SOLSTAD OFFSHORE

Annual Report 2021

The Contents

Financial Calendar

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

Annual Report 2021:	April 21st, 2022
Result 1. quarter 2022:	May 9th, 2022
Ordinary General Meeting:	May 30th, 2022
Result 2. quarter 2022:	August 18th, 2022
Result 3. quarterly 2022:	November 17th, 2022
Result 4. quarterly 2022:	February 16th, 2023

Frontpage photo: Jetmund Grøtting

Our vision

is to deliver industry-leading sustainable operations to the global offshore energy market.

Safe

Safety is our main priority. Solstad vessels carry out operations all over the world, sometimes in extreme conditions. We recognize all employees as our most valuable asset, and we will never compromise on their safety.

Reliable

We focus on quality in all parts of our services. We shall always be trusted to treat everyone fairly and respectfully, and we keep our promises. With a vast fleet and a competent organization our clients shall trust us to perform all operations in a safe manner and with focus on quality and efficiency in all stages of our service.

Competent

All employees in Solstad are key personnel. We aim not only to fulfill our client's demands, but to deliver a service beyond their expectations. We ensure that our personnel are constantly learning to have the right competence and knowledge required at all times. Our operational knowledge shall be developed in close interaction between the marine crew and the onshore organizations.

Responsible

We care about people, assets and the environment. Our company is global, but also local in the areas we operate. We conduct our business in a responsible manner, respecting the law and universal human rights to benefit the communities where we work. We are aware of our environmental footprint and take measurable steps towards a better environment with the Solstad Green Operations program.

Letter from the CEO

I will start this letter with the tragic war in Ukraine. We have many colleagues from Ukraine. Both working from our Odessa office and onboard our vessels. We can only imagine what they are experiencing right now. They have our strong support, and we do everything we can to follow up closely.

There is no doubt that the war in Ukraine has a huge impact on the global energy markets. We already see the effect on energy prices, and future energy security for Europe will be a key topic going forward. This could potentially give increased investment activities both in renewable energies and oil and gas in the coming years.

2021 was the turnaround year for the offshore vessel industry. We experienced increased activity and signs of optimism especially in the second half of the year. This increase has been further strengthened so far in 2022. Our clients report increased investments and activity going forward. The main drivers are higher energy prices and continued development of offshore wind parks. The latter to increase energy production from renewable sources.

Solstad Offshore is well positioned for this activity increase. During 2021, we have disposed the majority of our non-strategic fleet and we have 89 modern vessels available for our clients around the world. All offshore activity is positive for the demand for offshore vessels. Whether it is from renewable energy, oil and gas, mining or aquaculture. And, as it looks, the supply side will be relatively stable the coming years, with few relevant re-activation candidates and very few newbuilds. It has been a few years since the last time we had such an optimistic view!

Our industry is about vessels and equipment, but our employees are even more important. I am grateful for the people we have in our company. Onboard the vessels and in the onshore organizations around the globe, there are dedicated people working with great enthusiasm. Competence, dedication, flexibility, and hard-working are words that describes our people well. During the past two years, when the pandemic has challenged our organization to its limits, this has been of great importance. I am proud to see the passion from our employees in these difficult circumstances.

Sustainable operation is a main target for us. Among others, this includes a constant focus to reduce our emissions and to maintain a strong safety culture. I am pleased to see that our safety results for 2021 is the best in the company's history. However, we can always improve, and by a continued focus on the principles of our Solstad Incident Free Operation program, I am sure we can further strengthen our safety culture and results. Regarding emissions we target a 50 percent reduction within 2030 (compared to 2008), by introducing new technology, investing in battery-hybrid systems, focusing on operational excellence, and participating in pilot projects with clients and suppliers. Reaching this goal is the only option!

To be sustainable also means being profitable. It means that we can make necessary investments to reach our environmental targets and, over time, renew our fleet. With a restructured balance sheet, promising market conditions and strong support from lenders and shareholders, we are definitively on the right track.

Thank you!

Lars Peder Solstad
CEO

Key figures and highlights

- The Company has completed its first full calendar year after the successful restructuring on 20. October 2020, strengthening the company financially, simplifying the operational structure and divesting legacy assets.
- Tender activity has steadily increased throughout the year. The Company has seen higher orderintake in the 2nd half of the year and ending on a backlog of MNOK 5,600 at year end.
- Strengthened the Company's presence in offshore renewables by establishing the Windstaller Alliance in 4Q 2021 together with DeepOcean and Aker Solutions.
- Liquidity continues to be strong with MNOK 2,459 at year end 2021, compared to year end cash position of MNOK 2,412 in 2020.
- At year end 2021, the Company had disposed 25 of 37 vessels classified as non-strategic, while the remaining has been disposed after year end.
- Adjusted EBITDA increased with 20 percent to MNOK 1,534 vs MNOK 1,282 in 2020.
- The Company has per year end 2021 installed battery hybrid solutions to reduce emissions on 11 vessels. The company plans to increase this substantially with the new investment program, and aims to become the leading Company within green operations.
- Launched a MNOK 300 green technology investment program, in line with the Company's ambitions to reduce GHG-emissions with 50 percent within 2030. Granted MNOK 87 from Innovation Norway to support the investments.

Key Financials

(MNOK)	2021 01.01-31.12	2020 01.01-31.12	2019 01.01-31.12	2018 01.01-31.12
Income	5,418	5,026	5,245	4,910
Adjusted EBITDA	1,534	1,282	1,411	1,005
EBIT	-7	-2,185	-1,196	-3,987
Profit before Tax	-1,110	7,250	-2,971	-5,842
Cash and equivalents	2,459	2,412	1,134	1,351
Net working capital	-119	-803	-26,264	-24,654
Equity	3,083	4,243	-3,835	-851
Net interest bearing debt*	-18,257	-18,219	-30,983	-28,727
Order backlog	5,600	5,200	8,200	6,800

*Including recognized debt relating to IFRS 16 Leases

Financial Summary

(MNOK)	2021	2020	2019	2018	Ref
PROFIT AND LOSS					
Freight income	5,128	4,844	5,016	4,673	
Other operating income	289	182	228	237	
Operating result before depreciation and impairment	1,402	1,032	1,274	422	
Operating result	-7	-2,226	-1,237	-3,987	
Net financial items	-1,103	9,477	-1,734	-1,855	
Ordinary result before tax	-1,110	7,250	-2,971	-5,842	
Net result for the year	-1,136	7,254	-3,129	-5,888	
Hereof majority's share	-1,102	7,241	-3,130	-5,858	
BALANCE SHEET					
Defered tax asset	14	6	-	2	
Long term assets	20,865	22,204	27,003	28,599	
Current assets	4,072	3,869	2,830	3,015	
Total assets	24,938	26,069	29,833	31,615	
Equity	3,083	4,243	-3,835	-851	
Deferred tax	-	-	17	-	
Long-term liabilities and provisions	17,850	17,181	4,574	4,796	
Current liabilities	4,004	4,645	29,094	27,669	
Interest bearing liabilities	20,718	20,631	32,117	29,980	8
Bank overdraft	-	-	-	-	
Free and restricted bank deposits	2,459	2,412	1,134	1,351	
Net interest-bearing liabilities	18,259	18,219	30,983	28,629	9
PROFITABILITY					
Operating margin	26 %	21 %	24 %	9 %	1
Earning on equity	-30 %	3,557 %	128 %	-286 %	2
LIQUIDITY					
Liquid assets	2,459	2,412	1,134	1,351	6
Working capital	-119	-803	-26,264	-24,654	7
Adjusted EBITDA	1,534	1,282	1,411	1,005	3
Current ratio	1.0	0.8	0.1	0.1	4
CAPITAL					
Total assets	24,938	26,069	29,883	31,651	
Equity	3083	4,243	-3,835	-851	
Equity ratio	12 %	16 %	-13 %	-3 %	5

References and definitions

1. Operating result before depreciation and impairment in percentages of total operating income
2. Result before tax, in percentage of average equity including non-controlling interests
3. Operating result before depreciation and impairment adjusted for Joint Ventures, excess values charter parties from mergers, operating leases and other non-cash related items
4. Current assets divided by current liabilities
5. Booked equity including non-controlling interests in percentage of total assets.
6. Cash and bank deposits (free and restricted)
7. Total current assets less total current liabilities (including current interest bearing liabilities)
8. Interest bearing liabilities is the total of the accounting lines "Interest bearing liabilities", "Current interest bearing liabilities" and "Leasing obligations"
9. Net interest bearing liabilities is interest bearing liabilities (8) less cash and bank deposits (6)

Solstad Offshore ASA has included the above Alternative Performance Measures (APM), which are commonly used in the business, as they are used internally by management to understand the Group's financial performance. Hence, it is deemed that the APM's also will provide useful information to the reader. For further definitions, refer to page 86.

The Board of Directors

HARALD ESPEDAL (b. 1972)

Harald Espedal is a graduate from The Norwegian School of Economics (NHH) in economics with additional studies in auditing. Today he is the Chairman of Lyse AS, Sandnes Sparebank, Espedal & CO AS, Deputy Chair in Stavanger Concert Hall, and Board member in Aaspelin Ramm and The Norwegian National Opera & Ballet.

Espedal has a long career within the finance and investment industry including as CEO and Investor Director for SKAGEN and Investment Director for Vesta.

SHARES IN SOLSTAD OFFSHORE ASA: 656 687

FRANK O. REITE (b. 1970)

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

SHARES IN SOLSTAD OFFSHORE ASA: 0

INGRID KYLSTAD (b. 1985)

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

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

SHARES IN SOLSTAD OFFSHORE ASA: 0

ELLEN SOLSTAD (b. 1974)

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

SHARES IN SOLSTAD OFFSHORE ASA: 0

THORHILD WIDVEY (b. 1956)

Thorhild Widvey has held various positions in the Norwegian Minister departments from 2002 to 2015. Prior to this she was a Member of Parliament (Stortinget) from 1989 to 1997, representing Høyre (the Conservative Party of Norway). Ms Widvey is chair of the Board in Statkraft AS; and has previous held a number of board positions both in privately held and stock listed companies. She was a board member of Kværner ASA (2016-2020) and continued as member of the board of Aker Solutions after the merger with Kværner (2020-).

SHARES IN SOLSTAD OFFSHORE ASA: 0

PEDER SORTLAND (b. 1963)

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

SHARES IN SOLSTAD OFFSHORE ASA: 0

Board of Director's Report

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

Per year end 2021 the Company has 3,600 highly skilled employees and nine offices globally. The Company owns and operates a versatile fleet of modern offshore vessels which consist of PSVs (platform supply vessels), AHTS (anchor handling tug support vessels) and CSVs (construction service vessels).

