



SOLSTAD OFFSHORE



3th Quarter Report 2021



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The Company

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

As per September 2021 the Company have 3 600 highly skilled employees with 9 offices globally and operate a versatile fleet of modern offshore vessels.

Solstad has a clear vision of what lies ahead, and it starts with taking care of our most precious recourses, our people and our planet, while sustaining growth and profitability.



Letter from the CEO

The 3rd quarter marks another step in the right direction for Solstad Offshore. Historically, the 3rd quarter is our most active quarter and this is true also this year. EBITDA came in at Nok 500 mill and is equal to the best quarter we have had since the 4-company merger in 2016/17.

Our markets continue to show positive signs and we are entering the winter season with the highest contract coverage in many years.

The quarter has also seen strategic advancements as we took steps to strengthen our position within the renewable energy sector. The Windstaller Alliance established jointly with the internationally recognized companies Deepocean and Aker Solutions allows us to combine extensive competence and resources to create value for our renewable energy clients. Collaboration will be one of the key elements to drive down the cost in the renewables sector, make renewable energy competitive with other energy sources, and ultimately reduce emissions from energy production and consumption.

The initiative has been well received by our clients and I am looking forward with great expectations to what the Windstaller Alliance can achieve in the years to come.

I am from time to time being asked about our activity within oil & gas compared to our activity in offshore wind and where we are heading.

We are and will continue to support all energy production offshore, covering current, emerging and future energy production. My ambition for the company is that we are a relevant and attractive partner to all developers of offshore energy, ranging from oil and gas to offshore wind and future energy sources such as tidal and wave energy. We work hard every day to ensure that our maritime competence and vessels are up to the standards expected by our customers across the offshore energy industry.

That includes a continuous focus on reducing emissions from our operations. Solstad Green Operations is a fuel saving program that has yielded significant positive impact since it was implemented in 2009. Batteries and shore power connection are known technologies we are using in our fleet today, and we are constantly keeping an eye on what is next. We are participating in several promising pilot projects that look at new fuel types and other technologies.

On 17th November we received the 2021 OSJ Environmental Award as a recognition to what Solstad is doing to reduce emissions. I am very proud of this award, and it shows that all the hard work being done onshore and offshore in the company is being noticed.

In addition to upgrading our fleet, we continue to sell the oldest part of the fleet.

24 vessels are sold YTD, including 8 vessels for recycling at Green Yards Norway.

Thank you.

Lars Peder Solstad
CEO

Highlights

- Revenues for the third quarter of 2021 was MNOK 1,500 vs MNOK 1,316 in 2020, while EBITDA adjusted for the third quarter was MNOK 500 vs MNOK 395 in 2020
- High order intake in 3Q 2021, approx. MNOK 2,000
- The offshore activity continues to gradually improve both within oil & gas and offshore-wind and new contracts have been signed at improved terms
- Of the company's core fleet, 81 of 90 vessels has been working during the quarter
- Sold 24 of 37 vessels classified as non-strategic in 2021
- The Company is continuously working on upgrading its fleet to battery-hybrid to meet its sustainability targets for 2021
- Together with our partners in Aker Solutions and DeepOcean Windstaller Alliance was launched 14 October 2021. Windstaller Alliance will strengthen Solstads presence further within offshore wind.



Key Financials

(NOK 1,000,000)	2021 01.07-30.09	2020 01.07-30.09	2021 01.01-30.09	2020 01.01-30.09	2020 01.01-31.12	2019 01.01-31.12	2018 01.01-31.12
Revenue	1,500	1,316	4,101	3,851	5,026	5,245	4,910
EBITDA adjusted	500	395	1,241	1,089	1,282	1,415	1,005
EBIT	152	-823	135	-1,955	-2,250	-1,196	-3,987
Profit before Tax	-144	-1,144	-712	-4,186	7,250	-3,129	-5,888
Cash and equivalents	2,343	1,054	2,343	1,054	2,412	1,134	1,351
Net working capital	-325	-27,652	-325	-27,652	-803	-26,264	-24,654
Equity	3,414	-8,012	3,414	-8,012	4,243	-3,835	-851
Net interest bearing debt*	19,440	31,392	19,440	31,392	19,365	30,990	28,727
Order backlog	5,000	6,100	5,000	6,100	5,236	8,200	6,800

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

Financial Summary

Operating income for 3Q 2021 amounted to MNOK 1,500 compared to MNOK 1,316 in 3Q 2020.

- The main driver for the increased revenue is more vessels in operation, higher day rates and better utilization of the total fleet.
- Operating expenses in 3Q 2021 amounted to MNOK 1,025 of which MNOK 949 are classified as vessel operating expenses. Compared to 3Q 2020, operating expenses increased by MNOK 76 including an extraordinary one-off restructuring cost of MNOK 7.
- Administrative expenses for 3Q 2021 was MNOK 97 (MNOK 90 Adjusted for restructuring cost), compared to MNOK 82 for 3Q 2020.
- Adjusted for the increased numbers of active vessels and extraordinary COVID-19 cost the operational expenses are in line with previous year.
- Additional cost related to the COVID-19 pandemic amounted to approximately MNOK 30 in the quarter.
- Operating result before depreciation was MNOK 475 in 3Q 2021 compared to MNOK 367 in 3Q 2020.
- Ordinary result before taxes for 3Q 2021 was negative with MNOK 144 compared to negative MNOK 1,144 for 3Q 2020.
- EBITDA adjusted was MNOK 500 in 3Q 2021 compared to MNOK 395 for 3Q 2020. The main driver for the increased revenue is more vessels in operation, higher day rates and better utilization of the total fleet.
- Total liquidity for the group was MNOK 2,343 per 3Q 2021 compared to MNOK 1,054 in 3Q 2020
- Total booked equity at the end of the quarter was positive MNOK 3,414

During 3Q 2021 the currency exchange rate for USD versus NOK has been weakening resulting in an loss of MNOK 90. In addition, the Company

has realized currency gain of MNOK 9 relating to account payable and receivable positions being settled.

