

The background of the entire page is a photograph of an offshore oil and gas supply vessel, painted in bright red and white, positioned next to a large offshore wind turbine. The turbine has a yellow base and white tower with red accents. The scene is set on the ocean under a clear blue sky.

1st Quarter Report 2021

Propelling global energy markets.
Into the future.



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The Company

Solstad Group (“the Company”) is a world leading owner and operator of offshore service vessels.

As per March 2021 the Company have 3 400 highly skilled employees with 9 offices globally and operate a versatile fleet of modern offshore vessels.

Our vision is to further enhance our position as a reliable world-leading offshore shipping company acknowledged as a supplier of excellence by our people, clients and other stakeholders.

Targeting zero emission by 2050 we are so far on track with 20% reduction in CO₂ emissions achieved since 2008, adjusted for activity level.

Letter from the CEO

Our 1st quarter report can be summarized in a few headlines.

- Settlement agreement reached with Saipem on the Normand Maximus termination fee.
- In general, a weak market but with increasing bidding activity and growing optimism.
- A busy quarter with mobilizations and re-activation of vessels.
- Operational issues and cost linked to the Covid-19 pandemic

The last point first. The effects of the Covid-19 pandemic are still very challenging. This is mainly linked to crew changes and quarantine regulations. It is costly, but first of all, it is demanding for our seafarers and their families. Seafarers are recognized as key workers by the UN and we rely on the authorities to ensure safe and efficient crew change logistics and that reasonable quarantine regulations are in place.

On the commercial side we reached a settlement agreement with Saipem on the Normand Maximus termination-fee on May 20th. We are pleased with reaching an out-of-court agreement. The termination fee amount is recognized in our Q1 accounts and has a major positive effect. Normand Maximus is presently working in Gulf of Mexico. Where the journey continues thereafter remains to be seen, but we see interest from clients in several of the most central Oil & Gas regions in the world.

Given our large North Sea exposure, Q1 is normally our weakest quarter. Also this year we saw the winter-season effect, with lower market activity, but with high preparatory activity. At the same time, we have noticed a steep increase in bidding activity both in Oil & Gas and in offshore wind. This is the case in the North Sea, in Brazil and in other regions. When talking with clients and competitors, there seems to be a growing expectation of better times ahead. I support that view and are particularly encouraged by the outlook for the CSV segment which is in demand from both Oil & Gas and offshore wind clients.

As previously communicated, we are adjusting our fleet to a level of 80-90 vessels. Year to date, we have sold 8 vessels and are in negotiations to sell several more. I expect that by the end of 2021, most of our fleet that is held for sale is divested. Some for recycling, some for non-Oil & Gas activity and some for geographical areas where we have limited access. At the same time, we activate modern vessels when this can be justified. Year to date we have, or are in the process of, re-activating 8 vessels. Not on speculation, but all 8 based on new firm contracts.

We are also continuing to upgrade our fleet with battery-hybrid systems and other measures to reduce fuel consumption and emissions.

So, in short, we are preparing our fleet for the future by selling the oldest vessels, re-activating the modern part of the lay-up fleet and upgrading our vessels to future environmental standards.

Thank you.



Lars Peder Solstad
CEO

1st Quarter Highlights

- Revenues for the first quarter of 2021 was MNOK 1,337 vs MNOK 1,203 in 2020, while EBITDA adjusted for the first quarter was MNOK 432 vs MNOK 284 in 2020.
- Full settlement agreed with Saipem on the termination fee for Normand Maximus charter. Total termination fee of MUSD 44,3 booked in 1Q 2021.
- The quarter is affected by seasonal low activity.
- Increased bidding activity within Oil & Gas and Offshore Wind bodes for improved market balance going forward particularly for the CSV-fleet.
- The active fleet have been increased from 73 to 75 vessels during the quarter. All reactivations has been done based on new contracts.
- Sold 8 of 37 vessels classified as non-strategic vessels, year to date



Key Financials

(NOK 1,000,000)	2021 01.01-31.03	2020 01.01-31.03	2020 01.01-31.12	2019 01.01-31.12	2018 01.01-31.12
Revenue	1,337	1,203	5,026	5,245	4,910
EBITDA adjusted	432	284	1,282	1,415	1,005
EBIT	47	-136	-2,250	-1,196	-3,987
Profit before Tax	-308	-2,245	7,250	-3,129	-5,888
Cash and equivalents	2,129	987	2,412	1,134	1,351
Net working capital	-623	-29,531	-803	-26,264	-24,654
Equity	3,899	-6,370	4,243	-3,835	-851
Net interest bearing debt*	19,536	33,955	19,365	30,990	28,727
Order backlog	4,500	7,700	5,200	8,200	6,800

*Including recognized debt relating to IFRS 16 Leases (Note 9)

Financial Summary

Operating income for 1Q 2021 amounted to MNOK 1,337 compared to MNOK 1,203 in 4Q 2020.