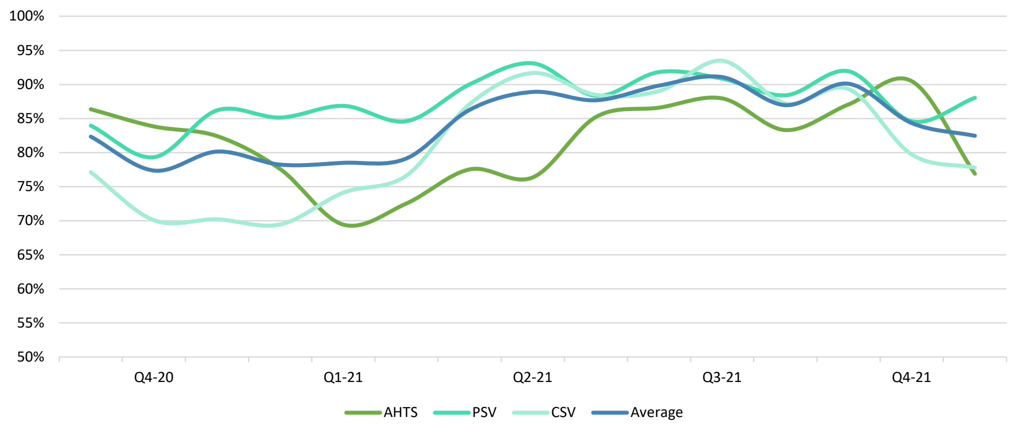
The supply vessels (AHTS and PSVs) support oil field operators in production as well as development and exploration activities. The Company's CSVs fleet supports subsea and renewable energy projects world-wide and is partly working on contracts and partly utilized for seasonal activities. The CSVs on contracts serve the IMR (inspection, maintenance and repair) and the SURF (subsea, umbilicals, risers and flowlines) markets, or supporting installation and maintenance work related to the renewable energy industry offshore.

The offshore energy market has been depressed for several years. However, there are signs that the market is improving. 2021 started with a more optimistic view compared to last year, with improved tender activity level and increased rates and utilization in our key markets. However, concerns regarding new variants of the Covid-19 virus affected the Company throughout the year. The Brent Oil price started at USD 50 per barrel and developed with an upward trend driven by the underlying recovery in demand for oil, linked to the reopening of societies around the world. The Company has positioned itself in the energy landscape with a clear strategy to grow its presence in a more sustainable future. Over the long term the Company expect its exposure to renewable energy to increase, driven by fixed and floating wind.

The operating income increased by about 8 percent, to MNOK 5,418 in 2021, compared to MNOK 5,026 in 2020. Operational expence in 2021 was MNOK 4,016 compared to MNOK 3,994 in 2020. Adjusted EBITDA for the year increased by 20 percent to MNOK 1,534 from MNOK 1,282 in 2020. The operating result in 2021 was MNOK -7 compared to a negative result of MNOK -2,226 in 2020 . The result after tax was MNOK -1,136 compared to MNOK 7,254 in 2020. The booked equity for year end is MNOK 3,083.

1. Vision and values

Solstad Offshore's vision is to deliver industry-leading sustainable operation to the global offshore energy market. Its four core values are Safe – Reliable – Competent – Responsible. These values are tools to create a common culture and define how the Company operates and interact with clients, suppliers, partners, and colleagues.



2. The Company's activities

Solstad Offshore's activities are primarily directed towards the offshore markets for oil and gas and renewable energy. During 2021, the operation has been organized in four business areas; PSV, AHTS, Subsea Construction and Renewable Energy worldwide. The Company's headquarter is located in Skudeneshavn, Norway with offices in Ålesund, Aberdeen, Rio de Janeiro, Macae, Perth, Singapore, Manila and Odessa.

The Company's operating income in 2021 was divided into 50 percent (2020: 49 percent) from CSVs and 50 percent (51) from AHTS and PSVs. Furthermore, the regional split of the income was 44 percent (45) from the North Sea, 6 percent (9) from South America, 12 percent (5) from Africa, 3 percent (5) from North and Central America, 4 percent (18) from the Mediterranean part of Europe, 23 percent (13) from Australia, and 8 percent (5) from Asia.

Subsea construction and renewable energy

The CSV segment includes 25 vessels, whereof two vessels were in layup at year-end 2021. The Solstad CSV fleet is versatile, and the vessels are designed and equipped to support a wide range of offshore services within oil and gas and renewable energy projects. During 2021, the fleet has successfully been involved in projects both within renewable energy and oil and gas. This includes geotechnical work, walk to work-services, grouting, SURF operations, deep-sea mining, cable laying and repair, trenching and burial, ROV support, installation of subsea equipment, survey work, IMR operations, node seismic operations, diving and topside maintenance work. Geographical areas of operation include Asia, South America, West Africa, North Africa, Europe and Gulf of Mexico. The company has also signed new contracts for the CSV segment in most of the aforementioned geographical areas. The client portfolio for the CSV fleet includes a mix of energy companies, subsea construction companies, wind turbine manufacturers, cable companies and seismic companies.

AHTS & PSV

The AHTS fleet includes 26 vessels, whereof 15 vessels are operational. The PSV fleet includes 45 vessels, with 38 vessels in operation. Strategic regions are Australia, Brazil and North Sea, and the majority of the vessels are located in these regions. Most of the operating vessels were on term contracts, and during 2021 we signed long term contracts with companies such as Petrobras, Equinor, Enquest and Chrysaor. The size of the AHTS/PSV fleet has proven its flexibility as we have been able to relocate vessels between the strategic regions. At the end of 2021, 11 vessels were in operation in Asia / Pacific, 10 in Brazil, 15 in the UK and 16 in Norway. The remaining vessels operate internationally. Normand Titus and Normand Ranger have for market reasons been relocated from the North Sea to Brazil and Australia, respectively.

Technical & Projects

Throughout the year, 10 dry-dockings were completed with a total expence of MNOK 277. The technical uptime for the year was 99,36 percent. Nine vessels were reactivated, and two vessels were installed with battery. A total of ten vessels are now equipped with batteries.

HSE & HR

HSE results ended with a TRCF at 1.19 (1,28 in 2020) and the trend was positive throughout the year. Solstad Offshore received the annual OSJ Environmental award in London in 2021. This is the second time the Company wins this award. The last time was in 2012.

By the end of the year, total number of seafarers counted 3,354. Retention rate per region / nationality is relatively stable and varies from 93-99 percent. 2021 was a year hugely affected by Covid-19 for both seafarers and the crewing department. During the spring, the Company conducted a survey amongst its seafarers to assess the impact of the pandemic. The survey results led to several measures being improved or implemented.

Vessel divestment in 2021

In 2021, Solstad Offshore completed divestment of several vessels, primarily the smallest and less modern vessels. The Company divested a total of 23 vessels: 11 PSV's, 10 AHTSs and 2 CSVs. All 23 vessels were divested in line with the restructuring plan for the company. At year end 2021, a total of 25 out of 37 vessels have been divested. Further 11 vessels have been divested as of 21. April 2022 and this concludes the divestment of non-strategic vessels whereof one of the 37 non-strategic vessels has been put into operation.

3. The Market

Oil & Gas

The effects of the Covid-19 pandemic decreased through 2021, but still impacted some geographical areas more than others. The year started with an oil price of USD 50 per barrel and increased steadily to USD 80 by year end.

Demand for vessels increased throughout the year, with new projects driving the demand. Compared to 2020, charterers have shifted their preference towards vessels on longer contracts. Operations within oil and gas will continue to be the main activity for Solstad for many years to come. With its fleet of about 90 modern offshore vessels (not included the non-strategic vessels to be divested), the Company are particularly well positioned in its strategic markets the North Sea, Australia and Brazil.

Renewable Energy

The renewable market, and in particular offshore wind, continued its growth momentum in 2021 despite the challenging macro environment. The momentum is driven by increasing social and political pressure to reduce carbon emissions, as well as the continued reduction in the development expence of offshore wind power. The oil operating companies have given more attention to floating wind installations, and consequently demand for infrastructure has increased. The Company has strengthened its presence in this segment through the Windstaller Alliance and is well positioned to take an active part in the energy transition. In 2021, about 11 percent of income came from this segment. Activity in well established markets in Europe, such as the North Sea, Germany and the Netherlands, remained high, while activity in newer markets such as Taiwan and Korea also increased.

4. Corporate particulars

As of 31. December 2021, the number of shareholders was 7,248 whereof total international shareholding was approximately 20 percent. The largest shareholders, Aker Capital AS, Hemen Holding Ltd and Jarsteinen AS, hold 24,92 percent,

Top 10 as of 31.12.2021	Number of shares	Ownership
Aker Capital AS	18,843,913	24,92 %
Hemen Holsing Ltd	7,016,727	9,28 %
Jarsteinen AS	3,130,734	4,14 %
Citibank Europe plc	1,921,921	2,54 %
Magne Hystad	1,800,000	2,38 %
DNB Markets Aksjehandel/-analyse	1,542,780	2,04 %
The Export-Import Bank of China	1,139,842	1,51 %
Otto Rognvær	991,598	1,31 %
Sparebanken Møre	965,728	1,28 %
Knut Invest AS	800,000	1,06 %
Minority shareholders	37,455,415	49.54 %
	75,608,658	**100 %**

9,28 percent and 4,14 percent, respectively.

5. Corporate governance and management

Solstad Offshore ASA's governance and management adhears to the Company's vision and values. The Company is listed on the Oslo Stock Exchange and is subject to the Norwegian companies act, accounting act and stock exchange listing and securities trading legislation. Solstad Offshore ASA adheres to the Norwegian Code of Practice for Corporate Governance, which was last revised on 14. October 2021. More information on corporate governance is given in the separate chapter in the annual report and on www.solstad.com.

The directors and officers of Solstad Offshore ASA are covered under a "Director and Officer Liability Insurance". The insurance covers personal legal liabilities including defence and legal expence. The officers and directors of the parent company and all subsidiaries globally are covered by the insurance. The cover also includes employees in managerial positions or employees who serves as Directors in non-subsidiaries to safeguard the interest of the Company.

6. Financial position and development - the Group

The financial statements for the Company for 2021 are prepared in accordance with International Financial Reporting Standards "IFRS", as adopted by the European Union.

Operating income in 2021 was MNOK 5,418 compared to MNOK 5,026 in 2020. The increase from 2020 is mainly driven by higher rates and capasity utilization.

Operating expenses in 2021 amounted to MNOK 4,016 compared to MNOK 3,994 in 2020. Adjusted EBITDA for the year was MNOK 1,534 compared to MNOK 1,282 in 2020. Operating result before financial items and tax was MNOK -7 compared to MNOK -2,226 in 2020, including impairments of fixed assets of MNOK 45 compared to MNOK 1,895 in 2020.

Company result after tax for 2021 was MNOK -1,136 (MNOK 7,254 in 2020). Net financial items for 2021 were MNOK -1,103 (MNOK 9,477 in 2020). The change from 2020 to 2021 is mainly due to effects from the Company's financial restructuring in 2020.