Cash Flow & Cash Position

The overall cash position end of 3Q 2021 for the Company was MNOK 2,343 compared to MNOK 1,054 in 3Q 2020. The Net cash flow from operations was positive with MNOK 890 for 3Q 21. Net cash flow from investments was negative by MNOK 101 mainly related to planned maintenance and regulatory docking- and installation of battery hybrid system on vessels. Net interest paid to lenders was MNOK 394, and net repayment of long-term debt to lenders were MNOK 176.

Capital Structure

Total current assets at the end of the quarter were MNOK 3,983 (MNOK 2,845 per 3Q 2020), of which cash and cash equivalents amounted to MNOK 2,343 (MNOK 1,054). This includes the unutilized super senior credit facility of MNOK 1,481.

Total current liabilities were NOK 4,307 (MNOK 30,497) including MNOK 3,271 in short term portion of long-term debt, giving net working capital of MNOK -325 (MNOK -27,652). Of the short term portion of the long-term debt Normand Maximus lease liability amounts to MNOK 2,463.

Total non-current assets at the end of the quarter were MNOK 21,361 (MNOK 23,779). The reduction is explained by ordinary depreciation, divestments and foreign exchange movements.

Net interest-bearing debt was at MNOK -19,440 (MNOK -31,392), with the reduction mainly explained by restructuring effects.

The Group's equity as of 30 September 2021 was MNOK 3,414 (MNOK -8,012), which represents 13,4% of the total balance sheet (-30,1% per 30 September 2020).

Risk

The Company is exposed to market, commercial, operational and financial risks that affect the assets, liabilities, available liquidity and future cash flows. Despite of the difficult market situation within the offshore industry the last years, the Company considers that these risks have decreased slightly as a consequence of the increased demand compared to previous years. There is established a risk mitigation framework based on identifying, assessing and managing the Company risks. The Board monitors the overall risk factors for the Group.

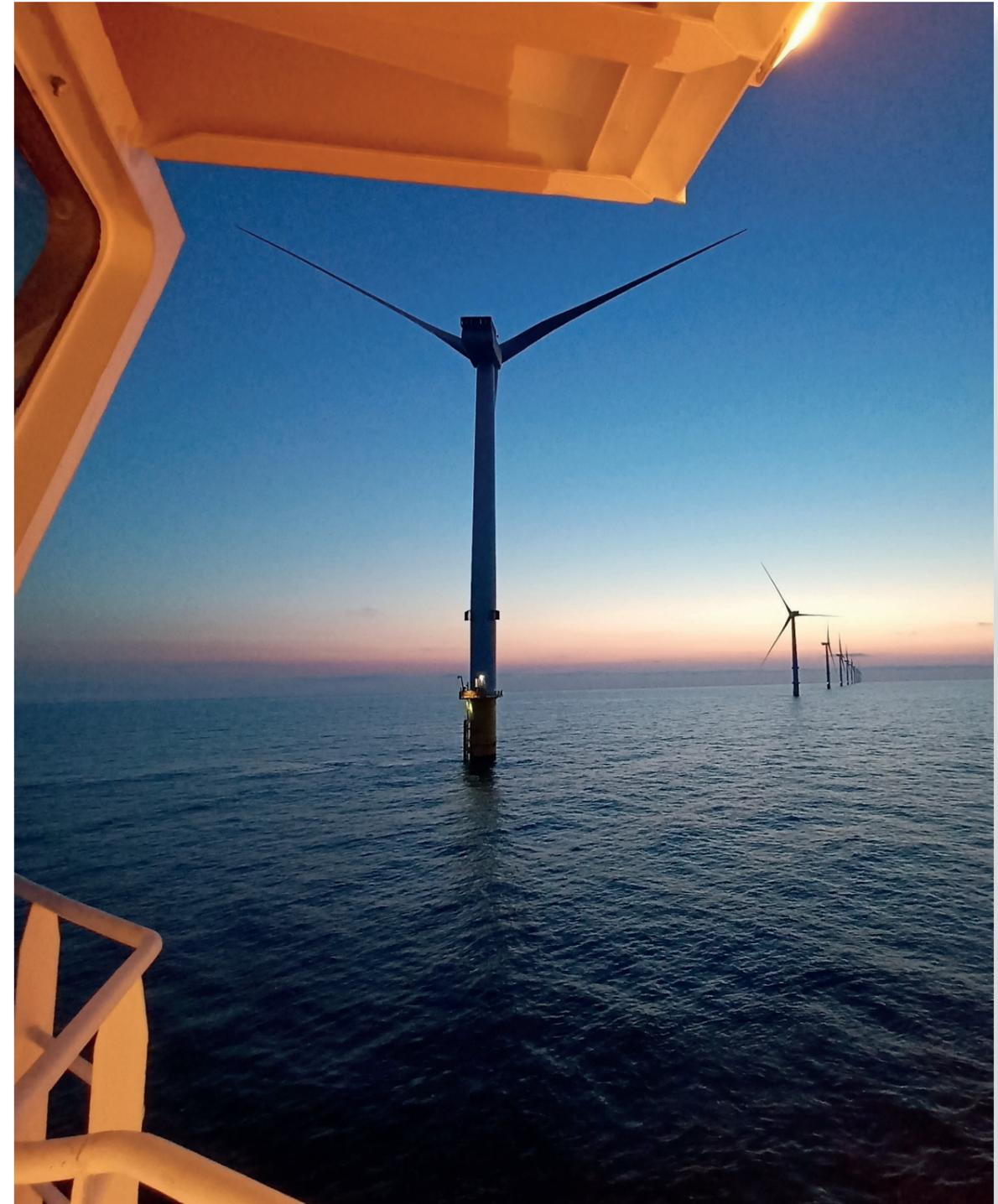
Market and operational risks are changes in demand for and prices of the services provided by the Company, and potential adverse effects of the provision of such services. The market has been under pressure with the impact of COVID-19 virus and affecting all regions where the Group operates. This has negatively impacted the earnings of the Group's fleet. A slower recovery of the market will impact future earnings of the Group's fleet going forward. The Company has implemented a wide range of measures to minimize the risk to people and operations from the COVID-19 pandemic. A large part of the Company staff has been vaccinated and the Company continue to practice social distancing, travel restrictions, testing of marine crew and partly working from home. The company has so far avoided significant COVID-19 disruption related to its operational uptime 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 Company is exposed to interest rate and currency risk, primarily through financing and contracts. Currency risk is to a certain extent mitigated by having debt in the same currency as charter agreements.