- Operating expenses in 1Q 2021 amounted to MNOK 914 of which MNOK 810 are classified as vessel operating expenses. Compared to 1Q 2020, operating expenses decreased by MNOK 50 including an extraordinary one-off restructuring cost of MNOK 13.
- Administrative expenses for 1Q 2021 was MNOK 104 (MNOK 92 Adjusted for restructuring cost), compared to MNOK 104 for 1Q 2020.
- Adjusted for the extraordinary one-off restructuring cost, both vessel operating cost and administrative expenses decreased compared to 1Q 2020.
- Additional cost related to the COVID-19 pandemic amounted to approximately MNOK 30 in the quarter.
- Operating result before depreciation was MNOK 423 in 1Q 2021 compared to MNOK 239 in 1Q 2020.
- Ordinary result before taxes for 1Q 2021 was negative with MNOK 308 compared to negative MNOK -2,245 for 1Q 2020.
- EBITDA adjusted ended at MNOK 432 in 1Q 2021 compared to MNOK 284 for 1Q 2020.
- One-time termination fee of MNOK 378 related to Saipem termination of Normand Maximus charter booked in the quarter.
- Impairment of MNOK 45 booked in the quarter
- Total booked equity at the end of the quarter was positive MNOK 3,899

During 1Q 2021 the currency exchange rate for USD versus NOK has weakened. This resulted in a negative unrealized currency effect relating to the Company's

assets and debt of MNOK 82. In addition we have realized currency loss of MNOK 20 relating to account payable and receivable positions being settled.

Cash Flow and Cash Position

The overall cash position end of 1Q 2021 for the Company was MNOK 2,129 compared to MNOK 987 in 1Q 2020. The Net cash flow from operations was negative with MNOK 25 for 1Q 2021. Net cash flow from investments was negative by MNOK 39 mainly related to regulatory docking- and installation of battery packages on vessels. Net interest paid to lenders was MNOK 133, and net repayment of long-term debt to lenders were MNOK 69.

Capital Structure

Total current assets at the end of the quarter were MNOK 3,991 (MNOK 2,864 per 1Q 2020), of which cash and cash equivalents amounted to MNOK 2,129 (MNOK 987). This includes the super senior credit facility of MNOK 1,481.

Total current liabilities were NOK 4,614 (MNOK 32,394) including MNOK 3,433 in short term portion of long-term debt, giving net working capital of MNOK -623 (MNOK -29,531).

Total non-current assets at the end of the quarter were MNOK 21,790 (MNOK 27,121). The reduction is explained by ordinary depreciation, divestments and foreign exchange movements.

Net interest-bearing debt was at MNOK 19,536 (MNOK 33,955), with the reduction mainly explained by restructuring effect as described in the restructuring section and in Note 9.

The Group's equity as of 31 March 2021 was MNOK 3,899, which represents 15% of the total balance sheet (-21% per 31 March 2020).

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 of the Group's fleet. A continuing postponement of a recovery of the market will impact future earnings 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 Annual 2020 report there was 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. Normand Maximus Operations Limited was pursuing the full claim for the termination fee legally. The termination fee has been recognized in 1Q 2021 and we expect payment in June 2021. 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. 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.

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



Awards in the quarter

- Signed contract with MHI Vestas for hire of the CSV Normand Fortress to support their W2W operations at the Triton Knoll windfarm in UK.
- Company has signed a contract for the CSV Normand Cutter with Global Marine Group, contract is 120 days plus options thereafter
- Normand Energy will support a project for a Client in the Pacific Ocean with an estimated duration of 5 months.
- Normand Jarstein has secured a contract with a Norwegian subsea contractor for a project in West Africa. In addition, Normand Jarstein has been awarded a contract with a UK based oil company.
- PSV Sea Forth awarded a term contract with a UK Operator to support their assets in the UK North Sea. The contract is for an initial one year firm period, with two optional years included.
- Normand Ranger relocated to Australia after contract award to provide support to a major drilling campaign offshore Northwestern Australia with Normand Saracen and Far Senator

Subsequent Events

Sale of vessels

The Company has sold the PSV Far Splendour and AHTS Far Strait resulting in an immaterial accounting effect for 2Q 2021. Delivery of the vessels to the new owners took place in 2Q 2021.

Normand Maximus

As previously communicated to the market, Solstad Offshore ASA's subsidiary Normand Maximus Operations Limited has been pursuing legally the unpaid termination fee and other claims following the early termination by Saipem (Portugal) Comercio Maritimo Sociedade Unipessoal Lda, of the time charter party for "Normand Maximus".

Normand Maximus Operations Limited and Saipem (Portugal) Comercio Maritimo Sociedade Unipessoal Lda, as time charterer of Normand Maximus, and Saipem SPA as time charter guarantor, has May 20th 2021 entered into an agreement for settlement of all claims and counterclaims between the parties related to the time charter for Normand Maximus.

The settlement entitles Normand Maximus Operations Limited to a payment of USD 48,25 million primo June 2021. This equals approximately 96% of Normand Maximus Operations Limited's gross claim.

The dialogue for a long term solution for the leasing arrangements for the Normand Maximus is ongoing, and reference is made to our Annual Report for 2020 for information on this issue.

Contracts after quarter end

- Normand Starling firmed up for 2 years till April 2023 for Shell Brazil
- Sea Flyer awarded contract to support TAQA's North Sea assets for two years
- Normand Turmaline awarded contract with Enauta Energia S.A for 18 months firm and 2 years option thereafter

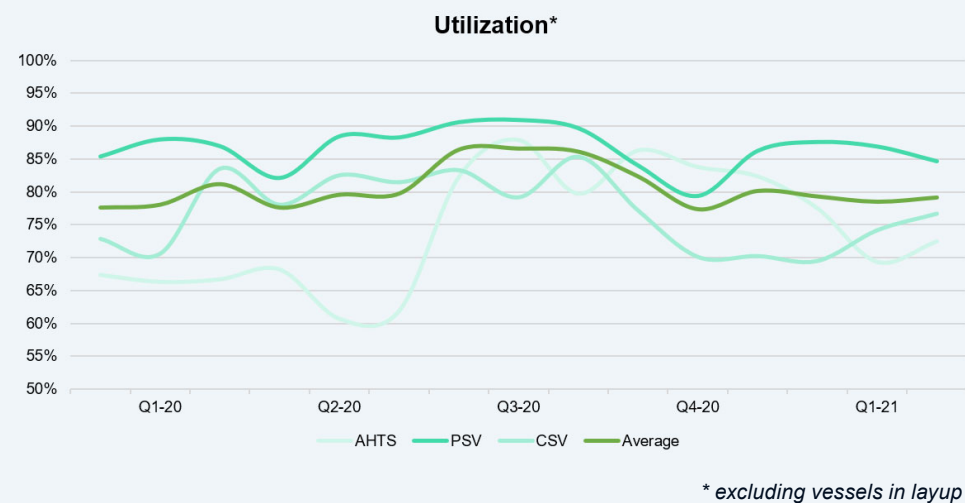


Operational Update

The Company is a world leading owner and operator of offshore service vessels.

