased by 48,074,688 and 26,506,462 shares through conversion of debt and a private placement.

At 31.12.20 the Company's share capital represents 74,872,682 shares at NOK 1.

As at 31.12.2020 the Group had 139 treasury shares with cost price of MNOK 9.6.

As at 31.12.2019 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 weighted average number of shares for the period, adjusted for treasury shares. There are no instruments that prevents the possibility of dilution.

	2020	2019
Majority result from net profit for the year	7,240,743	-3,129,558
Result from net profit for the year	7,253,866	-3,129,294
Average number of shares	249,041,851	291,532,299
Average number of Treasury shares	112,830	140,522
Average number of shares to calculate earnings per share	248,929,021	291,391,777
Earnings per share (NOK) - majority	29.09	-10.74
Earnings per share (NOK)	29.13	-10.73

## 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	
	2020	2019	2020	2019	2020	2019	2020	2019
<b>Joint venture companies</b>								
Normand Installer SA	131	2,818		45,830	47,161			
<b>Other related parties</b>								
Ivan Eiendom			10,566	9,717				
Ocean Yield			35,315	72,506			871,400	
Ship Finance International			16,421	65,737			634,548	

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

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 leases offices and a warehouse at market price from Ivan Eiendom, a company controlled by a related party.

In 2019 the Group had two vessel on lease from Ocean Yield (company controlled by one of the larger shareholders). Further, the Group leased five vessels from Ship Finance International (company controlled by one of the larger shareholders). During 2020 all seven leases were terminated. The two vessels from Ocean Yield were subsequently hired on bareboat.

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

Board Members and the Company's Management are considered as related parties. There are no management agreements with related parties outside the Group that charge management fees.

Transactions with related parties are completed at normal market prices. Interests are not calculated on outstanding balances with related parties considered to be normal accounts receivable or payable. Current assets are included in the ordinary evaluation of bad debt.

## Note 17 - Taxes

	2020	2019
Tax payable	16,313	32,696
Under/over accrual of tax payable	8,154	119,085
Change in deferred taxed	-27,984	6,768
Tax on ordinary result	-3,517	158,549
<b>Apportionment of tax on ordinary result:</b>		
Norwegian tax - ordinary	5,462	10,879
Foreign tax	-8,979	147,670
Total tax	-3,517	158,549
<b>Temporary differences:</b>		
Fixed assets (vessels and other non-current assets)	1,394,912	-50,760
Receivables (current assets)	-2,560,694	-770,579
Other current assets	69,902	-423,902
Pension	-25,015	-18,692
Tax position related to sold assets	-193,601	-304,860
Interest deductions carried forward	-2,202,254	-2,202,254
Unrecovered loss carried forward	-15,203,545	-12,660,144
Total temporary differences	-18,720,295	-16,431,192
<b>Tax effect on temporary differences:</b>		
Fixed assets (vessels and other non-current assets)	306,881	-11,167
Receivables (current assets)	-563,353	-169,527
Other current assets	15,378	-93,258
Pension	-5,503	-4,112
Tax position related to sold assets	-42,592	-67,069
Interest deductions carried forward	-484,496	-484,496
Unrecovered loss carried forward	-3,344,780	-2,785,232
Deferred tax assets not recognised	4,112,884	3,631,499
Net deferred tax / deferred tax asset (-)	-5,581	16,637
<b>Change in deferred tax in the balance sheet:</b>		
Opening balance deferred tax	16,637	-1,968
Booked to profit and loss	-27,984	6,768
Changed to equity (change pension)	-1,774	11,837
Translation adjustment	7,540	-
End balance deferred tax / deferred tax asset (-)	-5,581	16,637
<b>Payable tax in the balance sheet consist of:</b>		
Other payable corporation tax	168,016	187,196
Total payable tax in the balance sheet	168,016	187,196
Tonnage tax is classified as operational expenses		
<b>Analysis of effective tax rate:</b>		
22 % of pre-tax result	1,595,077	-653,564
Effect of deferred tax asset nor recognised	481,787	192,499
Correction of previous years	-23,772	-
Differential in tax rates foreign entities	-1,747	27,493
Permanent differences/ Shipping Tax Regime	-2,054,861	592,120
Estimated tax	-3,517	158,549

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.