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

Normand Maximus update

As stated in previous communications, Normand Maximus Limited continues its dialogue with its financiers, to find a long-term solution for the financing of Normand Maximus following Saipem's early termination of the time charter. The agreements related to Normand Maximus entitle Maximus Limited as owner of the Vessel 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. 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. As advised in our 2Q report, the Company has received summons from M. Y. F Maximus Limited as a former shareholder in Maximus Limited, for a declaratory relief that M.Y.F Limited has a recourse claim against the Company. The hearing is scheduled to 2Q 2022. Further details on the financing of Normand Maximus are set out in "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.



Subsequent Events

On the October 14th, 2021 Solstad Offshore, Aker Solutions and DeepOcean Norway joined forces to create Windstaller Alliance. The new partnership aims to provide the world's most cost-efficient and complete product supply, fabrication and marine services offering within offshore wind. The alliance will also pursue other offshore renewables segments.

The Company has sold the CSV Far Saga November 8th, 2021 resulting in a minor gain in 4Q 2021. In addition, the Company has sold PSV Rem Provider November 12th, 2021 and PSV Far Swan November 16th, 2021 resulting in an immaterial accounting effect in 4Q 21.

The Company has October 5th, 2021 sold seven vessels for recycling. The vessels are Sea Tiger, Normand Atlantic, Normand Borg, Normand Neptun, Sea Pollock, Far Strider and Far Sovereign. The sales will result in an immaterial accounting effect in 4Q 21

Awards in the quarter

Company increased its backlog during the quarter with an order intake of approx. MNOK 2,000.

- Normand Energy awarded a contract with a key client for 13 months firm for subsea operations in West Africa.
- Multiple medium-term contracts and extensions for approximately 1.000 vessel days plus options awarded for the following vessels: Normand Leader, Normand Tortuga, Normand Swift, Normand Sitella, Sea Spear, Sea Spark, Normand Serenade, Normand Arctic and anchor handler trading in the North Sea spot market awarded up to approximately 1,000 vessels days and options to extend contracts further.
- Normand Navigator awarded a contract with an undisclosed client in South East Asia to keep the vessel utilized through 2021.
- Normand Frontier contracts for operations in South Africa for a large international contractor for 100 days firm plus 60 days options excluding mobilization and demobilization to support a ultra-deep subsea project.
- Normand Jarstein awarded a new contract with DeepOcean to support their IMR light construction, offshore renewables and recycling projects. The vessel commence to the contract in 1Q 2022 and have a firm period till end of 2023 with the option to extend the contract till end of 2024.
- Normand Flower to operate for Petrobras for 3 years firm plus 475 days option thereafter to support exploration and production activities in Brazilian continental shelf with commencement within April of 2022.
- Normand Pacific extended her firm period to operate for Prysmian till end of 2022. In addition, Prysmian has the option to extend the contract with an additional 2 years beyond the firm period.



Contracts after quarter end

- Normand Samson chartered to a major oil service company for a period of minimum 350 days with options to extend with additional 150 days. The vessel will be utilized on a field development project in South America.
- Normand Supporter and Normand Server extended with one year for ConocoPhillips Skandinavia AS with options for 2 x 1 year thereafter.
- Far Superior chartered to MMT Sweden AB for a period of two years with one year option. The contract will commence February 2022.
- Normand Mermaid awarded contract with Fugro Netherlands Marine BV for a period of 16 months firm.
- Normand Baltic extended for an additional 8 months plus 90 days options with current client.
- Far Symphony awarded a term contract with Ithaca Energy for one year firm plus options up to one year.