As per March 2021, the Company owns and/or operates a fleet of in total 121 vessels. The overall utilization for the operational fleet in 1Q 2021 was 79% (79% in 2020), the subsea CSV fleet had a utilization of 73% (76%), AHTS fleet 73% (67%) and 86% (87%) for the PSV fleet.

The overall utilization for the fleet in the first quarter was on average with previous year, however dayrates has on average been lower in the first quarter of the year compared to last year.



Subsea & Renewable Energy

During the quarter, the CSV segment had 25 vessels in operation.

One vessel was re-activated from long-term lay-up and began a contract within offshore-wind.

There has been several relocations of vessels between geographical regions due to new contracts.

Bidding activity has been very high in both oil & gas and offshore-wind.

Around 30% of the CSV revenues came from Renewable energy in the quarter.

AHTS & PSV

During the quarter the AHTS/PSV segment had 50 vessels in operation.

Several contracts has been awarded and bidding activity remains high in all key geographical regions.

Two vessels was re-activated from lay-up to commence new contracts.

Non-strategic fleet

Solstad are in the process of selling 37 vessels. These are vessels defined as non-strategic and not a part of the future Solstad-fleet.

In general, these are the oldest and smallest vessels in the fleet.
Pr. 31.3.21, 6 of 37 vessels had exited the fleet.

Market Outlook

The activity within Oil & Gas have slowly started to increase. This gives some positive activity effect already in 2021.

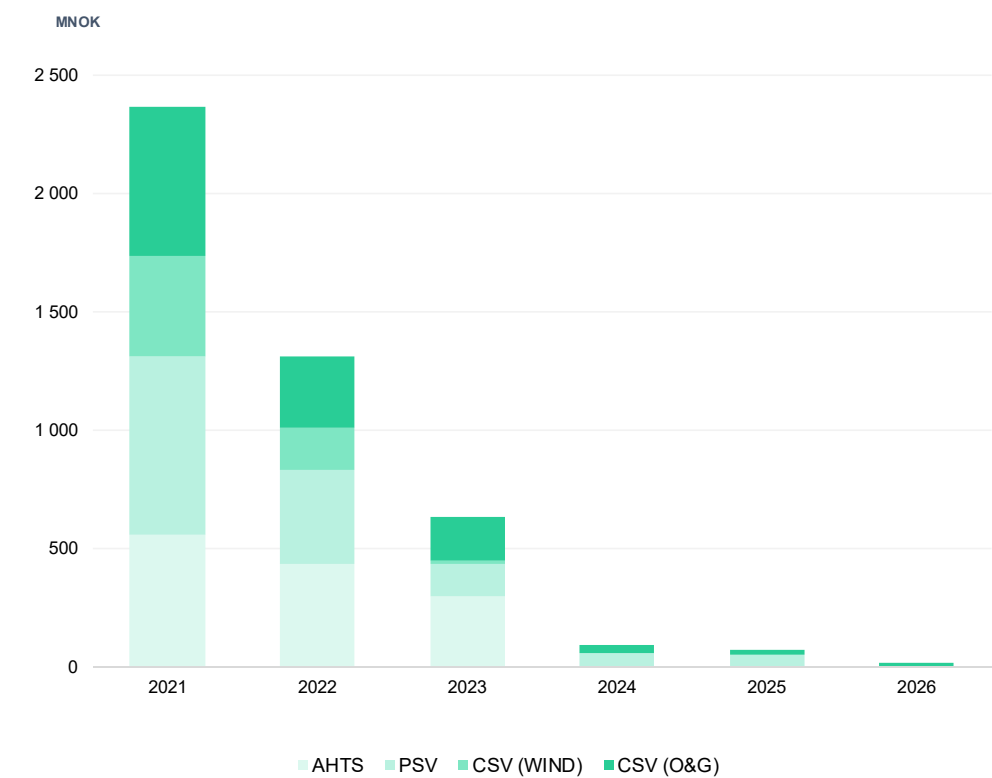
Rate levels continue to be negatively influenced by the number of vessels and owners in the market. This relates particularly for AHTSs and PSVs.

In the CSV segment we are closer to a more balanced market. Development of windfarms in Europe and South-East Asia continue to give increased activity. This requires a large number of floating assets, including CSVs. In combination with increased subsea activity this should be beneficial for this type of vessels going forward.

The Company's backlog is approximately MNOK 4,500 whereof MNOK 3,100 for the next 12 months.