Exit from the Norwegian tonnage tax regime was performed in 2020. The exit had effect from January 1st, 2016. An unrecovered loss carry forward of NOK 10 billion was claimed for the period from 2016 to 2018.

## Note 18 - Pension

The Group has defined benefit pension plans for seafaring personnel in United Kingdom, for some of the seafaring personnel in Norway, and for some of the administrative personnel. The pension plans are insurance based. As at December 31, 2020, the pension plans have 16 actives and 98 pensioners as members.

The Group has a contribution plan for the majority of the seafaring personnel in Norway and administrative staff. The Group's pension scheme meets the requirements of the Norwegian law of Occupational pension.

	UK 2020	UK 2019	NORWAY 2020	NORWAY 2019
<b>The following assumptions are used:</b>				
Discounted interest	1.10 %	2.00 %	1.70 %	2.30 %
Expected return			1.70 %	2.30 %
Regulation of salaries	3.90 %	4.00 %	2.25 %	2.25 %
Regulation of base amount			2.00 %	2.00 %
Regulation of pension	2.40 %	2.50 %	1.50 %	1.50 %

	2020	2019
<b>Changes in pension obligation:</b>		
Estimated liability at beginning of the year	434,975	635,476
Interest expense	11,598	15,770
Annual pension earnings	9,066	34,441
Curtailment / settlement	-196,928	-131,531
Payroll tax employer contribution, assets	-1,387	-5,526
Benefits paid	-13,528	-32,228
Past service cost	47	-
Actuarial (gain) / loss on the obligation	12,738	-81,427
Estimated liability at year end	256,580	434,975

	2020	2019
<b>Changes in plan assets:</b>		
Opening value of plan assets	408,384	516,218
Expected return	8,531	13,286
Curtailment / settlement	-189,916	-104,170
Payroll tax of employer contribution, assets	-591	-872
Contributions by employer	11,028	40,917
Benefits paid	-10,914	-29,570
Actuarial gain / (loss)	5,043	-27,425
Estimated plan assets at year end	231,565	408,384

		2020	2019
<b>Net plan assets/liabilities:</b>			
Pension liabilities		256,580	434,975
Plan assets		231,565	408,384
Net plan assets/ (liabilities) incl social security		-25,015	-26,591
Social security		-3,091	-3,141
<b>Pension cost:</b>			
Present value of pension obligation		11,260	34,105
Interest expenses on obligation		9,066	15,770
Expected return on plan assets		-8,531	-13,286
Administration expense		929	1,208
Recognition of past service cost		47	-
Settlement/curtailmen of net obligation		-7,013	-27,361
Pension cost		5,758	10,437
Payment on contribution plan		6,317	8,708
Total pension cost		12,075	19,144
Actual return on plan assets		13,574	-14,138
<b>Acturial gain and loss (-)</b>			
Total acturial gain / loss		-7,700	53,887
Currency		5	115
Tax effect		1,774	-11,837
Acturial gain / loss booked on Other comprehensive income		-5,921	42,165

Expected contribution by employer in 2021 is NOK 3.9 million.

Pension liability for 2020 and 2019 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 6.1 million is included in the net liability above (NOK 8.7 million in 2019).

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 tied deposits total NOK 40.1 million (NOK 37.6 million in 2019) on which is employee tax withheld.

As part of the restructuring of the Group's debt effective from October 20th, 2020, the total bank deposits are pledged.

A total of NOK 111 million of deposits were pledged at year end 2019.

Through the refinancing a MNOK 1,500 Super Senior Credit Facility (SSCF) was made available for the Group. Per December 31, 2020 drawn amount was MNOK 1,467. The SSCF is classified as an ordinary bank deposit. The SSCF can only be drawn upon if Group's available cash is less than MNOK 600.