Operational Update

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

As per September 2021, the Company owns and/or operates a core fleet of 90 vessels. The overall utilization for the operational fleet in 3Q 2021 was 89% (86% in 2020), the subsea CSV fleet had a utilization of 90% (83%), AHTS fleet 86% (83%) and 90% (90%) for the PSV fleet.



* vessels in operation (81 vessels)

Subsea & Renewable Energy

In 3rd quarter, the CSV segment had 26 vessels in operation for Clients in the Global markets. Around 30% of the CSV revenues came from Renewable energy.

Several new contracts has been signed, at improved terms, and bidding activity remains high in both oil & gas and offshore-wind.

AHTS & PSV

The AHTS & PSV segment had 55 vessels in operation in 3rd quarter, with the majority of the fleet operating in the strategic key regions the North Sea, Australia and Brazil.

Several contracts has been awarded in all key regions and bidding activity remains at a high level.

Non-strategic fleet

Solstad are in the process of selling vessels that are 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. 30.09.21, 14 of 37 vessels had exited the fleet, while 10 has been sold after quarter end.

Market Outlook

The combination of the current oil & gas price and increasing investment plans within offshore-wind is expected to have a positive impact on the demand for offshore vessels.

Particularly for the CSVs serving both segments, the demand for vessels are increasing and commercial terms are improving.

Within offshore-wind the tendering activity is high and Solstad is involved in a number of tender processes, both on time charters and on extended offerings via the Windstaller Alliance that was established by Solstad, Deepocean and Aker Solutions in October 2021.

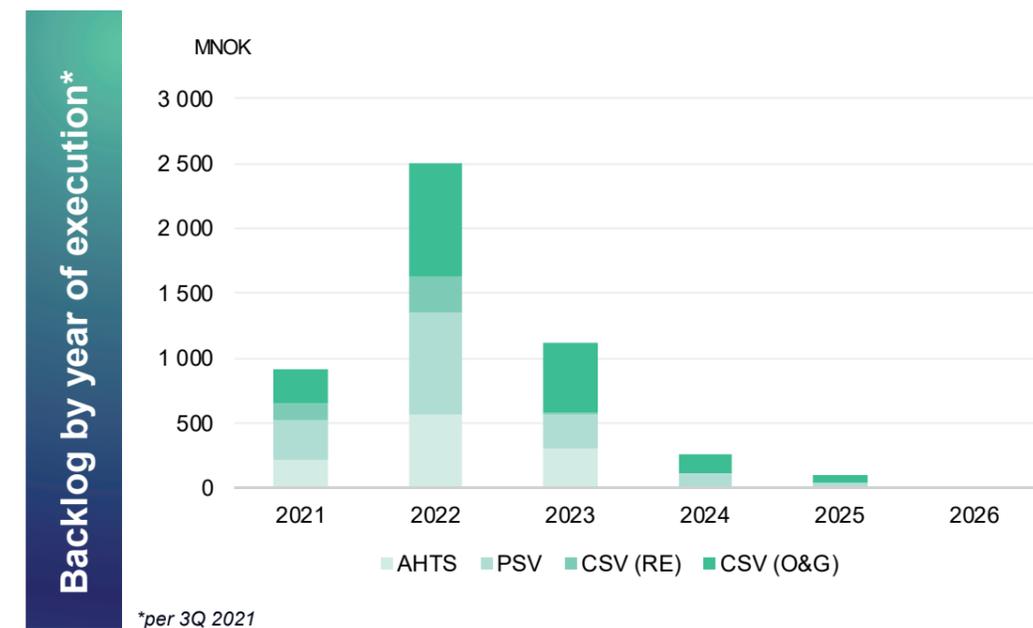
The Windstaller Alliance has been positively received by Clients and are already involved in tenders for renewable energy projects with execution in 2022 and onwards.

The subsea contractors continue to build their backlog and there are a number of tenders for “year- around” and seasonal contracts. Solstad has signed several new contracts in this segment during 3Q and so far in 4Q.



For the AHTS and PSV segment there are also an activity increase, but the number of active vessels still have a negative effect on the rate levels. In particularly that goes for the PSV segment. Demand for the large AHTS vessels is increasing with long-term tenders and several project opportunities.

The Company's backlog is approximately MNOK 5,000 whereof MNOK 3,000 is for the next 12 months.



Sustainability

In Solstad we have sustainability as one of our top priorities. By involving all employees, key clients and main suppliers we can jointly work towards a sustainable future.

- The following 8 vessels have now been sold for recycling: Sea Panther, Sea Tiger, Normand Atlantic, Normand Borg, Normand Neptun, Sea Pollock, Far Strider and Far Sovereign. The vessels will be recycled at Green Yard Kleven and Green Yard Fedra.
- The high operational standard in the company continues by focusing on safety at all stages of its operations. During the quarter, the company has reduced its TRFC frequency and registered 1,29 at the end of the quarter.
- November 17th the Company received the “Environmental Award 2021” by Offshore Support Journal in London. The award was given for upgrading the Company fleet with battery-hybrid propulsion and seeing its ninth PSV operating on the Norwegian continental shelf with battery-hybrid propulsion.