Net earnings per share were NOK -15.13 (NOK 29.13 in 2020). Operating result before depreciation and impairment amounted to 26 percent of income compared to 21 percent in 2020. Booked equity per 31.12.2021 was MNOK 3,083 (MNOK 4,243 in 2020) i.e. NOK 40.78 per share (NOK 56.7 per share in 2020). Interest bearing debt as of 31.12.2021 was MNOK 20,718 (MNOK 20,631 in 2020), whereof MNOK 2,913 (MNOK 3,500 in 2020) is classified as current liabilities. The interest-bearing debt has the following currency split, 31 percent (33) NOK and 69 percent (67) in USD. Overview and details of amounts, interest rates, maturity and main covenants are included in the account notes 5 and 6. At year-end, the Company held MNOK 2,459 in cash deposits (MNOK 2,412 at year-end 2020). The cash at year-end includes a MNOK 1,496 (MNOK 1,473 at year-end 2020) working capital facility provided as a part of the restructuring agreement.

7. Health, environment, safety and quality assurance

The Company operates in accordance with international regulations and standards and is certified to ISM, ISO 14001:2015, ISO 9001:2015, ISO 45001:2018, ISO 50001:2018, MLC (Maritime Labor Convention) and ISPS (International Ship and Port Facility Security). The crews are trained according to the Company's procedures and approved pursuant to the requirements of the STCW 10 (Seafarers Training, Certification and Watchkeeping Code). Internal audits are carried out on all ships and offices on an annual basis. The common management system (Solstad Internal Management System - SIMS) includes overall objectives and policies for the Company. Further, it describes the various processes and activities to be performed and each employee's responsibilities/roles related to these.

A vital part to understand and improve safety is to focus on preventative measures to avoid injuries and operational accidents or interruptions. In 2021, approximately 34,328 HSE reports were recorded and processed at different levels in the organization. Conclusions from analyses are used as basis for further preventative measures to avoid future accidents. Overall, the Company had three work-related lost-time injuries that provide an TRCF (Total Recordable Case Frequency, recordable injuries per 1 million working hours) of 1.19 for 2021 (1.28 in 2020). The goal of no incidents is maintained for 2022, and the Company focuses on the evaluation, facilitation, planning and preventative work to avoid all kinds of personnel-related injuries and incidents with adverse effect on the environment. The Company implemented the safety behavior and culture program "Solstad Incident Free Operations" (SIFO). Over the period that the program was implemented the number of incidents was considerably reduced by involving the crew and increasing their focus on safety in their daily work. A variation of the program has now been implemented throughout the Solstad Offshore fleet. SIFO is a long-term program and it will realistically take 2-3 years to get properly implemented.

In 2021 alone we achieved 1 percent improved fleet fuel efficiency through technical and operational measures. This was below our target of 3 percent reduction. For 2022 the Company has changed how to measure emission reductions, and this can be found in the Sustainability Report 2021.

The fleet had 292 liters of emissions of various types of oil products to sea in 2021. The Company has a program for sorting and reporting of all waste, covering both ship and onshore organizations.

The Company's onshore administration consists of 184 men (58 percent) and 130 women (42 percent). Out of a total of 3,354 marine crew at year-end, only 212 were women (6 percent). The Company focuses on diversity and has equal opportunities for all employees, regardless of their ethnic background, nationality, descent, color, language, religion, lifestyle or gender. The Company will select and appoint the most suitable person for a position based on their attitude, skills and qualifications. The Company takes part in recruitment and training of cadets/trainees and participates in measures towards encouraging young people to involve in maritime education.

8. Market outlook

With the oil price per barrel back to USD 80 level at year end 2021, oil and gas companies have slowly started to increase their activity again after they put the brakes on during the latest years. The market started to show positive signs during 2021, and expectations for 2022 is a steady increase. The renewable energy operators and contractors continue to increase their activity, which have a positive demand effect for part of the CSV fleet, but also the AHTS fleet. In total, an increased demand for vessels is expected, and a limited number of new vessels are entering the market. As a result of increased demand, competition has stabilized with associated increases in day rates.

The war in Ukraine will impact the energy market and the uncertainty around this will result in a uncertain market going forward.

9. Risk

The Company is exposed to market, commercial, operational, and financial risks that affect the assets, liabilities, available liquidity and future cash flows.

One of the key commercial risks for the Company is the cyclical oil & gas markets it operates in, with high volatility in freight rates, vessel values and consequently profitability. The market has been in imbalance between supply and demand of vessels over the last years, which determines the freight rates. Factors affecting this is outside the Company's control and influence.

Operational risks such as technical breakdown, grounding and malfunction of equipment are mitigated by insurrance.

The Company is exposed to interest rate and currency risk, primarily through financing and contracts. The Company is exposed to interest rate risk, as long-term debt mainly is based on floating interest. Currency risk is reduced by having debt in the same currency as charter agreements.

A risk mitigation framework has been established based on identifying, assessing and managing the Company risks. A risk mitigation framework has been established based on identifying, assessing and managing risks. The Board monitors the overall risk factors for the Company.

Market risk
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 improved despite impacts of Covid-19 still affecting regions where the Company operates. Despite the still challenging market conditions, the Company started to see signs of brightening towards the end of 2021. The Company has avoided significant operational disruptions caused by Covid-19 and has implemented a wide range of measures to continuously manage and reduce risk.

Risk related to the ongoing invasion of Ukraine
In February 2022, Russian armed forces invaded Ukraine. The Company is present in Ukraine with an office that manages crewing services and employs approximately 300 Ukrainian crew. None of the Company's vessels have been forced to off-hire due to the situation, but there is a risk that crew changes and crew availability will be challenging as long as the war persists. Management is handling this event and its development proactively, including sanctions and direct and indirect impacts. Actions to mitigate its effect on services the Company provides, and other associated risks, are taken. There is significant uncertainty regarding how the invasion and the following sanctions will impact the energy sector and we expect this will result in a volatile market going forward. The ongoing war in Ukraine could potentially lead to increased risk of cyber-attacks.

Safety and environmental risks
There are inherent safety and security risks related to operations at sea. As one of our core values, safety is always in front of mind for all employees, which is materialized through the Solstad Incident Free Operations (SIFO) program. The Company focuses on evaluation, facilitation, planning and preventive work to avoid all type of personnel related injuries and incidents that have an adverse effect on the environment.

The Environmental risks mainly relates to the vessels and includes risks such as oil spillage.

Key performance indicators are monitored, and cause analysis performed with mitigating responses if possible undesired events are identified.

For further information, reference is made to the Sustainability Report.

Climate risk
The Company's business and results of operations could be adversely affected by climate change and the adoption of new climate change laws, policies, and regulations. Growing concerns about climate change and greenhouse gas emissions have led to the adoption of various regulations and policies, including the Paris Agreement negotiated at the 2015 United Nations Conference on Climate Change (COP 21).

The climate risk is part of the Company's risk universe, and the Company is exposed to a variety of climate risks. These risks vary from regulatory, transitional, market, technology to reputational risk. Climate risk and opportunities are one of the Company's top focus areas. We focus mainly on reduction of carbon emissions from the fleet and to grow and pursue new business opportunities within the renewable segments. Risks and opportunities are classified as short, medium or long term based on how effects of climate change affect the Company, and required actions consequently planned. The Company's goal is to achieve a 50 percent reduction (compared to a 2008 baseline) in emissions by 2030, and net zero by 2050. Our most significant financial climate risk is related to the vessels, and the risk of not being able to transition efficiently, and thereby losing competitiveness.

For further information, reference is made to the Sustainability Report.

Risks related to financing of the company
The main portion of the Company's external debt will mature by 1Q 2024 and therefore it is an inherent refinancing risk. A refinancing is dependent on how the market develops and many factors such as developments in oil and gas prices. This may lead to a need for adjustment of the capital structure.

Normand Maximus
Vessel lease liability is guaranteed by the Parent Company with MNOK 2,424, for further reference is made to Note 6 Mortage Debt. For the CSV Normand Maximus the situation remains as previously communicated. Normand Maximus Limited continues its dialogue with its financiers to find a long-term solution for the lease financing of Normand Maximus. 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 2021 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 refer to Annual Report 2021 Note 6 and 8.

10. Finance - parent company

The result for Solstad Offshore ASA in 2021 was MNOK 92 (MNOK 822 in 2020). The net financial result of MNOK 92 (MNOK 917 in 2020) is mainly related to effects from the financial restructuring of the Company. Operating result was of MNOK 0,2 (MNOK -95 in 2020).

The Company's assets are mainly related to the value of shares in subsidiaries. Booked equity at year end was MNOK 422 (MNOK 328 in 2020). The long term debt at the same date was MNOK 2 (MNOK 2 in 2020).

11. Going concern

The annual 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 year end, terms and conditions of the banking and borrowing facilities, the forecasted cash flow prognosis for the Company and backlog position at 31 December 2021. Following the restructuring in 2020, the Company has simplified its legal structure and strengthened the liquidity position within the restructured Company. Borrowing facilities in the restructured Company consists of one fleet loan, with repayment terms that reflects the current market conditions.

12. Subsequent events

Contracts
The Company has increased its orderintake with approximately MNOK 2,600 during Q1 2022. The new contracts (MNOK 1,450) are from all business segments.

Sale of vessels
The Company has disposed further 11 vessels classified as non-strategic in 2022, with warrants exercised for five of the sales. This concludes the divestment of non-strategic vessels whereof one of the 37 non-strategic vessels has been put into operation. Warrants are exercised in accordance to the restructuring agreement 20 October 2020.

The situation in Ukraine
In February 2022, Russian armed forces invaded Ukraine. The Company is present in Ukraine with an office that manages crewing services and employs approximately 300 Ukrainian crew. None of the Company's vessels have been forced to off-hire due to the situation, but there is a risk that crew changes and crew availability will be challenging as long as the war persists. Management is handling this event and its development proactively, including sanctions and direct and indirect impacts. Actions to mitigate its effect on services the Company provide, and other associated risks are taken.

13. Profit & loss allocation

The Board proposed that the following distribution is made for the parent company:

Transfer from other equity	NOK	91,813,164
Net applied/transferred	NOK	91,813,164

Affirmation by the Board and Managing Director

We hereby affirm that, to the best of understanding, the Annual Accounts for the period 1st January to 31st December 2021 have been prepared in accordance with current accounting standards; and that the information in the accounts represents a true and fair view of the Company's and the consolidated group's assets, liabilities, financial position and overall performance. We further affirm that the Annual Report provides a true and fair view of the development, earnings and standing of the Company and the consolidated group; outlining the most important risk factors and uncertainties facing the group.