Backlog by year of execution



Sustainability

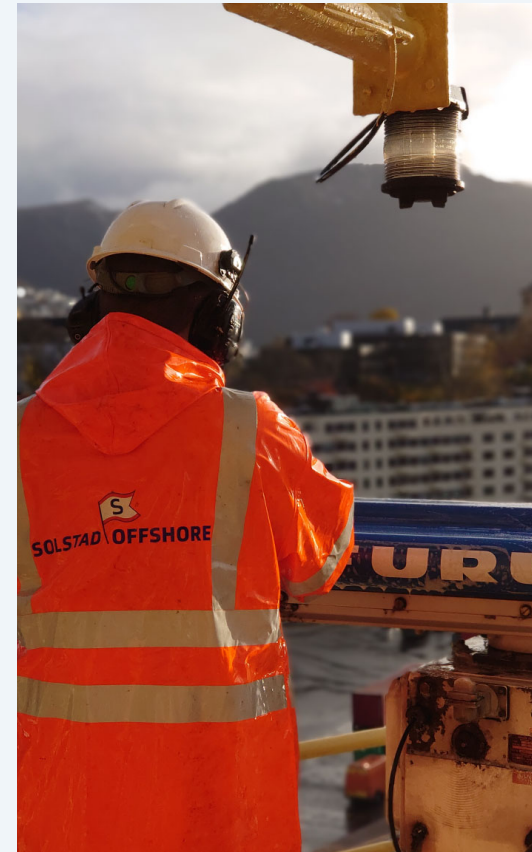
In Solstad we have Sustainability as one of our top priorities. To us this means involving all employees, key clients and main suppliers to jointly work towards a sustainable future.

Several projects has established under our Sustainability program such as reduction of “single use plastic bottles”. The goal is to stop using single use plastic bottles on our vessels by the end of 2021. By Q1 2021 we have reduced the use of this type of plastic bottles with 40% compared to 1Q 2020. 22 of our vessels are already at zero. We are on track, but still a way to go.

Another initiative we would like to highlight is “Women in Solstad”. This is a global initiative where the focus is to increase the number of female seafarers and women in senior positions both onshore and offshore. We have many strong role models already in our fleet and in our offices and they are very active to market “life at sea” and what career opportunities there are for women in the company.

To reach our goal, it requires leadership, willingness and targeted work when recruiting and when promoting.

Brazil is where we have the highest number of female seafarers and also in operational and commercial positions onshore. This is a result of dedicated work over a long period and it shows good results. We seek to share the knowledge from Brazil to the other parts of our global organization to learn and improve.



Environment

Solstad has defined a pathway towards zero emissions by 2050. So far, we are on track with 20% reduction in CO₂ emissions achieved since 2008 (adjusted for activity level).

A range of battery hybrid conversion projects are under consideration for the next 6-12 months. The Norwegian PSV and AHTS fleet has already been upgraded to have either battery hybrid and/or shore power systems.

Social

Increasing competency and raise awareness on Sustainability is key. Our internal 3-stage digital training program is ongoing.

The number of recordable incidents is higher than our target. Several initiatives is ongoing to identify root cause for the incidents and to target areas of concern related to HSE.

An internal survey show that Covid-19 related issues affects many employees negatively on various levels. Consequently we are now working on counter measures to reduce impact on our employees.

Governance

No major governance incidents have been registered during the period.

Due to Covid-19 related restrictions the majority of audits and inspections are done remotely.

Quarterly ESG indicators

All indicators available on <https://www.solstad.com/sustainability/>

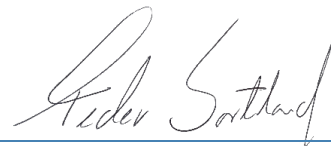
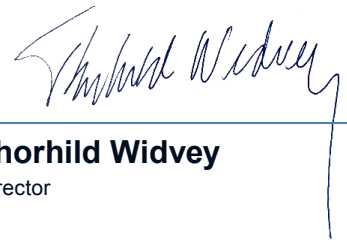
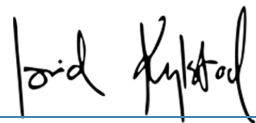
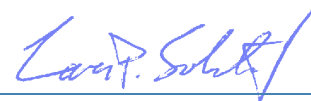
	Unit	Target 2021	1Q '21	2020	2019	2018
Environment						
CO ₂ , scope 1 (own activity)	tCO ₂	-3 %*	153,133	696,888	801,578	714,722
Oil spill litres	Litres	0	25	349	113	679
Fines for none-compliance of environmental regulations	No.	0	0	0	0	0
Single use plastic water bottles on board our vessels	No.	0	30 407	145,200	184,450	N/A
Social						
TRCF (12-months rolling - Total Recordable Case Frequency)***	No.	1.10	1.31	1.28	1.65	1.86
Fraction of all employees received sustainability training ****	%	100 %	50 %	43 %	-	-
Governance						
Incidents related to Corruption and Bribery	No.	0	0	0	0	0

* increased fleet fuel efficiency

*** per 1,000,000 hour

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

**** Training started 21.12.2020

Solstad Offshore ASA*Skudeneshavn 25.05.2021***Harald Espedal**
Chairman**Frank O. Reite**
Director**Peder Sortland**
Director**Thorhild Widvey**
Director**Ellen Solstad**
Director**Ingrid Kylstad**
Director**Lars Peder Solstad**
CEO

Condensed statement of comprehensive income

(NOK 1,000)