The Group can not be in any event of continuing default before, or as a result of, a draw from the SSCF.

The group had two Commercial Interest Reference Rate (CIRR) loans from the Norwegian Export Credit Agency.

The maturity for the loans was 2020, and the cash proceeds from the loans was 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 was

identical with the one of the loans. The loans and the interest thereof was 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 was denominated in NOK.

The balance of the CIRR loan and CIRR deposit as at December 31, 2020 is zero (NOK 23 million in 2019).

## Note 20 - Environmental conditions

The company's vessels comply with current environmental requirements. In 2020, 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.

## Note 21 - Paid out and proposed dividend

	2020	2019	2018
<b>Approved and paid out during the year:</b>			
Ordinary dividend	-	-	-
<b>Proposed dividend at general meeting:</b>			
Ordinary dividend	-	-	-
Per share (NOK)	-	-	-

## Note 22 - Other long-term assets

	2020	2019
Sellers credit	-	34,972
Loan to associated companies	-	23,059
Loan to other companies	14,128	14,260
Other receivables	46,067	47,932
Total other long-term assets	60,195	120,223

Other receivables consist of advance travel card deposits and deposits for public taxes.

## Note 23 - Accounts receivable and other short-term receivables

	2020	2019
Account receivables	832,655	859,726
Receivable from associated and joint venture companies	6,973	29,306
Total accounts receivable	839,628	889,032
Prepaid expenses	32,877	39,385
Earned, not invoiced revenue	79,208	98,673
VAT receivable	96,408	137,302
Other short-term receivables	205,518	338,546
Receivable from associated and joint venture companies	-	7,640
Total short-term receivables	414,011	621,546

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

## Note 24 - Inventory

	2020	2019
Bunkers	80,039	152,022
Lube oil	36,638	14,050
Other	48,653	11,163
Total inventory	165,330	177,226

## Note 25 - Other current liabilities

	2020	2019
Accrued salaries, related taxes and VAT payable	275,714	254,543
Other current liabilities	168,964	510,384
Total short-term liabilities	444,678	764,927

Other current liabilities consist mainly of incurred operational expenses and performed planned periodic maintenance not yet invoiced at year end.

## Note 26 - Contingent liabilities, assets and provisions

### Tax claims in Brazil:

Chartering of non-Brazilian built tonnage in Brazil require application for 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 240 (MNOK 300). The reduction in 2020 is due to currency MNOK 40 and cases closed with favourable outcome. Based on an individual assessment of each case the Group's total recognized accrual is MNOK 15.1 (MNOK 31.4 in 2019). Legal fees are expensed as incurred.

## Note 27 - Deferred income and excess value contracts

### Deferred income

Balance of Deferred income of MNOK 35 in 2019 relates to advance invoiced freight revenue for one of the Group's vessels.

No advance invoicing was recognized per year end 2020.

### 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.

	2020	2019
Book value as per 01.01.	69,961	208,422
Amortised	-62,462	-138,461
Book value as per 31.12.	7,499	69,961

The amortization is recognized as a reduction to Freight income. At the end of 2020 the future amortization schedule is:

	2021	2022
	7,499	-

## Note 28 - Subsequent events

The Company has sold the PSVs Sea Angler, Sea Bass, Sea Turbot and Sea Witch and the AHTS Lady Astrid and Lady Caroline. Delivery of the vessels to the new owner took place in 1Q 2021.

## Alternative performance measurements 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 for 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 (NOK 1,000)