Board of Director in Solstad Offshore ASA
Skudeneshavn 21. April 2022

Harald Espedal
Chairman

Frank O. Reite
Director

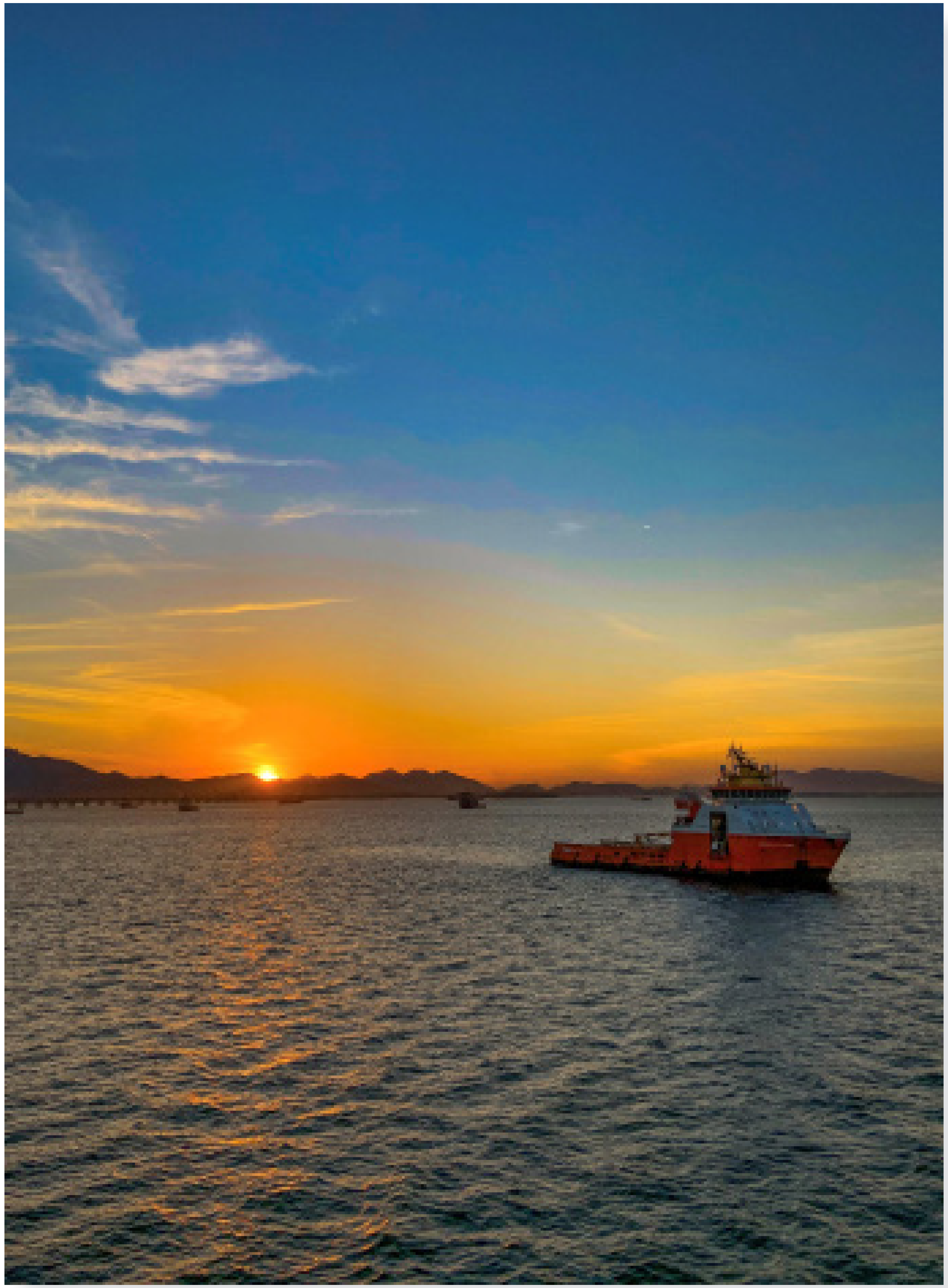
Peder Sortland
Director

Thorhild Widvey
Director

Ellen Solstad
Director

Ingrid Kylstad
Director

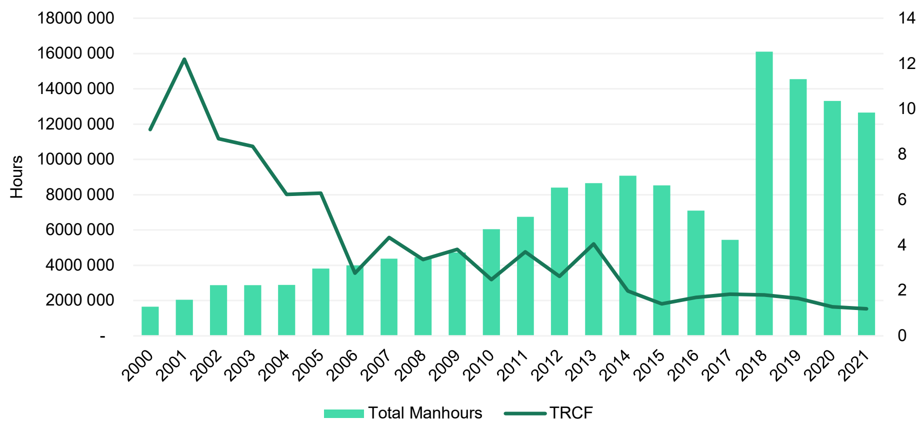
Lars Peder Solstad
CEO



Sustainability in brief

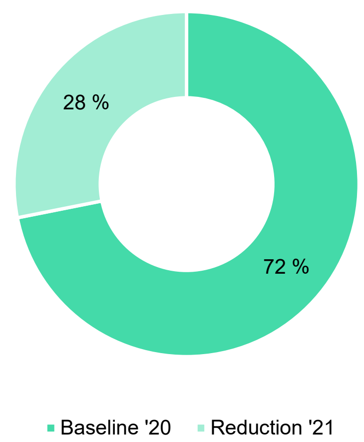
Safety

The Total Recordable Cases Frequency (TRCF) was record low with 1.19. A total of three Lost Time Incidents (LTI) were recorded. Solstad has a zero injuries vision.



Plastic Bottles

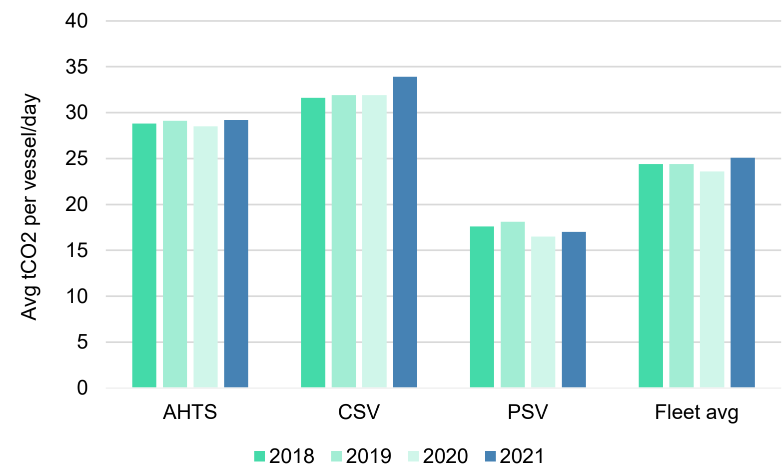
Reduction in single-use water plastic bottles during 2021 ended at 28 percent (65,600 bottles) and lead to a CO_2 reduction of 9 tons. For 2022 the reduction target is 50 percent.



Emissions

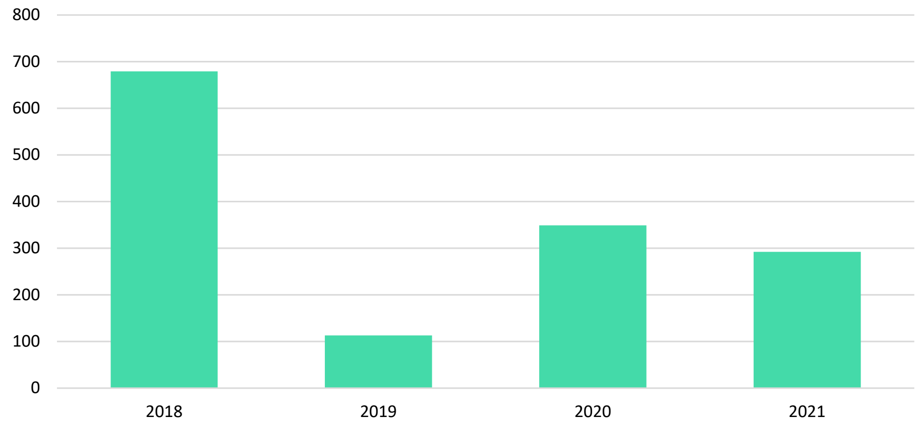
The total fleet CO_2 emissions increased by 2.1 percent in 2021 to 711,552 tons due to higher operational activity and more vessels in operation.

The average CO_2 emission per vessel/day has increased by 4 percent compared to the 2018-2020 average due to higher activity. Higher activity is a positive sign for Solstad. However, this results in more longer transits for some vessels (between world-wide regions), less days idle berthed waiting for work and more demanding DP operations for the CSV and AHTS vessels. This again results in higher total net CO2 emissions. However, the PSV fleet alone shows a postive development the last two years as a result of the nine hybrid PSV conversions. This demonstrates that implementation of green technology works.



Oil Spills

The number and volume of oil spills to the environment are decreasing over time despite increased operational activity (292 litres vs 348 litres in 2020). Solstad has a zero-spill goal.

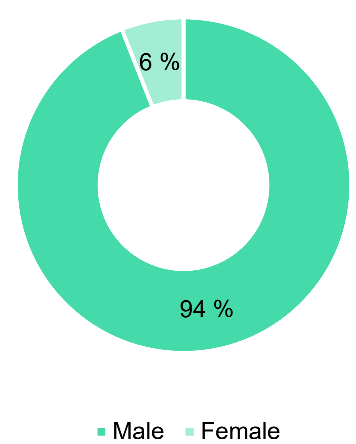


Diversity and Inclusion

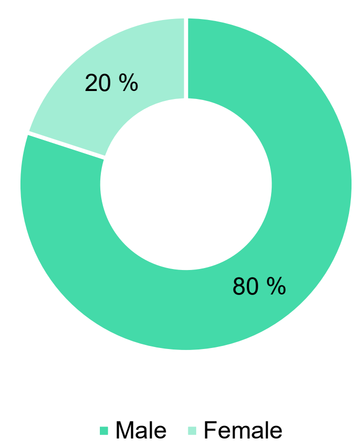
Currently, 6 percent of Solstad's seafarers are women (5 percent in 2020) and the company had a 44 percent increase in number of female seafarers during the year.

For the onshore organization, the total of female managers is at 22 percent and the target is to reach 35 percent by 2030.

Offshore crew



Onshore Managers



Corporate governance

Corporate governance in Solstad Offshore ASA is based on the Norwegian Code of Practice for Corporate Governance of 14. October 2021 (the Code). The Company is listed on the Oslo Stock Exchange (OSE) and is subject to Norwegian corporate, accounting, exchange listing and securities trading legislation.

Implementation and reporting

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

Business

Solstad Offshore ASA´s objective as described in the Articles of Association, is to conduct integrated shipping operations with advanced vessels in its market segments, utilizing owned or chartered vessels. The operations are primarily the provision of maritime services to the oil and gas and renewable energy industries. The Company´s Articles are available online at www.solstad.com. More details about the Company´s objective and strategy are set out in the Annual Report on page 3 - 5.