	2021 01.01-31.03	2020 01.01-31.03	2020 01.01-31.12	Note
Operating income	1,336,772	1,203,386	5,025,630	2,3,4
Vessel operating expenses	-809,649	-860,416	-3,516,921	
Administrative expenses	-104,114	-103,886	-476,829	
Total operating expenses	-913,763	-964,302	-3,993,750	4
Operating result before depreciations	423,009	239,084	1,031,880	3
Ordinary depreciation	-319,632	-375,368	-1,358,345	5
Impairment	-45,049	-	-1,895,040	5,6
Net gain/ loss on sale of assets	-11,312	-	-28,896	
Operating result	47,016	-136,284	-2,250,402	
Result from Joint Ventures	-8,760	8,512	23,975	7
Result from associated companies	122	11,703	41,423	7
Total other items	-8,638	20,215	65,398	
Interest income	2,130	5,107	6,373	
Realised currency gain/ -loss	-20,273	31,901	-240,107	
Unrealised currency gain/ -loss	-82,240	-1,392,670	-180,349	
Interest charges	-245,125	-408,433	-1,437,619	
Net financial charges / -income	-696	-364,847	11,287,055	
Net financing	-346,205	-2,128,942	9,435,353	
Ordinary result before taxes	-307,827	-2,245,011	7,250,349	
Taxes ordinary result	-2,515	-4,729	3,517	9
Result	-310,341	-2,249,740	7,253,866	
Other comprehensive income:				
Exchange differences on translating foreign operations	-33,252	-284,961	580,397	
Actuarial gain/ loss	-	-	5,921	
Other comprehensive income	-343,593	-2,534,700	7,840,184	
Result attributable to:				
Non-controlling interests	-1,323	5,812	13,122	
Majority share	-309,019	-2,255,552	7,240,743	
Earnings per share	-4.14	-7.72	29.13	
Other comprehensive income attributable to:				
Non-controlling interests	-1,323	5,812	13,122	
Majority share	-342,271	-2,540,513	7,827,062	
Other comprehensive income per share	-4.59	-8.70	31.48	
EBITDA adjusted	432,283	283,701	1,282,208	3,4
Average number of shares (1,000)	74,873	291,407	249,042	

Condensed statement of financial position

(NOK 1,000)

	2021 31.03	2020 31.03	2020 31.12	Note
ASSETS				
Fixed Assets:				
Intangible assets	10,298	45,558	13,079	
Tangible fixed assets	19,142,645	22,331,906	19,509,619	5
Right-of-use assets	2,432,010	4,083,351	2,457,322	6
Investment in associated companies and Joint Ventures	94,767	466,441	111,032	7
Financial fixed assets	110,723	193,701	109,147	4
Total fixed assets	21,790,443	27,120,956	22,200,199	
Current Assets:				
Stocks	160,921	229,436	165,330	
Accounts receivables	1,195,457	989,894	839,628	
Other receivables	490,042	652,724	414,011	
Market based shares	15,700	4,392	11,100	
Deposits, cash, etc	2,128,633	987,218	2,411,905	8
Total current assets	3,990,752	2,863,663	3,841,974	
Assets held for sale	-	872,319	26,803	5
TOTAL ASSETS	25,781,195	30,856,939	26,068,976	
EQUITY AND LIABILITIES				
Equity:				
Paid-in equity	250,445	4,602,782	250,445	
Other equity	3,634,545	-10,981,406	3,976,816	
Non-controlling interests	14,491	8,504	15,814	
Total equity	3,899,481	-6,370,121	4,243,075	
Liabilities:				
Long-term provisions	28,304	82,635	37,885	
Other long-term debt	12,372	12,368	12,372	8
Debt to credit institutions	17,227,486	4,737,754	17,130,648	8
Total long-term debt	17,268,162	4,832,757	17,180,905	
Current liabilities:				
Current portion of long-term debt	3,433,420	30,192,015	3,499,897	8
Other current liabilities	1,180,132	2,202,288	1,145,099	
Total current liabilities	4,613,552	32,394,303	4,644,996	
Total liabilities	21,881,715	37,227,060	21,825,902	
TOTAL EQUITY AND LIABILITIES	25,781,195	30,856,939	26,068,976	

Statement of cash flow

(NOK 1,000)

	2021 31.03	2020 31.03	2020 31.12
CASH FLOW FROM OPERATIONS			
Result before tax	-307,827	-2,245,011	7,250,349
Taxes payable	-183	2,893	-35,649
Ordinary depreciation and write downs	364,680	375,368	3,253,386
Gain (-)/ loss long-term assets	15,350	-277,811	321,975
Interest income	-2,130	-5,107	-6,373
Interest expense	245,125	408,433	1,437,619
Terminated leases	-	-	439,559
Non-cash refinance effects	-	-	-11,713,286
Effect of change in pension assets	-	-526	7,695
Change in value of financial instruments	-	-170,224	-170,239
Unrealised currency gain/ -loss	90,582	1,331,531	140,113
Change in short-term receivables and payables	-191,105	-264,500	212,570
Change in other accruals	-239,764	947,231	-361,760
Net cash flow from operations	-25,270	102,277	775,960
CASH FLOW FROM INVESTMENTS			
Investment in tangible fixed assets	-14,018	-4,693	-57,385
Payment of periodic maintenance	-70,540	-121,582	-406,800
Consideration sale of fixed assets (vessels)	45,380	25,477	1,014,170
Payment of long-term receivables	-1,576	-6,364	64,006
Received interests	2,130	2,432	6,243
Realization of shares and holdings	-	-	36
Net cash flow from investments	-38,624	-104,730	620,270
CASH FLOW FROM FINANCING			
Paid-in capital	-	-	70,355
Paid leases	-8,934	-123,305	-461,777
Paid interests	-132,896	-36,598	-157,973
Drawdown long-term debt	-	571,072	1,467,962
Repayment of long-term debt	-69,205	-674,190	-1,077,155
Net cash flow from financing	-211,036	-263,021	-158,588
Effect of changes in foreign exchange rates	-8,342	118,663	40,236
Net change in cash	-274,930	-265,473	1,237,642
Cash at 01.01	2,411,905	1,134,028	1,134,028
Cash at balance sheet date	2,128,633	987,218	2,411,905