PROFIT OR LOSS ACCOUNT	2020 01.01-31.12	2019 01.01-31.12	Note
Other operating income	77,172	13,958	
<b>Total operating income</b>	<b>77,172</b>	<b>13,958</b>	
Personnel costs	-10,055	-7,913	4
Other operating expenses	-162,553	-30,465	4
<b>Total operating expenses</b>	<b>-172,608</b>	<b>-38,378</b>	
<b>Operating loss</b>	<b>-95,436</b>	<b>-24,420</b>	
Interest income from companies in the Group	-	29,309	9
Other interest income	3	3,390	
Other financial income	1,502,192	-	5
Interest costs from companies in the Group	-	-5,947	9
Other interest charges	-5,381	-69,928	
Other financial charges	-579,385	-676,649	5
<b>Net financial items</b>	<b>917,429</b>	<b>-719,825</b>	
<b>Ordinary result before taxes</b>	<b>821,993</b>	<b>-744,245</b>	
Tax on ordinary result	-	-	10
<b>Net result for the year</b>	<b>821,993</b>	<b>-744,245</b>	
<b>Transfer and disposable income</b>			
Transfer to/from other equity	821,993	-744,245	11
<b>Total transfer and disposable income</b>	<b>821,993</b>	<b>-744,245</b>	



# Balance sheet

Parent company (NOK 1,000)

	2020 31.12	2019 31.12	Note
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
<b>FINANCIAL FIXED ASSETS:</b>			
Investment in subsidiaries	457,032	563,443	6
Investment in joint-owned companies	-	25,038	7
Loan to jointly-owned companies	-	47,161	8
Other long-term receivables	-	12,876	8
<b>TOTAL FINANCIAL FIXED ASSETS</b>	<b>457,032</b>	<b>648,519</b>	
<b>TOTAL FIXED ASSETS</b>	<b>457,032</b>	<b>648,519</b>	
<b>CURRENT ASSETS</b>			
<b>RECEIVABLES:</b>			
Other short-term receivables	58,359	49,857	9
<b>Total receivables</b>	<b>58,359</b>	<b>49,857</b>	
Bank deposits and cash equivalents	6,558	7,261	
<b>TOTAL CURRENT ASSETS</b>	<b>64,917</b>	<b>57,119</b>	
<b>TOTAL ASSETS</b>	<b>521,949</b>	<b>705,637</b>	



# Balance sheet

Parent company (NOK 1,000)

	2020 31.12	2019 31.12	Note
<b>EQUITY &amp; LIABILITIES:</b>			
<b>EQUITY</b>			
<b>RESTRICTED EQUITY:</b>			
Share capital (74,872,682 a 1,-)	74,873	583,065	
Treasury shares	-	-250	
Shared premium	175,572	1,497,184	
Other paid-in capital	-	1,000,755	
<b>TOTAL RESTRICTED EQUITY</b>	<b>250,445</b>	<b>3,080,754</b>	<b>11</b>
<b>EARNED EQUITY:</b>			
Other equity	77,606	-3,824,848	11
<b>TOTAL EARNED EQUITY</b>	<b>77,606</b>	<b>-3,824,848</b>	
<b>TOTAL EQUITY</b>	<b>328,051</b>	<b>-744,095</b>	<b>11,12</b>
<b>LIABILITIES</b>			
<b>OTHER LONG-TERM LIABILITIES:</b>			
Debt Group companies	-	116,914	9
Bond Loan	-	1,141,928	16
Other long-term liabilities	2,158	111,711	16
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>2,158</b>	<b>1,370,553</b>	
<b>CURRENT LIABILITIES:</b>			
Accounts payable	189,016	67,792	9
Other current liabilities	<b>2,723</b>	<b>11,387</b>	
<b>Total current liabilities</b>	<b>191,740</b>	<b>79,179</b>	
<b>TOTAL CURRENT LIABILITIES</b>	<b>193,898</b>	<b>1,449,732</b>	
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>521,949</b>	<b>705,637</b>	

Board of Director in Solstad Offshore ASA  
Skudeneshavn April 29, 2021

  
Harald Espedal  
Chairman

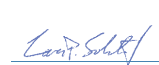
  
Frank O. Reite  
Director

  
Ingrid Kylstad  
Director

  
Thorhild Widvey  
Director

  
Ellen Solstad  
Director

  
Peder Sortland  
Director

  
Lars Peder Solstad  
CEO

# Statement of cash flow

Parent company (NOK 1,000)