Solstad Offshore ASA maintains its guidelines for ethical conduct and social responsibility aimed at securing values and corporate culture in the organization, in order to provide a basis for value creation, safe and green operations, workplace satisfaction, positive reputation and innovation.

Equity and dividends

At year-end 2021, the Company's equity amounted to MNOK 3,083. In a longer perspective, the Company aims is to give the Shareholders an attractive return on invested capital, by increased share price and dividends.

Due to the current market situation and certain restrictions of the financial agreements with the Company´s lenders, The Company will not pay dividends for 2021 or for the coming years.

On the General Meeting, held on 25. May 2021, no authorization was given to the Board of Directors in respect of increasing of the share capital.

Equal treatment of shareholders

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

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

Shares and negotiability

The shares in Solstad Offshore ASA are freely tradable. The Articles of Association set no limitations on transactions.

General meeting

The Annual General Meeting is held in the month of May or June. According to the Articles of Association, the notice and related documents are posted on the Company's website no later than three weeks in advance. The Company endeavours to ensure that the documents contain all necessary information to enable shareholders to vote on all matters. The Chairman of the Board takes part in the General Meeting, as does the Company Auditor. The Board aims for as many Shareholders as possible to attend. Shareholders who cannot attend, may be represented by proxy and the procedures for voting by proxy are described in the notice. The proxy authorization form is designed to allow Shareholders to vote on individual items and individual candidates for election or re-election. The agenda is determined by the Board of Directors, according to the article 6 of the Articles of Association. The Chairman of the Board opens the General Meeting and a chairperson for the meeting is elected. The minutes of the General Meeting are published as a Stock Exchange notice and on the Company's website.

Nomination committee

The Articles of Association states that the Company shall have a Nomination Committee of 2-3 members, the final number to be decided by the General Meeting. The Nomination Committee shall propose candidates to the Board of Directors and to the nomination committee, and propose remuneration of the Board of Directors and members of the nomination committee. The General Meeting will elect the members of the nomination committee, including the chairperson, and set their remuneration. The guidelines for the nomination committee and their contact details are published on the Company website.

Board of Directors, composition, and independence

The nomination committee's primary goal is to propose candidates who will ensure that the Company has a Board of Directors with the most relevant expertise, capacity, and diversity. The Board should be composed of Directors who act independently of special interests, and the majority of the Directors should be independent of any major Shareholder. The composition should also reflect gender equality, and both genders shall be represented with at least 40% in the Board of Directors. Directors are elected for a two-year term of office.

Work of the Board of Directors

There are six to eight scheduled Board Meetings annually, augmented by telephone conferences when needed. Instructions for the Board and Executive Management are in place. Procedures for internal control is exercised according to the adopted guidelines and reviewed with the auditor and Board on an annual basis. The Board receives a monthly financial report. The Board elects one of the directors to chair the meeting in the absence of the Chairman. An audit committee consists of three independent directors, elected by the Board of Directors.

The Company maintains rules to ensure that the Board of Directors and Executive Management report to the Board in case of any direct or indirect material interest in any contract signed by the Company.

Risk Management and internal control

The Board seeks through its work to ensure that the Company maintains good standards of internal control and appropriate systems of risk management, considering the scope and nature of the Company's business, and the provisions that govern the business. The Company has established a system of operation and administration that relies on work procedures and job descriptions. The system also covers social responsibility and ethical guidelines. There is a commitment to quality assurance. The Board receives information about operational, administrative, and financial developments in monthly reports. The Board reviews the corporate strategy and the business plan annually, including analysis of the Company's risk exposure. Exposure is monitored monthly through the reports from the Administration.

Remuneration of Directors

The remuneration of the Board of Directors is in line with comparable companies in the industry. The amounts involved are reported in the financial statements. The Directors do not have share options. In cases where members of the Board should undertake significant additional work for the Company, all Directors will be informed and fees shall be approved by the Board. The fees are reported in the financial statements. All transactions between Directors or employees (or companies that they represent or are associated with) on the one hand, and the Company on the other, are implemented in accordance with the arm's length doctrine.

Apart from the details included in the notes regarding remuneration of the Directors, companies that they represent or are associated with, the Company has no other obligations. Remuneration of the Directors is considered to reflect the market conditions.

Remuneration to Executive Management

The remuneration of the Managing Director is determined by the Board. Other elements of the remuneration are reported in the notes to the financial statements. The guidelines for remuneration of the Executive Management are presented to the General Meeting and remuneration guidelines can be found on the Company website.

Information and communication

The Company has a policy of treating all shareholders and other market participants equally, communicating relevant information on significant developments of the Company´s business and standing in a timely manner.

Presentations of the financial reports are made according to the financial calendar posted on the Company website and filed as a notice with the OSE. Furthermore, frequent briefings and discussions are held with analysts and investors. Information is disclosed through stock exchange notices, discussions with analysts, and general briefings for investors, as well as special briefings for stockbrokers and investors. The Company adheres to the recommendations of the OSE regarding Investor Relations reporting.

Take-overs

The shares in the Company are freely tradable, and the Articles of Association does not hold specific defense mechanisms against take-over situations. In a potential bid-situation, the Board will work to inform Shareholders and allow time to decide on the offer. Furthermore, the Board will issue a statement to the Shareholders with an assessment of the bid and a recommendation of whether to accept it or not.

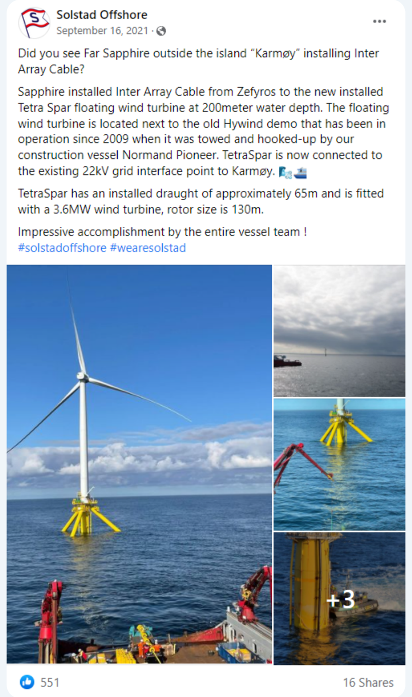
Auditor

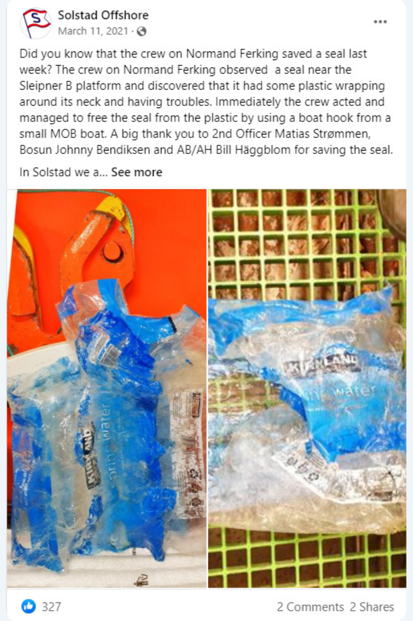
The Auditor of the Company is elected at the Annual General Meeting, which also approves its remuneration. The Auditor sets out the highlights of the audit plan to the audit committee annually. The auditor also presents a report with its views and observations regarding the accounting principles, risk areas, internal control routines, and other aspects. Furthermore, the Auditor will each year deliver a written report to affirm its compliance with certain impartiality and objectivity standards. The Auditor attends Board Meetings to discuss the financial statements for the year and attends the Annual General Meeting.

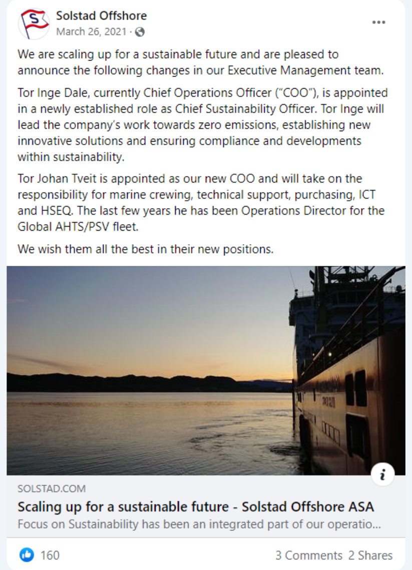
Important consultancy work performed by the Auditor requires prior approval by the Directors. The remuneration to the auditor is reported in the financial statements. Once a year, the Board of Directors meets with the Auditor for discussions without the Managing Director or other representatives from the administration present.