Environment

As part of the ESG leading indicators the company now track carbon intensity data for its fleet showing emissions per day per vessel and vessel type in addition to total fleet emissions.

The company currently works on plans to establish pilot projects to investigate the use of fuel cell technology and multi-fuel solutions for internal combustion engines that will allow for low or zero emission operations on existing vessels in the medium term and on new builds on the longer term.

The amount of unwanted oil spills to sea is declining over time. This is a positive trend.

The goal this year to stop using single use plastic bottles in the fleet has been more challenging than was expected for various reasons around the world. There is still a way to go reach our goal.

Social

At the end of 2nd quarter the Total Recordable Case Frequency (TRCF) was 1.72 (too high / goal 1.10). As a consequence of this several initiatives were kicked-off to engage with the vessel management and crew to identify immediate measures that could influence on the day to day safety focus onboard the vessels. Since then the TRCF has decreased down to 1.29 due to a falling number of incidents in 3rd quarter (only 2 recordable minor incidents in August). The TRCF is by end of 3rd quarter 1.29.

Governance

No material governance incidents have been registered during the period.

A total of 144 audits, port state controls etc. have been completed this quarter, resulting in no major findings.

Quarterly ESG Indicators

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

Environment	Unit	Target 2021	3Q	2Q	1Q	2020	2019	2018
Fleet efficiency***	%	23 %	21 %	21 %	21 %	20%	17 %	16 %
CO ₂ , scope 1 (own activity)	tCO ₂	-	237,959	178,746	153,133	696,888	801,578	714,722
Oil spill litres	Litres	0	41	76	24	349	113	679
Fines for non-compliance of environmental regulations	No.	0	0	0	0	0	0	0
Single use plastic water bottles on board our vessels	%	0	51,461	53,719	33,214	233,219	-	-
Social								
TRCF (12-months rolling, Total Recordable Case Frequency)*	No.	1.10	1,29	1,64	1,31	1.28	1.65	1.86
Fraction of all employees completed sustainability training **	%	100 %	83 %	80 %	50 %	43 %	-	-
Governance								
Incidents related to Corruption and Bribery	No.	0	0	0	0	0	0	0

* per 1,000,000 hour

** Training started 21.12.2020

*** Baseline for the efficiency target is an average of each vessel's performance over the past 3 years. The increased performance comes from operational measures (Solstad Green Operations) and/or technical upgrades such as battery and/or shore power systems. The increase total emissions for Q3 is related to increased activity including more vessels in operation.

Skudeneshavn 25.11.2021

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 01.07-30.09	2020 01.07-30.09	2021 01.01-30.09	2020 01.01-30.09	2020 01.01-31.12	Note
Operating income	1,500,032	1,315,911	4,101,181	3,850,841	5,025,630	2,3,4
Vessel operating expenses	-927,944	-866,918	-2,628,761	-2,608,564	-3,516,921	
Administrative expenses	-97,178	-81,898	-312,650	-273,361	-476,829	
Total operating expenses	-1,025,122	-948,817	-2,941,411	-2,881,925	-3,993,750	4
Operating result before depreciations	474,910	367,094	1,159,770	968,916	1,031,880	3
Ordinary depreciation	-314,774	-327,636	-951,682	-1,072,775	-1,358,345	5
Impairment	-	-862,158	-45,049	-1,822,655	-1,895,040	5,6
Net gain/ loss on sale of assets	-8,124	77	-28,339	-28,882	-28,896	
Operating result	152,012	-822,623	134,700	-1,955,395	-2,250,402	
Result from Joint Ventures	3,932	5,853	-3,004	33,243	23,975	7
Result from associated companies	-80	8,550	88	27,502	41,423	7
Total other items	3,852	14,403	-2,916	60,745	65,398	
Interest income	3,634	3,100	7,950	13,486	6,373	
Realised currency gain/ -loss	9,112	-38,314	4,083	5,429	-240,107	
Unrealised currency gain/ -loss	-90,524	115,518	-172,854	-712,994	-180,349	
Interest charges	-251,061	-415,447	-750,542	-1,181,624	-1,437,619	
Net financial charges / -income	29,459	-806	67,742	-415,976	11,287,055	
Net financing	-299,380	-335,948	-843,620	-2,291,680	9,435,353	
Ordinary result before taxes	-143,516	-1,144,168	-711,836	-4,186,330	7,250,349	
Taxes ordinary result	-4,686	-3,438	-16,616	-15,816	3,517	9
Result	-148,202	-1,147,606	-728,452	-4,202,146	7,253,866	
Other comprehensive income:						
Exchange differences on translating foreign operations	-126,451	153,008	-114,754	25,784	580,397	
Actuarial gain/ loss	-	-	-	-	5,921	
Other comprehensive income	-274,653	-994,598	-843,206	-4,176,362	7,840,184	
Result attributable to:						
Non-controlling interests	-755	1,077	536	6,489	13,122	
Majority share	-147,447	-1,148,683	-728,988	-4,208,635	7,240,743	
Earnings per share	-1.96	-3.94	-9.71	-14.42	29.13	
Other comprehensive income attributable to:						
Non-controlling interests	-755	1,077	536	6,489	13,122	
Majority share	-273,898	-995,675	-843,742	-4,182,851	7,827,062	
Other comprehensive income per share	-3.65	-3.41	-11.24	-14.33	31.48	
EBITDA adjusted	500,002	395,007	1,241,426	1,089,313	1,282,208	3,4
Average number of shares (1,000)	75,090	291,407	75,007	291,407	249,042	