	2020 31.12	2019 31.12
<b>CASH FLOW FROM OPERATIONS</b>		
<b>Profit / loss before taxes</b>	<b>821 993</b>	<b>-744 245</b>
Write-down of financial assets	-	675 074
Interest income	-3	-32 699
Interest expense	5 381	75 875
Non-cash refinance effects	-960 971	-
Unrealised currency gain/ -loss	-	-1 654
Change in short-term receivables and payables	121 224	42 671
Change in other accruals	-58 788	-39 102
<b>Net cash flow from operations</b>	<b>-71 164</b>	<b>-24 080</b>
<b>CASH FLOW FROM INVESTMENTS</b>		
Investments in shares	-30	-
Pamynet of long-term receivables	2 158	-
Deposital of shares	-	-
<b>Net cash flow from investments</b>	<b>2 128</b>	<b>-</b>
<b>CASH FLOW FROM FINANCING</b>		
Paid-in capital	70 355	-
Interest received	3	9
Interest paid	-2 025	-1 795
New / repayment of (-) long-term debt	-	25 837
<b>Net cash flow from financing</b>	<b>68 333</b>	<b>24 051</b>
Net change in cash and cash equivalents	-703	-29
Cash and cash equivalents at 01.01	7 261	7 290
<b>Cash and cash equivalents at 31.12</b>	<b>6 558</b>	<b>7 261</b>



# Notes

## Notes to condensed statement of comprehensive income and statement of financial position

(NOK 1,000)

## 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	EUR
Per 31.12.19	11.594	8.780	9.864
Per 31.12.20	11.646	8.533	10.470

### 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.

## Note 2 - Major transactions/events

The Company finalized a successful restructuring approved by an Extraordinary General Meeting October 20th, 2020.

Reference is made to Note 2 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.



## Note 4 - Other expenses, wages, employees and distinctive contributions

	2020	2019
Wages and director fee	8,772	6,359
Employer's National Insurance	1,031	855
Pension costs	123	455
Other benefits	47	22
Travelling costs, courses and other personnel costs	83	221
Total employee cost	10,055	7,913
Average number of man-years	1.75	2

### Remuneration to Directors, Managing director and Auditors

2020	Wages	Bonus	Other benefits	Pension cost
Lars Peder Solstad (CEO)	2 312	2 289	155	107
2019	Wages	Bonus	Other benefits	Pension cost
Lars Peder Solstad	2,254	-	154	104
Sven Stakkestad (Deputy CEO)	1,894	-	100	351

Board of Directors fee:	2020	2019
Harald Espedal	676	401
Toril Eidesvik	443	278
Frank O. Reite	376	240
Ellen Solstad	370	278
Harald Thorstein	390	240
Merete Haugli	383	240
Anders Onarheim	25	25

In 2020, NOK 2,673,877 is charged as auditors fees and NOK 10,972,898 relating to other non-audit related services. Both amounts are exclusive VAT. There are no distinctive agreements regarding remuneration for the Chairman of the Board and nor are there any distinctive bonus or or option programmes for any Board Member. No loans have been given to key employees. Bonus for Management Group is related to successful refinancing of the Company. The Managing Director has an agreement that secures 12 months salary.

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

### Other operating expenses

Other operating expenses of MNOK 163 (MNOK 30 in 2019) is mainly related to lawyer and consultant fee for the restructuring.

## Note 5 - Financial items

Other financial income of MNOK 1,502 (zero in 2019) is related to restructuring and consist of gain on sale of shares MNOK 204, debt converted to equity MNOK 1,217 and gain on loan to subsidiary MNOK 82.

Other financial costs of MNOK 579 consist of loss on sale of shares MNOK 541, other cost 25 MNOK and currency loss MNOK 13.

Comparative figures for 2019 of MNOK 677 consist of write-down of other long-term receivables MNOK 35, write-down of loan to subsidiary MNOK 29 and currency loss of MNOK 2.