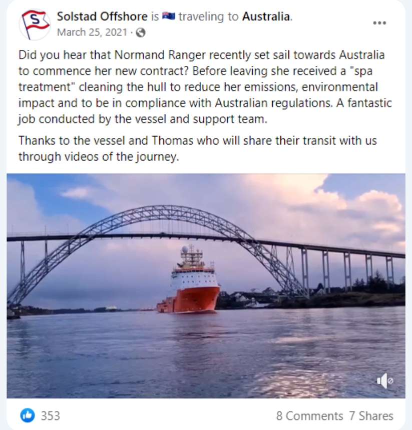
Social Media Highlights

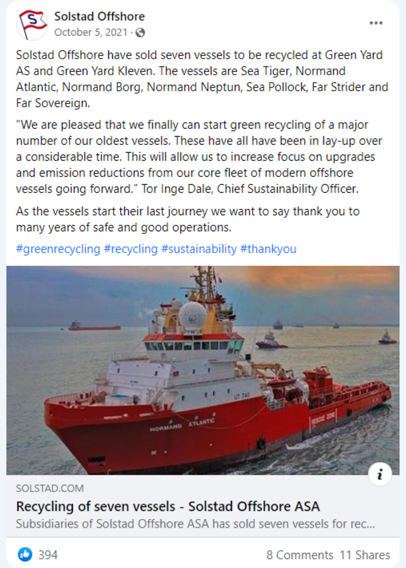
2021

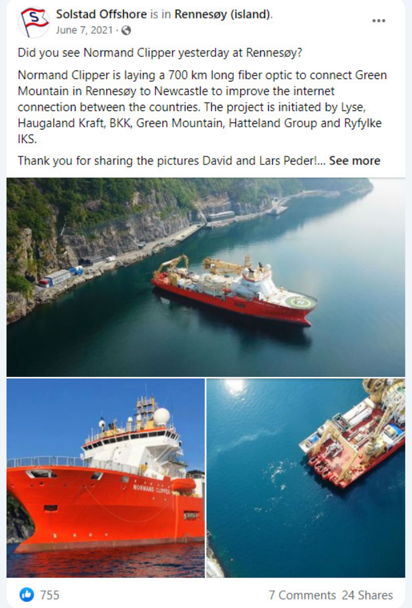


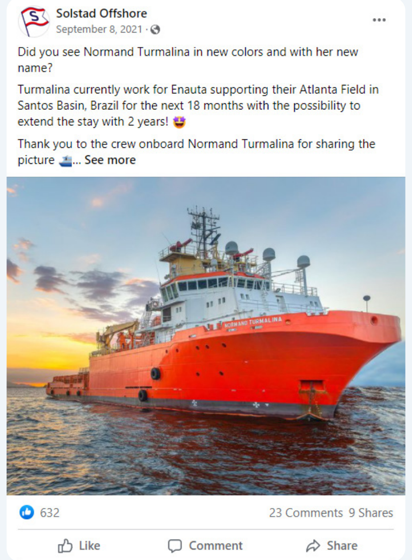


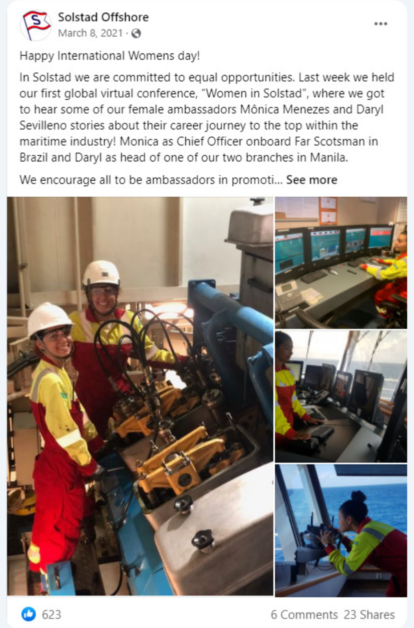


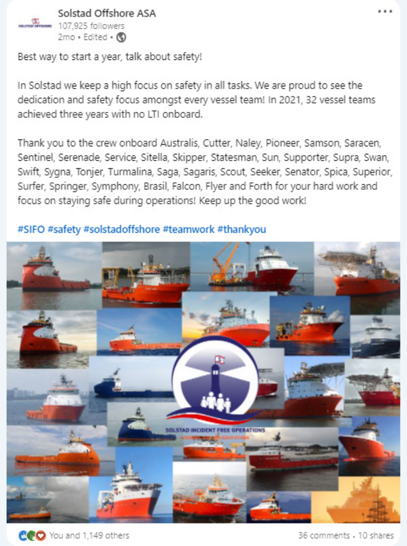


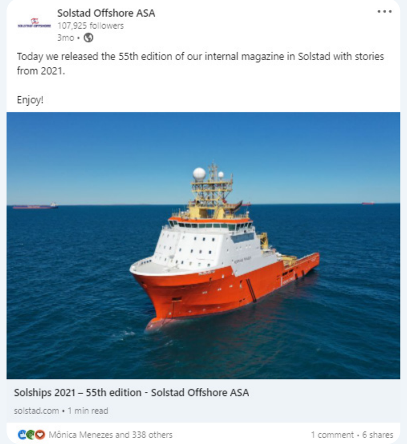


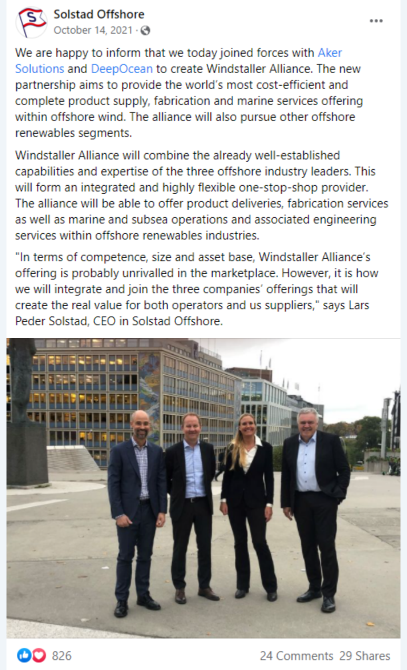












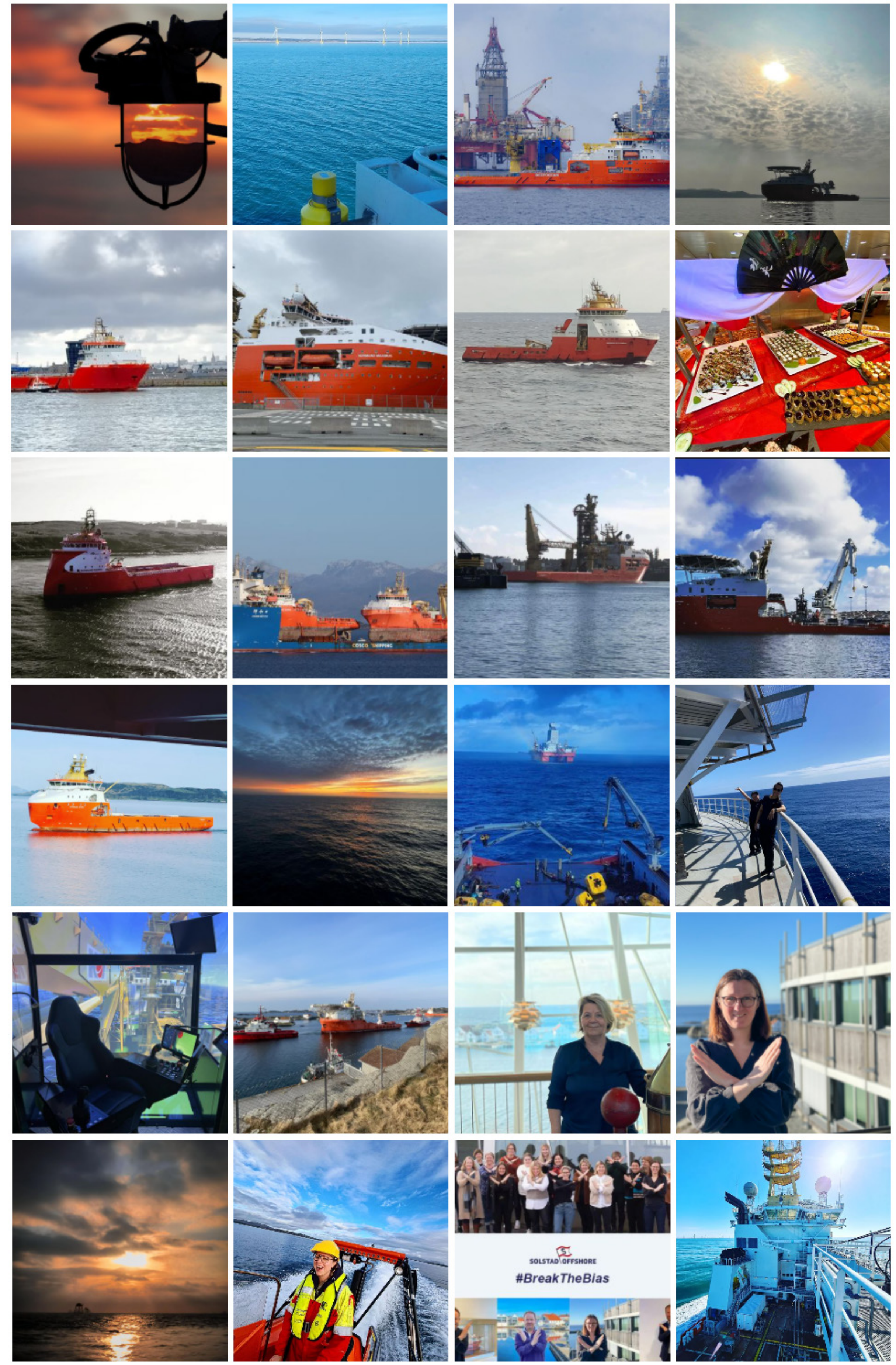
A new star in the fleet

29. October 2021, Normand Maximus launched her actress career in the Nordsjøen movie. The movie is produced by Fantefilm. Our vessels operate in harsh conditions around the world and the North Sea is no exception. Normand Maximus had a role in the movie, and she is the most advance vessel in our fleet. She operates around the globe conducting complex construction work in challenging environments.

In the movie an oil platform dramatically goes down on the Norwegian continental shelf coast, and researchers try to find out what happened when they realize this is just the start of something even more serious.

Onshore and offshore personnel was invited to a red carpet at Karmøy and Ålesund for a sneak peek of the movie and our star was portrayed in an excellent manner.

#solstadoffshore #wearesolstad #womeninsolstad #SIFO



Consolidated statement of comprehensive income

Group accounts (NOK 1,000)

	2021 01.01-31.12	2020 01.01-31.12	Note
Freight income	**5,128,173**	**4,844,027**	4, 28
Other operating income	289,327	181,603	4
Total Operating income	**5,417,500**	**5,025,630**	
Personnel costs	-2,044,482	-2,025,250	10, 11, 19
Administrative expenses	-449,509	-476,829	
Other operating expenses	-1,521,986	-1,491,671	10
Operating expenses	**-4,015,978**	**-3,993,750**	
Operating result before depreciation and impairment	**1,401,523**	**1,031,880**	
Depreciation	-993,053	-1,076,114	7,8
Depreciation capitalised periodic maintenance	-271,098	-282,231	7,8
Impairment fixed assets	-45,049	-1,895,040	7,8
Net gain/loss on sale of assets	-99,730	-28,896	7
Income from investment in joint ventures	247	23,975	13
Operating result	**-7,159**	**-2,226,427**	
Income from investments in associated companies	108	41,423	13
Interest income	10,295	6,373	
Other financial income	173,405	12,345,724	
Interest charges	-1,003,543	-1,437,619	
Other financial costs	-283,504	-1,479,125	
Net financial items	**-1,103,239**	**9,476,776**	**9**
Result before taxes	**-1,110,398**	**7,250,349**	
Tax on ordinary result	-25,664	3,517	18
Net result	**-1,136,062**	**7,253,866**	
Comprehensive income:			
Translation adjustments foreign currency	-34,851	580,397	
Comprehensive income that may be creclassified in subsequent periods	**-34,851**	**580,397**	
Acturial gain /(loss)	-3,971	-5,921	19
Comprehensive income that may not be reclassified in subsequent periods	**-3,971**	**-5,921**	
Total Comprehencive income	**-1,174,885**	**7,828,342**	
Net result attributable to:			
Non-controlling interests	-33,613	13,122	
Equity holders of the parent	-1,102,449	7,240,743	
Comprehensive income attributable to:			
Non-controlling interests	-33,613	13,122	
Equity holders of the parent	-1,141,272	7,815,219	
Earnings per share (NOK)	-15.13	29.13	16

Consolidated statement of financial position

(NOK 1,000)