Condensed statement of financial position

(NOK 1,000)

	2021 30.09	2020 30.09	2020 31.12	Note
ASSETS				
Fixed Assets:				
Intangible assets	5,565	10,487	13,079	
Tangible fixed assets	18,692,910	20,233,632	19,509,619	5
Right-of-use assets	2,447,921	2,921,188	2,457,322	6
Investment in associated companies and Joint Ventures	96,160	443,796	111,032	7
Financial fixed assets	118,381	170,269	109,147	4
Total fixed assets	21,360,936	23,779,373	22,200,199	
Current Assets:				
Stocks	174,538	168,884	165,330	
Accounts receivables	977,989	1,048,225	839,628	
Other receivables	471,494	565,847	414,011	
Market based shares	15,250	8,295	11,100	
Deposits, cash, etc	2,343,262	1,054,008	2,411,905	8
Total current assets	3,982,533	2,845,260	3,841,974	
Assets held for sale	71,488	18,962	26,803	5
TOTAL ASSETS	25,414,957	26,643,595	26,068,976	
EQUITY AND LIABILITIES				
Equity:				
Paid-in equity	251,630	4,602,782	250,445	
Other equity	3,133,074	-12,623,744	3,976,816	
Non-controlling interests	29,549	9,180	15,814	
Total equity	3 414 254	-8,011,782	4,243,075	
Liabilities:				
Long-term provisions	30,159	75,445	37,885	
Other long-term debt	2,021	11,922	12,372	8
Debt to credit institutions	17,661,093	4,070,860	17,130,648	8
Total long-term debt	17,693,273	4,158,228	17,180,905	
Current liabilities:				
Current portion of long-term debt	3,271,120	28,304,817	3,499,897	8
Other current liabilities	1,036,310	2,192,333	1,145,099	
Total current liabilities	4,307,430	30,497,150	4,644,996	
Total liabilities	22,000,703	34,655,378	21,825,902	
TOTAL EQUITY AND LIABILITIES	25,414,957	26,643,595	26,068,976	



Statement of cash flow

(NOK 1,000)

	2021 30.09	2020 30.09	2020 31.12
CASH FLOW FROM OPERATIONS			
Result before tax	-711,836	-4,186,330	7,250,349
Taxes payable	-13,319	-14,217	-35,649
Ordinary depreciation and write downs	996,731	2,895,430	3,253,386
Gain (-)/ loss long-term assets	4,143	37,454	321,975
Interest income	-7,950	-13,486	-6,373
Interest expense	750,542	1,181,624	1,437,619
Terminated leases	-	373,707	439,559
Non-cash refinance effects	-	-	-11,713,286
Effect of change in pension assets	-	-1,865	7,695
Change in value of financial instruments	-	-170,482	-170,239
Unrealised currency gain/ -loss	167,484	682,235	140,113
Change in short-term receivables and payables	-124,513	109,332	212,570
Change in other accruals	-171,576	-143,425	-361,760
Net cash flow from operations	889,706	749,976	775,960
CASH FLOW FROM INVESTMENTS			
Investment in tangible fixed assets	-48,207	-21,338	-57,385
Payment of periodic maintenance	-165,497	-343,221	-406,800
Consideration sale of fixed assets (vessels)	113,747	1,014,170	1,014,170
Payment of long-term receivables	-9,234	5,974	64,006
Received interests	7,950	6,450	6,243
Realization of shares and holdings	-	1,701	36
Net cash flow from investments	-101,240	663,737	620,270
CASH FLOW FROM FINANCING			
Paid-in capital	-	-	70,355
Paid leases	-292,828	-388,382	-461,777
Paid interests	-393,997	-51,188	-157,973
Drawdown long-term debt	-	1,108,454	1,467,962
Repayment of long-term debt	-175,654	-2,231,985	-1,077,155
Net cash flow from financing	-862,479	-1,563,100	-158,588
Effect of changes in foreign exchange rates	5,370	69,367	40,236
Net change in cash	-74,013	-149,386	1,237,642
Cash at 01.01	2,411,905	1,134,028	1,134,028
Cash at balance sheet date	2,343,262	1,054,008	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	-	-	-	-	-	-729,060	-729,060	536	-728,525
Translation adjustments	-	-	-	-	-114,754	-	-114,754	-	-114,754
Other comprehensive income	0	0	0	0	-114,754	-729,060	-843,742	536	-843,206
Share capital increase by conversion of debt	417	-	768	-	-	-	1,186	-	1,186
Equity contribution	-	-	-	-	-	-	-	13,200	13,200
Equity 30.09.2021	75,290	0	176,340	0	866,902	2,266,173	3,384,705	29,549	3,414,254