## Note 6 - Shares in subsidiaries

31.12.2020	Place of business	Owner- / voting shares	Number of shares	Nominal value	Share capital	Cost price / book value
Solstad Shipholding AS	Skudeneshavn	100 %	30,000	6.66	200	457,002
Solship Invest 1 AS	Skudeneshavn	100 %	30,000	1	30	-
Solship Invest 3 AS	Skudeneshavn	100 %	30,000	1	30	-
Farstad Shipping AS	Skudeneshavn	100 %	30,000	1	30	-
Solship AS	Skudeneshavn	100 %	30,000	1	30	30
<b>Total</b>						<b>457,032</b>

All the direct ownership, except of Solship Invest 1 AS, Farstad Shipping AS, Solship Invest 3 AS and Solship AS, was in relation to the restructuring dropped down under the new subsidiary Solstad Shipholding AS.

31.12.2019	Place of business	Owner- / voting shares	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	33,833
Solstad Offshore UK Ltd	Aberdeen	100 %	11,000,100	1	GBP 11,000	-
Solstad Management AS	Skudeneshavn	100 %	2,000	1,000	2,000	11,00
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 was written down by MNOK 611 in 2019. Book values was written down to the company's share of book value of equity, adjusted for excess values and any currency effects.

## Note 7 - Shares in jointly owned and associated companies

The shares in the jointly owned company Normand Installer SA Inc. was in relation to the restructuring transferred to the Group subsidiary Solstad Subsea Holding AS.

	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

## Note 8 - Other long term assets

Other long-term assets include:

	31.12.2020	31.12.2019	Interest
Shareholder loan NISA SA	-	47,161	6 months Libor + 1,5%
Loan to Deep Well AS	-	12,876	5 %

## Note 9 - Inter company group

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

	31.12.2020	31.12.2019	Interest
Solstad Shipholding AS	46,335	-	
Solstad Subsea Holding AS	11,724	-	
Solstad Rederi AS	300	-	
<b>Other current assets</b>	<b>58,359</b>	<b>-</b>	
Normand Drift AS	-	41,984	6mnd NIBOR + 2,75%
Solstad Offshore Asia Pacific Ltd	-	74,930	6 mnd LIBOR + 3,75%
<b>Inter company loans</b>	<b>-</b>	<b>116,914</b>	
Solstad Shipping AS	112,896	38,481	
Solstad Rederi AS	-	4,135	
Solstad Management AS	34,136	25,176	
Normand Drift AS	41,984	-	
<b>Trade account payable</b>	<b>189,016</b>	<b>67,792</b>	

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

## Note 10 - Taxes

	2020	2019
<b>Taxable income</b>		
Result before tax	821,993	-744,245
Changes in temporary differences	-34,829	13,811
Permanent differences	-917,686	640,246
Unrecovered interest	-	43,176
Transferred to/from loss carry forward	130,522	47,012
<b>Taxable income</b>	<b>-</b>	<b>-</b>
Change in deferred taxes	-	-
<b>Tax on ordinary result</b>	<b>-</b>	<b>-</b>
Short-term receivables	-2,000	-36,829
Unrecovered interest carried forward	-43,176	-43,176
Unrecovered loss carried forward	-280,524	-150,002
<b>Total temporart differences</b>	<b>-325,700</b>	<b>-230,007</b>
Cuclulated deferred tax asset	71,654	50,601
Unrecognized part of deferred tax asset	-71,654	-50,601
<b>Booked deferred tax asset</b>	<b>-</b>	<b>-</b>
<b>Analysis of effective tax rate:</b>		
22 % of Profit before Tax	180,838	-163,734
Deferred tax asset not recognised	21,052	22,880
Tax effect of permanent differences	-201,891	140,854
<b>Estimated tax</b>	<b>-</b>	<b>-</b>

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

## Note 11 - Equity, shareholders and treasury shares

	Share capital	Treasury shares	Share premium	Other paid-in capital	Other equity	Total equity
Equity 31.12.2019	583,065	-250	1,497,184	1,000,755	-3,824,848	-744,095
Capital decrease	-582,773	250	-	-	582,523	-
Transfer of paid-in capital	-	-	-1,497,184	-1,000,755	2,497,939	-
Share capital increase by conversion of debt	48,075	-	131,723	-	-	179,798
Share capital privat placement	26,506	-	43,849	-	-	70,355
Annual result	-	-	-	-	821,993	821,993
Equity 31.12.2020	74,873	-	175,572	-	77,606	328,051

At 31.12.19 the Company's share capital represents 291,532,299 shares at NOK 2.