Statement of changes in equity

(NOK 1,000)

	Share capital	Treasury shares	Share premium	Other paid-in capital	Other changes	Other equity	Total majority shares	Non-controlling interests	Total equity
Equity 01.01.2021	74,873	0	175,572	0	981,656	2,995,161	4,227,261	15,814	4,243,075
Result	-	-	-	-	-	-309,019	-309,019	-1,323	-310,341
Translation adjustments	-	-	-	-	-33,252	-	-33,252	-	-33,252
Other comprehensive income	0	0	0	0	-33,252	-309,019	-342,271	-1,323	-343,593
Equity 31.03.2021	74,873	0	175,572	0	948,404	2,686,142	3,884,991	14,491	3,899,481
Equity 01.01.2020	583,065	-281	3,698,350	321,648	401,259	-8,842,152	-3,838,111	2,691	-3,835,420
Result	-	-	-	-	-	-2,255,552	-2,255,552	5,812	-2,249,740
Translation adjustments	-	-	-	-	-284,961	-	-284,961	-	-284,961
Other comprehensive income	0	0	0	0	-284,961	-2,255,552	-2,540,513	5,812	-2,534,700
Equity 31.03.2020	583,065	-281	3,698,350	321,648	116,298	-11,097,705	-6,378,624	8,504	-6,370,121
Equity 01.01.2020	583,065	-281	3,698,350	321,648	401,259	-8,842,152	-3,838,111	2,691	-3,835,420
Result	-	-	-	-	-	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
Other comprehensive income	0	0	0	0	580,397	7,234,822	7,815,219	13,122	7,828,342
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
Equity 31.12.2020	74,873	0	175,572	0	981,656	2,995,161	4,227,261	15,814	4,243,075

Notes

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

(NOK 1,000)

Note 1 - General

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

The interim accounts are prepared on the assumption of a going concern. The going concern assumption is based on the level of cash and cash equivalents at reporting date, terms and conditions of the banking and borrowing facilities, the forecasted cash flow prognosis for the Group and the backlog position. 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.

Note 2 - Operating income

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

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

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

	2021 01.01-31.03	2020 01.01-31.03	2020 01.01-31.12
Service element from contract with day rate	596,829	455,608	2,032,598
Management Fee	2,506	14,818	27,268
Victualling	16,705	16,908	93,111
Project management	-	4,253	3,329
Other	13,154	5,838	57,896
Revenue from Contracts with cursomers	629,193	497,425	2,214,202
Leasing from contracts with day rate	707,579	705,961	2,811,429
Total operating income	1,336,772	1,203,386	5,025,630

	31.03.2021	31.03.2020	31.12.2020
Contract balance			
Trade receivables from charters	1,195,457	989,894	839,628
Contract assets	-	-	-
Contract liabilities	-	40,984	-

Note 3 - Reporting per segment

Q1 2021					
	AHTS	PSV	Subsea	Renewable	Total
Revenue from contracts with customers	110,913	141,680	326,326	50,275	629,193
Lease element from contracts with day rate	136,382	148,598	353,172	69,427	707,579
Total operating income *	247,295	290,277	679,498	119,702	1,336,772
Crew expenses	127,149	159,122	126,017	36,458	448,745
Other expenses	117,552	109,911	176,146	44,448	448,057
Total operating expenses	244,700	269,033	302,163	80,906	896,802
Bunkers	7,788	5,609	3,091	473	16,961
Operating result before depreciations	-5,194	15,636	374,244	38,323	423,009
Excess and less values freight contracts	-	-	2,812	-	2,812
Net result from Joint Venture	-	-	8,760	-	8,760
Adjusted operating result before depreciations	-5,194	15,636	385,816	38,323	434,581

* Total operating income includes termination fee on Normand Maximus of USD 44,3 million.

Q1 2020					
	AHTS	PSV	Subsea	Renewable	Total
Revenue from contracts with customers	128,637	194,232	152,220	22,336	497,426
Lease element from contracts with day rate	134,527	202,799	328,865	39,770	705,961
Total operating income	263,164	397,031	481,085	62,106	1,203,386
Crew expenses	157,883	199,860	131,349	22,216	511,308
Other expenses	109,175	126,197	153,254	14,435	403,061
Total operating expenses	267,058	326,057	284,602	36,651	914,369
Bunkers	21,394	12,264	15,872	403	49,934
Operating result before depreciations	-25,288	58,709	180,610	25,052	239,083
Excess and less values freight contracts	-	17,675	6,726	-	24,402
Net result from Joint Venture	-	-	8,512	-	8,512
Adjusted operating result before depreciations	-25,288	76,384	195,849	25,052	271,997

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

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

Figures are exclusive share result from Joint Ventures.

Changes in reporting from 2020 Annual Report:

- Reporting on Renewable segment commenced on January 1st 2021
- AHTS and PSV is reported separately from January 1st 2021

Note 4 - EBITDA

	2021 01.01-31.03	2020 01.01-31.03	2020 01.01-31.12
Total operating income	1,336,772	1,203,386	5,025,630
Total operating expenses	-913,763	-964,302	-3,993,750
EBITDA	423,009	239,084	1,031,880
Leases	2,500	-	6,465
Restructuring cost	12,600	-	108,887
Excess and less values freight contracts	2,812	24,402	62,462
Net result from Joint Venture	-8,760	8,512	23,975
Net result from associated companies	122	11,703	41,423
Accrual loss accounts receivable	-	-	7,115
EBITDA adjusted	432,283	283,701	1,282,208

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

Note 5 - Fixed assets

	Vessels	Periodic maintenance	Other	Total
Opening balance 01.01.2021	18,716,131	760,223	33,265	19,509,619
Additions	14,017	70,540	-	84,557
Asset held for sale	-	-	-	-14,402
Disposals	-26,278	-	-	-26,278
Translation adjustment	-78,265	-4,079	-920	-83,264
Depreciation	-226,210	-69,007	-1,722	-296,939
Impairment	-45,049	-	-	-45,049
Closing balance 31.03.2021	18,354,345	757,677	30,623	19,142,645

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

Note 5 - Fixed assets (continued)

Impairment testing of vessels

Summary

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

Based on value-in-use-calculations the Company has recognized an impairment of MNOK 45 in 1Q 2021.