Equity 01.01.2020	583,065	-281	3,698,350	321,648	401,259	-8,842,152	-3,838,111	2,691	-3,835,420
Result	-	-	-	-	-	-4,208,635	-4,208,635	6,489	-4,202,146
Translation adjustments	-	-	-	-	25,784	-	25,784	-	25,784
Other comprehensive income	0	0	0	0	25,784	-4,208,635	-4,182,851	6,489	-4,176,362
Equity 30.09.2020	583,065	-281	3,698,350	321,648	427,043	-13,050,787	-8,020,962	9,180	-8,011,782

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 01.07-30.09	2020 01.07-30.09	2021 01.01-30.09	2020 01.01-30.09	2020 01.01-31.12
Service element from contract with day rate	621,955	494,971	1,562,909	1,531,493	2,032,598
Management Fee	1,670	3,422	6,927	24,572	27,268
Victualling	31,525	27,963	78,286	70,988	93,111
Project management	-	-	-	4,253	3,329
Other	107,645	66,230	136,068	67,709	57,896
Revenue from Contracts with customers	762,795	592,586	1,784,190	1,699,015	2,214,202
Leasing from contracts with day rate	737,236	723,326	2,316,991	2,151,827	2,811,429
Total operating income	1,500,032	1,315,911	4,101,181	3,850,841	5,025,630

	30.09.2021	30.09.2020	31.12.2020
Contract balance			
Trade receivables from charters	977,989	1,048,225	839,628
Contract assets	-	-	-
Contract liabilities	-	35,840	-

Note 3 - Reporting per segment

Q3 2021					
	AHTS	PSV	Subsea	Renewable	Total
Revenue from contracts with customers	154,721	290,507	273,541	44,025	762,795
Lease element from contracts with day rate	208,256	138,925	289,577	100,478	737,236
Total operating income	362,978	429,433	563,118	144,503	1,500,032
Crew expenses	153,323	200,537	119,475	54,972	528,307
Other expenses	103,540	127,235	152,182	54,720	437,677
Total operating expenses	256,862	327,772	271,658	109,692	965,984
Bunkers	6,028	1,311	41,177	10,622	59,138
Operating result before depreciations	100,087	100,350	250,284	24,189	474,910
Excess and less values freight contracts	-	-	1,875	-	1,875
Net result from Joint Venture	-	-	3,932	-	3,932
Adjusted operating result before depreciations	100,087	100,350	256,090	24,189	480,716

Q3 2020					
	AHTS	PSV	Subsea	Renewable	Total
Revenue from contracts with customers	152,182	186,060	208,724	45,619	592,585
Lease element from contracts with day rate	153,514	185,664	310,028	74,120	723,327
Total operating income	305,697	371,724	518,751	119,739	1,315,911
Crew expenses	139,542	187,252	114,481	42,577	483,852
Other expenses	97,038	108,559	195,452	35,967	437,016
Total operating expenses	236,580	295,811	309,933	78,544	920,868
Bunkers	11,849	4,458	9,628	2,014	27,949
Operating result before depreciations	57,267	71,455	199,191	39,182	367,094
Excess and less values freight contracts	-	10,696	2,812	-	13,508
Net result from Joint Venture	-	-	5,853	-	5,853
Adjusted operating result before depreciations	57,267	82,151	207,856	39,182	386,455

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

YTD Q3 2021					
	AHTS	PSV	Subsea	Renewable	Total
Revenue from contracts with customers	389,177	599,693	636,995	158,326	1,784,190
Lease element from contracts with day rate	506,806	462,887	1,088,977	258,321	2,316,991
Total operating income	895,983	1,062,580	1,725,972	416,646	4,101,181
Crew expenses	421,660	549,704	393,242	130,230	1,494,836
Other expenses	319,922	363,350	513,824	155,673	1,352,769
Total operating expenses	741,582	913,054	907,066	285,903	2,847,605
Bunkers	20,434	13,172	47,738	12,462	93,806
Operating result before depreciations	133,967	136,353	771,168	118,281	1,159,770
Excess and less values freight contracts	-	-	7,499	-	7,499
Net result from Joint Venture	-	-	-3,004	-	-3,004
Adjusted operating result before depreciations	133,967	136,353	775,662	118,281	1,164,265

YTD Q3 2020					
	AHTS	PSV	Subsea	Renewable	Total
Revenue from contracts with customers	409,111	559,955	624,372	105,576	1,699,013
Lease element from contracts with day rate	416,558	570,449	996,774	168,047	2,151,828
Total operating income	825,668	1,130,404	1,621,145	273,623	3,850,841
Crew expenses	443,302	584,927	406,295	89,000	1,523,525
Other expenses	301,985	346,962	508,729	80,799	1,238,475
Total operating expenses	745,287	931,889	915,025	169,799	2,762,000
Bunkers	53,999	23,999	36,042	5,886	119,925
Operating result before depreciations	26,382	174,517	670,079	97,938	968,916
Excess and less values freight contracts	-	44,690	14,960	-	59,650
Net result from Joint Venture	-	-	33,243	-	33,243
Adjusted operating result before depreciations	26,382	219,207	718,282	97,938	1,061,809