In an Extra Ordinary General Meeting on 20.10.20 the share capital was decreased by 291,24,767 shares. Subsequently, in the same meeting, the share capital was increased by 48,074,688 and 26,506,462 shares through conversion of debt and a private placement. At 31.12.20 the Company's share capital represents 74,872,682 shares at NOK 1.

The number of shareholders at 31.12.20 was 7,773.

Shareholders with more than 1 % holding at 31.12.2020

	Number of shares	Ownership
Aker Capital AS	18,687,150	24.96 %
DNB Bank ASA	8,341,862	11.14 %
Hemen holding Ltd	6,886,086	9.20 %
Nordea Bank ABP, FIL	5,395,264	7.21 %
Swebank AB	3,439,924	4.59 %
Jarsteinen AS	3,101,708	4.14 %
Clearstream Banking S.A.	2,323,697	3.10 %
Deutsche Bank Aktiengesellschaft	1,920,105	2.56 %
Handelsbanken	1,884,542	2.51 %
Sparebank 1 SR-Bank ASA	1,597,416	2.13 %
The Export-Import Bank of China	1,139,842	1.52 %
Sparebanken Møre	965,728	1.29 %
	55,683,324	74.37 %

In accordance with the definition in corporate law, the Directors had the following holdings at 31.12.2020

	Number of shares
Harald Espedal	656,687
Frank Ove Reite	0
Ellen Solstad	0
Thorhild Widvey	0
Ingrid Kystad	0
Peder Sortland	0

The CEO Lars Peder Solstad controlled 3,101,708 shares at 31.12.2020. Board member Frank Ove Reite has through Fausken Invest AS entered into a put/call arrangement with Aker Capital AS for 356,509 shares of the shares subscribed by Aker Capital AS.

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

Pr 31.12.2020 the company had 124 treasury shares at the cost price of MNOK 9.6.

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

## Note 12 - Earnings per share

In 2020, earnings per share was NOK 3.30. The equivalent value in 2019 was NOK -2.55.

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 issued a Parent Company Guarantee of MNOK 20,826, hereof lease guarantee of MNOK 2,556.

## 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 17 - Bond loan and other long term liabilities

The company has issued the following bond loans:

	Book value 31.12.2020	Book value 31.12.2019	Maturity
Balance recognized borrowing cost	-	-3,203	
SOFF04	-	1,145,131	09/2021
	-	<b>1,141,928</b>	

Average interest rate was 5 %.

	Book value 31.12.2020	Book value 31.12.2019	Maturity
Mortgage loan	-	109,754	Nibor + 3,4%

Mortgage loan had maturity in full in 2021.



# Our Global Footprint

**Americas**  
(USA, Mexico, Gulf)

**4 CSV**  
Oil & Gas

**South Americas**  
(Brazil & Argentina)

**6 AHTS | 3 PSV | 4 CSV**  
Oil & Gas

**Europe**

**5 AHTS | 22 PSV | 14 CSV**  
Oil & Gas, Renewable Energy, Cable

**Asia Pacific**

**5 AHTS | 6 PSV | 4 CSV**  
Oil & Gas, Renewable Energy, Cable



Offices

**Alesund**  
Norway

**Skudeneshavn**  
Norway

**Aberdeen**  
United Kingdom

**Odessa**  
Ukraine

**Limassol**  
Cyprus

**Manila**  
Philippines

**Singapore**  
Singapore

**Perth**  
Australia

**Macaé**  
Brazil

**Rio de Janeiro**  
Brazil



## **Solstad Offshore ASA**

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## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Solstad Offshore ASA

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Solstad Offshore ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2020, the profit or 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 consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of 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 2020, 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 2020 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.