Impairment testing

Impairment testing (value-in-use-calculation) was performed for all vessels where book value exceeds 65% of broker value. Broker value is set as an average of 3 acknowledged, independent brokers. Each vessel is considered a separate cash generating unit. The value-in-use-calculations are based on budget and the long-term forecast for 2021-2024.

The main assumptions used in the computations are charter rates, utilization, escalation of expenses, operational area, interest rate, weighted average cost of capital (WACC) and performance per Q1 2021 compared to forecast.

Discounting rate

The discounting rate is based on a common WACC for the Company. The cost of equity is derived from the 10-year interest rate for state bonds (risk-free interest rate), the Company's own market risk premium and an unlevered beta. The debt element of the discounting rate is based on the risk-free interest rate, plus the Company's average margin for secured debt, as well as a premium equivalent to the difference between risk-free interest rate and the bank's lending rates. The discounting rate used for Q1 2021 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 historical data. For the first period it is expected that the day rates for the PSV- and AHTS segment will remain low. From 2025 to 2027 it is assumed a gradual increase of revenue to a level which correspond to the average rates for the past 7-10 years. It is expected that the markets are normalized within 2027.

Inflation

Escalation of revenue is expected to be marginal for the coming year. Hence, it is used a low (<1%) or no inflation of revenue in 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 ordinary depreciations. Initially the value is set to 50% of cost price, expected cost of sale deducted, and adjusted for age and changes in broker valuations. The assumption is that the broker values decline by 2.5% per year, until the vessel is 20 years old.

Note 6 - Right-of-use assets

	Right-of-use		Total	Lease liabilities
	Vessels	Office		
Opening balance 01.01.2021	2,212,854	244,467	2,457,322	2,814,242
Other adjustments	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Translation adjustment	-1,908	-711	-2,619	-2,508
Depreciation	-15,711	-6,982	-22,692	-
Impairment	-	-	-	-
Interest expense	-	-	-	45,372
Lease payments	-	-	-	-96,931
Closing balance 31.03.2021	2,195,236	236,774	2,432,010	2,760,181

Impairment testing of Right-of-use assets

Based on value-in-use-calculations the Company has not recognized any impairment of Right-of-use assets. Further reference is made to Note 5 Fixed Assets.

Guarantee

Vessel lease liability is guaranteed by the Parent Company with MNOK 2,507.

The Parent Company has also guaranteed for a put option related to the leased vessel. The put is valued at MUS\$ 323 as of 31.03.2021.

Default put option

The lease agreement for Normand Maximus includes a default put option. Year end 2020 the Company was in a contractual default. As the default was effective within the non-cancellable period and was not exercised at the end of 1Q 2021, the effect is not recognized in the balance sheet.

Variable lease payments

The Company has two vessels on lease with variable lease payments. The total payments for 1Q 2021 was MNOK 2.5 (MNOK 0).

Note 7 - Investment in Associated Companies and Joint Ventures

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

	AC	JV	Total
AC			
Solstad Offshore Crewing Service Philippines (25 %)		Normand Installer SA (50 %)	
Maximus Limited (25 %)			
	AC	JV	Total
Opening balance	1,128	113,252	114,380
Share of result year to date	122	-8,760	-8,638
Additions	-	-	-
Disposals	-	-	-
Impairment	-	-	-
Other adjustments	-2	-10,974	-10,975
Closing Balance	1,249	93,518	94,767

Other adjustments includes received dividends and currency effects.

Note 8 - Interest bearing debt

The reinstated debt to credit institutions is recognized at its fair value. The interest rate for the refinanced debt has at initial recognition been compared to current market terms according to IFRS 9. For the reinstated debt the Company concludes that the interest rate is below current market terms. Using the estimated market rate when measuring fair value of the reinstated debt a MNOK 1,066 reduction is observed. The difference between nominal- and fair value will be amortised, and presented as interest expense, over the period until final maturity of the loans. The below table sets out the difference between nominal- and fair value at initial recognition, the amortization for the period and the remaining balance at reporting date.

Initial recognition 20.10.2020	-1,066,639
Amortisation 4Q 2020 (*)	54,615
Amortisation 1Q 2021 (*)	55,507
Unrealised currency loss	73,652
Fair value adjustment 31.03.2021	-882,866

*Amortised cost is presented as part of Interest charges in the Comprehensive Income Statements

	2021 31.03	2020 31.03	2020 31.12
Long term debt	17,239,859	4,750,122	17,143,021
Current portion of long term debt	3,433,420	30,192,015	3,499,897
Fair Value adjustment	882,866	-	1,012,025
Balance booked finance cost	108,213	73,026	121,870
Total interest bearing debt (*)	21,664,358	34,942,137	21,776,813
Bank deposit	2,128,633	987,218	2,411,905
Net interest bearing debt	19,535,725	33,954,919	19,364,908

Long term debt is divided by 33% NOK and 67% USD. At the end of the quarter, fixed interest agreement loans were entered into for around 7% of interest bearing debt.