Note 4 - EBITDA

	2021 01.07-30.09	2020 01.07-30.09	2021 01.01-30.09	2020 01.01-30.09	2020 01.01-31.12
Total operating Income	1,500,032	1,315,911	4,101,181	3,850,841	5,025,630
Total operating expenses	-1,025,122	-948,817	-2,941,411	-2,881,925	-3,993,750
EBITDA	474,910	367,094	1,159,770	968,916	1,031,880
Leases	12,321	-	30,854	-	6,465
Restructuring cost	7,045	-	46,219	-	108,887
Excess and less values freight contracts	1,875	13,510	7,499	59,650	62,462
Net result from Joint Venture	3,932	5,853	-3,004	33,243	23,975
Net result from associated companies	-80	8,550	88	27,502	41,423
Accrual loss accounts receivable	-	-	-	-	7,115
EBITDA adjusted	500,002	395,007	1,241,426	1,089,311	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	47,509	165,497	-	213,006
Asset held for sale	-63,260	-8,229	-	-71,488
Disposals	-117,685	-	-	-117,685
Translation adjustment	106,237	-18,772	56	87,520
Depreciation	-676,234	-201,741	-5,038	-883,013
Impairment	-45,049	-	-	-45,049
Closing balance 30.09.2021	17,967,649	696,979	28,283	18,692,910

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%.

In 4Q 2021 the Company have sold seven vessels for recycling and the intent is to sell additional three vessels. These assets are classified as held-for-sale in Condensed Statements of Financial Position. Total book value is MNOK 71.5.

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 impairment charges recognized in 3Q 2021 was NOK 0. Total impairment of fixed assets recognized year to date 3Q 2021 is MNOK 45.

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 2021-2025.

The main assumptions used in the computations are charter rates, utilization, escalation of expenses, operational area, interest rate, weighted average cost of capital (WACC) and performance per Q3 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 Q3 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 2026 to 2028 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 2026.

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			Lease liabilities
	Vessels	Office	Total	
Opening balance 01.01.2021	2,212,854	244,467	2,457,322	2,814,242
Other adjustments	-	-	-	-10,521
Additions	698	-	698	-
Disposals	-	-	-	-2,834
Translation adjustment	62,798	-4,228	58,570	71,256
Depreciation	-47,174	-21,495	-68,669	-
Impairment	-	-	-	-
Interest expense	-	-	-	134,811
Lease payments	-	-	-	-292,828
Closing balance 30.09.2021	2,229,176	218,744	2,447,921	2,714,132

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 2,463.

The Parent Company has also guaranteed for a put option related to the leased vessel. The put is valued at MUSD 323 as of 30.09.2021.

Default put option

The lease agreement for Normand Maximus includes a default put option. The Company has received a waiver for the bareboat charter including the default put option of Normand Maximus. 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 3Q 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 3Q 2021 was MNOK 12,3 (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
Solstad Offshore Crewing Service Philippines (25 %)	Normand Installer SA (50 %)

	AC	JV	Total
Opening balance	1,128	113,252	114,380
Share of result year to date	88	-3,004	-2,916
Additions	-	-	-
Disposals	-	-	-
Impairment	-	-	-
Other adjustments	37	-15,341	-15,304
Closing Balance	1,253	94,907	96,160

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 YTD 3Q 2021 (*)	200,256
Unrealised currency loss	53,544
Fair value adjustment 30.09.2021	-758,225

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

	2021 30.09	2020 30.09	2020 31.12
Long term debt	17,663,114	4,082,782	17,143,021
Current portion of long term debt	3,271,120	28,304,817	3,499,897
Fair Value adjustment	758,225	-	1,012,025
Balance booked finance cost	91,211	58,152	121,870
Total interest bearing debt (*)	21,783,670	32,445,752	21,776,813
Bank deposit	2,343,262	1,054,008	2,411,905
Net interest bearing debt	19,440,408	31,391,743	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 4% of interest bearing debt.

Current portion of long term debt includes MNOK 2,463 reclassification of lease obligation for Normand Maximus. The Company has received a waiver for the bareboat charter of Normand Maximus.

In 3Q 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 2,714 (MNOK 3,737), whereof MNOK 0 (MNOK 583) are leases from related parties, and debt to related parties MNOK 0 (MNOK 1,199).

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

On the 14 October 2021 Solstad Offshore, Aker Solutions and DeepOcean Norway joined forces to create Windstaller Alliance. The new partnership aims to provide the world's most cost-efficient and complete product supply, fabrication and marine services offering within offshore wind. The alliance will also pursue other offshore renewables segments.

The Company has sold the PSV Far Swan 16 November 2021 resulting in an immaterial accounting effect in 4Q 21.

The Company has sold the PSV Rem Provider 12 November 2021 resulting in an immaterial accounting effect in 4Q 21.

The Company has sold the CSV Far Saga 8 November 2021 resulting in a minor gain in 4Q 21.

The Company has 5 October 2021 sold seven vessels for recycling. The vessels are Sea Tiger, Normand Atlantic, Normand Borg, Normand Neptun, Sea Pollock, Far Strider and Far Sovereign. The sales will result in an immaterial accounting effect in 4Q 21.

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

Vessels in operation during quarter

Americas
(USA, Mexico, Gulf)

2 CSV
Oil & Gas

South Americas
(Brazil & Argentina)

6 AHTS | 5 PSV | 4 CSV
Oil & Gas

Africa

3 CSV | 1 PSV
Oil & Gas

Europe

5 AHTS | 26 PSV | 13 CSV
Oil & Gas, Renewable Energy

Asia Pacific
(Asia & Australia)

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



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