	2021 31.12	2020 31.12	Note
ASSETS			
LONG-TERM ASSETS:			
INTANGIBLE ASSETS:			
Deferred tax assets	14,497	5,581	18
Contracts	-	7,499	28
TOTAL INTAGIBLE FIXED ASSETS	**14,497**	**13,079**	
LONG-TERM FIXED ASSETS:			
Vessels and new build contracts	17,386,500	18,716,131	7
Right-of use-assets	2,561,186	2,457,322	8
Capitalized periodic maintenance	677,518	760,223	7
Other tangible fixed assets	26,309	33,265	7
TOTAL LONG-TERM FIXED ASSETS	**20,651,513**	**21,966,941**	
FINANCIAL ASSETS:			
Investment in joint ventures	91,127	109,904	13
Loans to associated companies and joint ventures	47,506	45,961	17
Investments in associated companies	1,279	1,128	13
Investments in shares	2,991	2,991	13
Other long-term receivables	56,460	60,195	23
TOTAL FINANCIAL ASSETS	**199,364**	**220,179**	
TOTAL LONG-TERM ASSETS	**20,865,374**	**22,200,199**	
CURRENT ASSETS:			
Inventory	173,041	165,330	25
Receivables:			
Account receivables	816,745	839,628	5, 24
Other short-term receivables	421,094	414,011	24
Total receivables	**1,237,839**	**1,253,639**	
Investments:			
Market based shares	15,200	11,100	9,13
Bank deposits and cash equivalents	2,459,027	2,411,905	5, 20
TOTAL CURRENT ASSETS	**3,885,107**	**3,841,974**	
Assets held for sale	**187,200**	**26,803**	7
TOTAL ASSETS	24,937,682	26,068,976	

Consolidated statement of financial position

(NOK 1,000)

	2021 31.12	2020 31.12	Note
EQUITY & LIABILITIES:			
EQUITY:			
PAID-IN EQUITY:			
Share capital (75,608,658 a 1,-)	75,609	74,873	15
Treasury shares	-	-	15
Other paid-in capital	-	-	
Share premium	176,927	175,572	
TOTAL PAID-IN EQUITY	**252,536**	**250,445**	
RETAINED EARNINGS:			
Other equity	2,835,545	3,976,816	
TOTAL RETAINED EQUITY	**2,835,545**	**3,976,816**	
Non-controlling interests	-4,599	15,814	
Total Equity	**3,083,481**	**4,243,075**	
LIABILITIES			
LONG-TERM LIABILITIES:			
Deferred tax	-	-	
Pension liabilities	25,864	25,015	19
Other financial liabilities	17,316	12,869	
Other long-term liabilities	1,917	12,372	
Interest bearing liabilities	17,523,945	16,875,360	5
Leasing liabilities	280,761	255,288	5
TOTAL LONG-TERM LIABILITIES	17,849,803	17,180,904	
CURRENT LIABILITIES			
Accounts payable	552,077	532,405	
Taxes payable	176,767	168,016	18
Other current liabilities	362,640	444,678	26
Current interest bearing liabilities	446,592	940,944	5,6
Current leasing liabilities	2,466,321	2,558,953	5
TOTAL CURRENT LIABILITIES	4,004,397	4,644,996	
TOTAL LIABILITIES	**21,854,200**	**21,825,902**	
TOTAL EQUITY AND LIABILITIES	24,937,682	26,068,976	

Board of Director in Solstad Offshore ASA
Skudeneshavn April 21, 2022

Harald Espedal
Chairman

Frank O. Reite
Director

Ingrid Kylstad
Director

Thorhild Widvey
Director

Ellen Solstad
Director

Peder Sortland
Director

Lars Peder Solstad
CEO

Consolidated statement of changes in equity

(NOK 1,000)

	Share capital	Treasury shares	Share premium	Other paid-in capital	Translation adjust-ments	Other equity	Total majoirty shares	Non-controlling interests	Total equity
Equity 01.01.2021	**74,873**	**-**	**175,572**	**-**	**981,656**	**2,995,161**	**4,227,261**	**15,814**	**4,243,075**
Result	-	-	-	-	-	-1,102,449	-1,102,449	-33,613	-1,136,062
Actuarial gain/ loss (-)	-	-	-	-	-	-3,971	-3,971	-	-3,971
Translation adjustments	-	-	-	-	-34,851	-	-34,851	-	-34,851
Total comprehensive income	**-**	**-**	**-**	**-**	**-34,851**	**-1,106,420**	**-1,141,272**	**-33,613**	**-1,174,885**
Share capital increase by convertion of debt	736	-	1,355	-	-	-	2,091	-	2,091
Share capital privat placement	-	-	-	-	-	-	-	13,200	13,200
Equity 31.12.2021	**75,609**	**-**	**176,927**	**-**	**946,805**	**1,888,740**	**3,088,081**	**-4,599**	**3,083,481**
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	-	-	-	-	-	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
Total comprehensive income	**-**	**-**	**-**	**-**	**580,397**	**7,234,822**	**7,815,219**	**13,122**	**7,828,342**
Share capital decrease	-582,773	281	-	-	-	582,492	-	-	-
Transfer of paid-in capital	-	-	-3,698,350	-321,648	-	4,019,999	-	-	-
Share capital increase by convertion 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**	**-**	**175,572**	**-**	**981,656**	**2,995,161**	**4,227,261**	**15,814**	**4,243,075**

Consolidated statement of cash flow

(NOK 1,000)

	2021 31.12	2020 31.12	Note
CASH FLOW FROM OPERATIONS			
Result before tax	**-1,110,398**	**7,250,349**	
Taxes payable	-18,917	-35,649	18
Ordinary depreciation and write downs	1,309,199	3,253,386	7
Gain (-)/ loss long-term assets	95,274	321,975	
Interest income	-10,295	-6,373	
Interest expense	1,003,543	1,437,619	
Terminated leases	-	439,559	
Non-cash refinance effects	-91,102	-11,713,286	
Effect of change in pension assets	400	7,695	
Change in value of financial instruments	-	-170,239	
Unrealised currency gain/ -loss	275,136	140,113	
Change in short-term receivables and payables	34,843	212,570	
Change in other accruals	-103,931	-361,760	
Net cash flow from operations	**1,383,754**	**775,960**	
CASH FLOW FROM INVESTMENTS			
Investment in tangible fixed assets	-72,654	-57,385	7, 8
Payment of periodic maintenance	-252,192	-406,800	7, 8
Consideration sale of fixed assets (vessels)	290,215	1,014,170	
Payment of long-term receivables	820	64,006	
Received interests	10,295	6,243	
Realization of shares and holdings	-	36	
Net cash flow from investments	**-23,515**	**620,270**	
CASH FLOW FROM FINANCING			
Paid-in capital	-	70,355	
Lease interests paid	-176,480	-241,442	6
Lease instalments	-213,191	-220,335	6
Paid interests	-531,847	-157,973	
Drawdown long-term debt	-	1,467,962	
Repayment of long-term debt	-397,541	-1,077,155	6
Net cash flow from financing	**-1,319,059**	**-158,588**	
Effect of changes in foreign exchange rates	5,942	40,236	
Net change in cash	41,180	1,237,642	
Cash at 01.01	2,411,905	1,134,028	
Cash at balance sheet date	**2,459,027**	**2,411,905**	

Notes

Notes to the Consolidated Financial Statements (NOK 1,000)

Note 1 - Accounting principles

The Group, Solstad Offshore ASA ("SOFF" or "the Company"), operates a shipping business from its head office in Nesavegen 39, 4280 Skudeneshavn, Norway, and its main activities are the operation of offshore service and construction vessels. The Group is listed on Oslo Stock Exchange. The financial statements were approved by the Board of Directors on 21. April 2022 and will be presented for approval in the Annual General Meeting.

Statement of compliance and basis for preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations by the International Accounting Standards Board (IASB) which have been approved by the European Union (EU).

The consolidated financial statements have been prepared on a historical expences basis, except for debt relateed to non core vessels and shares that have been measured at fair value and are presented in Norwegian Kroner. Throughout the Notes all figures are stated in NOK thousand unless clearly stated otherwise.

The annual 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 year end, terms and conditions of the banking and borrowing facilities, the forecasted cash flow prognosis for the Group and backlog position on December 31st, 2021. Following the restructuring in 2020, the Company has simplified its legal structure, and secured free float of liquidity within the restructured Group. Borrowing facilities in the restructured group consists of one fleet lowan, with repayment terms that reflects the current market conditions. The "Restructured" Group also holds a working capital facility of MNOK 1,494.

Changes in accounting principles

The Group has not implemented any new accounting standards or otherwise made any significant changes to account principles during 2021.

Approved IFRS and IFRIC interpretations not yet implemented

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

Consolidation

The consolidated financial statements comprise of the financial statements of Solstad Offshore ASA and its subsidiaries as of December 31st each year. Any deviating accounting principles are adjusted for in this consolidation.

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

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

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

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. The purchase price is allocated to identifiable assets and liabilities from the subsidiary and is recognized at fair value in the consolidated accounts at the acquisition date. Any excess expences of acquisition over the fair value of the net identifiable assets of the subsidiary acquired calculated at the date of handover, will be recognized as goodwill. If the expences of the acquisition is less than the fair value of the net assets of the subsidiary acquired calculated at the date of handover, a day-one-gain will be recognized as income.

All inter-company transactions, receivables, liabilities and unrealized profits, as well as intra-group profit distributions, are eliminated. In the consolidation, the profit and loss accounts of foreign subsidiaries, not using NOK as functional currency, are translated using the exchange rate on the day of transaction. The balance sheet is translated using the balance sheet date exchange rate. The exchange differences arising on translation for consolidation are recognized in other comprehensive income (OCI).

The non-controlling interest in equity is reported separately in the consolidated financial statements.

Investment in associates and joint ventures

The Group's investment in its associates and joint ventures are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence, but which is not a subsidiary. A joint venture is an entity in which the Group has joint control through entering into an agreement of joint control, requiring unanimous consent in strategic decisions (decisions relating to relevant activities).

The reporting dates of the associates, joint venture and the Group are the same and the same accounting principles are applied.

Investments in an associate and joint ventures are recorded in the balance sheet at expence plus post-acquisition changes in the Group's share of net assets of the associate or joint venture, less any impairment in value. The profit and loss for the Group reflects the associates' share under finance, and joint ventures' share of profits under operating expences. Changes recorded directly in the associates' or joint ventures' comprehensive income or equity, are recognized pro-rata in the Group accounts, and are, where applicable, presented in OCI.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

The Group's financial assets are derivatives, trade- and lease receivables and cash and cash equivalents. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Except for trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, (in the case of a financial asset not at fair value through profit or loss), transaction expences. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers.

The Group classifies its financial assets in two categories:

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

Financial assets at amortized expences

The Group measures financial assets at amortized expences if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

The Group's financial assets at amortized expences includes trade and other receivables, lease receivables and other non-current assets.