#### Emphasis of matter

We draw attention to note 1 and 5 of the financial statements, which include information on the going concern assumption assessment for Solstad Offshore ASA related to the bareboat charter of Normand Maximus. 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 2020. 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 assessment of vessels**

The continued challenging market situation with significant oversupply of vessels and pressure on day rates are indicators of impairment of the Group's vessels (includes a right of use asset vessel). Management estimated recoverable amount of the vessels by comparing its carrying amount to the highest of fair value less costs of disposal and value in use. Each individual vessel was assessed as a separate cash generating unit. 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 applied assumptions regarding future market and economic conditions. Key estimates included future day rates, utilization rates, operating expenses, capital expenditure and discount rate.

As per 31 December 2020 book value of the Group's vessels amounted to NOK 21 689 million, representing 83,2 % of the Group's total assets. The Group recognized an impairment of NOK 1 895 million in 2020 related to vessels. Considering the judgement required and the uncertainty in the estimation of the recoverable amounts, we assess impairment evaluation of vessels a key audit matter.

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

Our audit procedures related to value in use included, among others, an evaluation of the cash flows projected by management through comparing assumptions for revenue projections and utilization rates to current contracts and long-term expectations applied in the recently completed refinancing process. For operating expenditures, we compared the estimates to budgets approved by the Board of Directors and historical data. We performed an assessment of the reliability of management's forecast through a review of actual performance against previous forecasts and the consistence of valuation methodology applied. We involved an internal valuation specialist in testing of the mathematical accuracy of the value in use calculation, and in the assessment of the discount rate applied. With support from our internal valuation specialist we performed sensitivity analysis of management's assumptions. Furthermore, we compared management's value in use calculations with third-party broker valuation reports obtained by management.

We refer to note 1, section "Critical accounting judgement and estimates uncertainty" and note 6 of the consolidated financial statements.

### **Fair value of reinstated debt – at initial recognition**

The Solstad Group completed its operational and financial restructuring in October 2020. Related to this a majority of the Group's external debt was refinanced. Management identified loans that qualified for extinguishment of existing debt and recognition of new, reinstated debt. Furthermore, management involved an external specialist to assist in the valuation of the debt at the time of initial recognition. Key assumptions applied in the calculation of fair value of debt were estimates of market-based interest rate margins for various debt profiles and levels of collaterals.

At the time of initial recognition, 20<sup>th</sup> October 2020, the new, reinstated debt was recognized at its fair value. This was lower than face value of the debt and a financial income of NOK 1 066 million was recognized.

Considering the judgement and assessments applied by management in the calculation of fair value of debt, together with its impact on the group's statement of comprehensive income, we evaluated fair value of reinstated debt at initial recognition 20<sup>th</sup> October 2020 as a key audit matter.

We evaluated management's assessment of loans to be extinguished by comparing terms and conditions in new loan agreements to original loan agreements. Furthermore, we reviewed management's calculation of fair value prepared by the external specialist, and evaluated the competence, objectivity

and independence of the specialist. With support from our internal valuation specialist, we assessed methodologies applied. We performed inquiries to management and the external specialist to understand and evaluate procedures performed to assess relevant market data for interest rate margins. On a sample basis we agreed input in management's fair value calculation to external, observable information for peers. This included, amongst others, details from financial statements, stock exchange notifications and quotes for listed loans. We tested the mathematical accuracy of the fair value calculation.

We refer to note 1 and 8 of the consolidated financial statements.

## Other information

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

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

## Responsibilities of management for the financial statements

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

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

## Auditor's responsibilities for the audit of the financial statements

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

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

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## Report on other legal and regulatory requirements

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

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

## Opinion on registration and documentation

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

Bergen, 29 April 2021  
ERNST & YOUNG AS

*The auditor's report is signed electronically*

Øyvind Nore  
State Authorised Public Accountant (Norway)



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**Øyvind Nore**

Statsautorisert revisor

På vegne av: EY

Serienummer: 9578-5994-4-485745

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