Current portion of long term debt includes MNOK 2,487 reclassification of lease obligation for Normand Maximus.

In 1Q 2020 comparative figures long term debt of about MNOK 25,000 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.

*Inclusive recognized debt relating to IFRS 16 Leases MNOK 2,760 (MNOK 4,284), whereof MNOK 0 (MNOK 699) are leases from related parties, and debt to related parties MNOK 0 (MNOK 1,105).

Note 9 - Tax expense

The Group's tonnage taxed companies have decided to exit the Norwegian Tonnage Tax Regime with effect from January 1st 2016. Amended tax returns for the period 2016-2018 have been filed with Norwegian Tax Authorities. Based on the tax assessments received the Group has a loss carried forward of about NOK 12 billion. The corresponding deferred tax asset is not recognized in the accounts.

Taxes on ordinary result relates to local taxation outside Norway.

Note 10 - Subsequent events

The Company has sold the PSV Far Splendour and AHTS Far Strait resulting in an immaterial accounting effect for 2Q 2021. Delivery of the vessels to the new owners took place in 2Q 2021.

Note 11 - Alternative performance measurement definitions

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

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

EBITDA - Operating result before depreciation.

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

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

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

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

Current ratio - Current assets divided by current liabilities

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

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

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

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

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

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

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



Our Global Footprint

Americas
(USA, Mexico, Gulf)

4 CSV
Oil & Gas

South Americas
(Brazil & Argentina)

6 AHTS | 3 PSV | 4 CSV
Oil & Gas

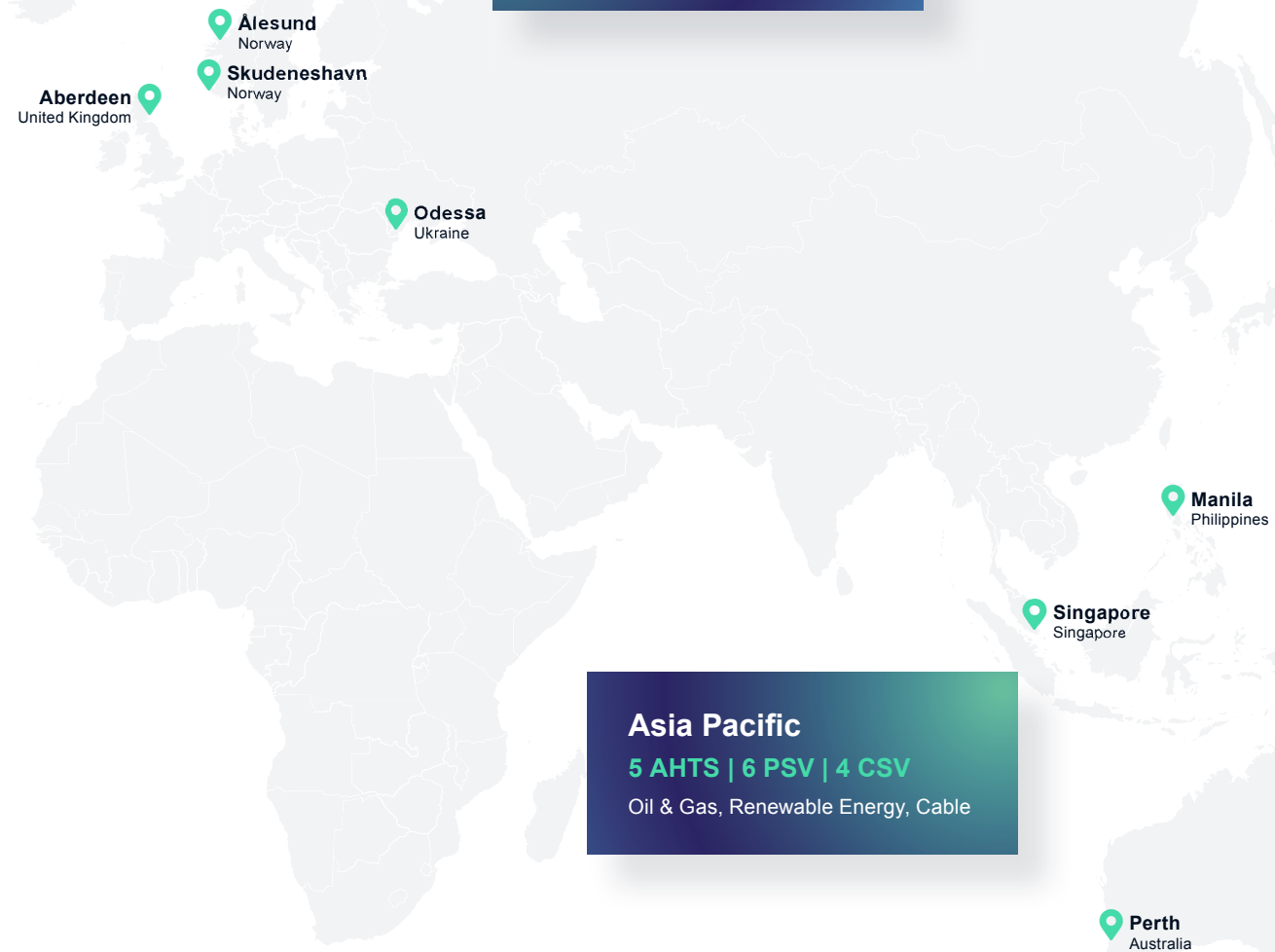
Europe

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

Asia Pacific

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

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