Financial assets at fair value through profit or loss

Derivatives at fair value are carried in the statement of financial position at fair value with net changes in fair value through profit or loss. The category includes foreign exchange contracts and interest rate swaps.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  a. the Group has transferred substantially all the risks and rewards of the asset, or
  b. the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Impairment of financial assets

For trade and other receivables, lease receivables and other non-current assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime Estimated Credit Losses (ECLs) at each reporting date, based on its historical credit loss experience.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when the Group has no reasonable expectations of recovering the contractual cash flows. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. This assessment is based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Financial liabilities

Financial liabilities are initially recognized at fair value and subsequently measured at amortized expences except for financial liabilities at fair value through profit of loss (FVTPL). Such liabilities, including debt related to non core vessels shall be subsequently measured at fair value. Other financial liabilities are subsequently measured at amortized expences using the effective interest method. Interest expense is recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Derivatives are financial liabilities when the fair value is negative, accounted for similarly as derivatives as assets.

Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. The Group also derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different in which case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount and the consideration paid is recognized in profit or loss.

Classification of items in the balance sheet

Current assets and short-term debt are items which mature within one year of the balance sheet date as well as any items relating to the normal operating cycle. The short-term portion of the long-term debt and other liabilities for which there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period are classified as current liabilities. Investments in shares hold for trading, not considered as strategic, or are expected to be disposed are classified as current assets. Cash and cash equivalents are classified as current assets, unless restricted from being used during the following 12 months. All other assets and liabilities are classified as long-term assets and liabilities.

Foreign currency translation

The functional and presentation currency of Solstad Offshore ASA is Norwegian Kroner (NOK). Transactions in foreign currencies are recorded at the currency rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet date. Non-monetary items such as vessels that are measured in terms of historical expences in a foreign currency are translated using the exchange rate at the date of initial transaction. Non-monetary items in companies where the functional currency deviates from the reporting currency are measured at the exchange rate at the date of the balance sheet. Any translation adjustments are included in comprehensive income.

The Group's most used currencies had the following exchange rates at the balance sheet date:

	GBP	USD	EUR	BRL	AUD
Per 31.12.20	11.646	8.533	10.470	1.643	6.587
Per 31.12.21	11.888	8.819	9.989	1.583	6.397

Segment information

The Group reports internally on operating- and geographical segments. The operating segments are divided into the following four segments:

- AHTS: anchor handling vessels
- PSV: platform supply vessels
- Subsea
- Renewable

The Group has extended reporting segments as a response to the Group's strategy. The Group owns and operates AHTS, PSV and CSV vessels. The different types of vessels operate in different markets, and management review operating results within these markets. The Group focuses on the renewable market, and as a consequence vessel operating renewable contracts has been highlighted as a separate segment. The segments coincide with the operational structure of the Company, being four departments responsible for each segment. Comparative figures have been restated.

Any other activities, including vessels under construction, are included in a separate segment. Overhead expences are apportioned between the segments based on the share of operating expenses. All accounting policies applied in the segment reporting are the same as used in the Group reporting.

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

Property, plant and equipment – impairment charges and depreciation

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

Each part of a fixed asset that is significant to the total expences of the item are separately identified and depreciated over that component's useful lifetime. Based on the Group's periodic maintenance program and running replacement the vessels vital parts, the expected lifetime of the assets is set to 20 years for all of the components, except for planned periodic maintenance.

The residual value and expected useful lifetime assumptions of long-lived assets are reviewed at each balance sheet date, and where they differ significantly from previous estimates, depreciation charges are amended accordingly.

Ordinary repairs and maintenance expences are charged to the income statement in the period in which they are incurred. The expences of major conversions and periodic maintenance of vessels is capitalized and depreciated over the useful lifespan of the parts replaced. The useful lifespan of periodic maintenance will normally be the period until the next interim- or main classification of the vessel, which usually is five years.

The book values of plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the booked value may not be recoverable. If any such indications exist and where the book value exceeds the estimated recoverable amount, the asset or cash-generating units are depreciated to their recoverable amount. The recoverable amount of plant and equipment is the greater of the net selling price and the value in use. When determining value in use, estimated future cash flows are discounted to their current value using a pre-tax discount rate that reflects current market assessments of the monetary value and the specific risk to the asset. For an asset that does not generate cash inflow, a recoverable amount is calculated for the cash-generating unit to which the asset belongs. Any previously calculated and recognized impairment write-downs are reversed if there are any changes to the estimates of recoverable amount. Reversals of previous impairments are limited to the book value of the asset if its value had not been impaired.

The business segments are the Group's strategic units of control. However, while calculating the recoverable amount, each vessel is treated as one cash-generating unit.

Gains and losses on disposal are determined by comparing the disposal proceeds with the book value and any profit or loss is included in operating profit.

New build contracts

Instalments on new build contracts are recorded in the balance sheet as fixed assets. Expences related to the on-site supervision and other pre-delivery construction expences including construction loan interest are capitalized per vessel. The depreciation starts from when a new build is delivered from the yard.

Leases

Right-of-use-assets

Right-of-use-assets are recognized at expences, less depreciation and impairment losses at the commencement of the lease. The expences of the assets includes the recognized lease liabilities, initial direct expences, and lease payments made prior to commencement. Straight-line depreciations over the lease term are used, unless the Company is reasonably certain to obtain ownership of the assets at the end of the leasing period, in which case straight-line depreciations over the estimated economic life of the assets are used. The assets are subject to impairment assessments under the same principles as other assets.

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

Lease liabilities

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

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

Contracts with renewal options

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

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, short-term deposits and other short-term highly liquid investments with maturity dates of less than three months. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

Restricted bank deposits are funds on separate bank accounts for tax deductions.

Assets held for sale

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

Treasury shares

The nominal value of treasury shares held is deducted from registered share capital. Any differences between the nominal value and the acquisition price of treasury shares, together with any gains or losses on transactions therein, are recorded directly to reserves.

Provisions

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

Excess values contracts

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

Tax

Tax consists of tax payable and changes in deferred tax.

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

Operations on foreign continental shelves are, in a number of cases, taxable to the state of operation. In such cases the tax is computed according to the tax legislation of the current state, combined with any double taxation avoidance agreement between the state where the ship owner is registered and the state where the operation is performed. Income tax based on a net result is classified as income tax. Other taxes are classified as contract related expenses.

Deferred tax is calculated using the liability method at tax rate expected to be applied of all temporary differences between the taxable value of assets and liabilities and their booked amounts at the end of the accounting year. Any temporary differences that may increase or decrease tax are offset and recorded as a net figure.

Deferred tax is calculated for assets and liabilities for which future realization will lead to tax payable.

The recognized amount of deferred tax assets is reviewed at each balance sheet date. If it is no longer likely that adequate taxable profit will be generated, then the deferred tax asset will be reduced. Anticipated utilization of tax losses are not discounted when calculating the deferred tax asset.

Pension obligations

The Group has a defined benefit plan for seafarers and administrative personnel, and a contribution plan for administrative personnel hired after 1 January 2007, which is recognized in profit and loss when incurred. The liability of the defined benefit pension plan is the present value of the defined benefit liability at the balance sheet date minus the fair value of plan assets. The defined benefit liability is calculated by independent actuaries using the projected unit credit method and is measured as the present value of the estimated future cash outflows using interest rates of government securities that have terms maturing at the same time as the liability.

The expence of providing pensions is charged to profit and loss to spread the regular expence over the working lives of the employees. Actuarial gains and losses are recognized in comprehensive income in the period they occur.

Income from contracts with customer - charter and rental income

Income and expenses relating to charter contracts are apportioned according to the number of days for each contract occurring before and after the end of the accounting period. The contract begins when the vessel is "delivered" to the charterer and ends when the vessel is "redelivered". Freight income is recorded net after deduction for direct, contract-related freight expence. Any loss on contracts is accrued when a loss is probable. Income from bareboat agreements is regulated by IFRS 16. The time charter contracts contains both a lease component that is regulated by IFRS 16 and a service component that is regulated by IFRS 15. Both the lease component and the service component are recognized together as income in operating income (ref. note 4 for split). Leases, in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Lease income for the leasing of vessels is recognized as operating leases and recognized in the income statement on a straight-line basis over the lease period. The lease period commences from the time the ship is made available to the tenant and terminates upon agreed return.

Dividends

Dividends are recognized when the shareholder's right to receive the payment is established (by resolution at the general meeting).

Other income

Other income, such as commissions and management fees, are recognized in the period in which the performance obligations are being satisfied.

Government grants

Grants related to the net tax agreement and crew subsidiaries are recorded as a reduction in expences.

Insurance claims

For damage and averages on the Group's vessels and equipment, resulting in payments from insurance companies, compensation is presented net with the corresponding expense. Reimbursable and expenses are recognized and classified in accordance with the type of expences, while compensation is presented separately as a reduction in expences.

Related party transactions

All transactions and agreements with related parties are on an "arm's length" basis in the same way as transactions with third parties.

Inventories

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

Earnings per share

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

Cash flow

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

Note 2 - Accounting estimates and assessments

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income, expenses, and financial items during the reporting periods. Accounting estimates are employed in the financial statements to determine reported amounts. These estimates are based on management's best judgement and conditions considered to be realistic. Situations or changes may occur in the market which may result in changes to the estimates, thereby impacting the Group's assets, liabilities, equity and result.

Assessments, estimates and assumptions which have a significant effect on the accounts are summarized below:

Assets held for sale
Management's judgement based on an assessment of assets available for immediate sale, and where the Group is actively marketing for sale. Sale is also considered highly probable. The Group's strategy will impact the judgement, as well as the current market conditions.

Consolidation
IFRS 10 contains a definition of control that is to be used when assessing whether investments are to be consolidated in the consolidated financial statements. Assessment of control involves the use of facts and judgment. For 2021, this has been relevant in connection with ownership in Maximus Limited. The Group holds 100 percent of the shares in the entity but is not represented in the board and has not control over the relevant activities. The shares are plegded which gives the creditors far-reaching authorizations already from day one. Based on an overall assessment, where all relevant factors have been considered, the conclusion is that the investments do not represent control in accordance with IFRS 10. The company is therefore not consolidated and accounted for as investment in shares.

Determining the lease term of contracts with renewal and termination options – Group as lessee
When entering into new lease agreements, management assesses the probability that options will be executed. The result will impact the lease liability, period lease interest and installments. This judgement is based on the Group strategy, market conditions and a set of alternative scenarios.

Lease classification – Group as lessor
The Company's income mainly derive from offering vessels and maritime personnel to customers worldwide. Contracts with customer is based on a day rate for hire of the vessel. Management assesses whether a contract is to be recognized as a financial lease or an operational lease. This judgement is based on terms and conditions, including length of the contract and applicable contractual risks for the Group. The Group has no contracts recognized as financial lease as of 31. December 2021.

Vessel
The carrying amount of the Group's vessels represents 82 percent of the total balance. Consequently, judgements and estimates linked to the vessels have a significant impact on the Group's financial statements. Depreciation is calculated on a straight-line basis over the useful life of the asset. Depreciable amount equals historical cost less residual value.

Useful life of vessels
The depreciation depends on the estimated useful life of the vessel. The Group's policy is that useful life is 20 years. This is based on strategy, experience and knowledge of the types of vessels under the Group's control. For some vessels useful life may be considered higher or lower than 20 years, dependent on the specific plan for the vessel. This is subject for managements judgement. Incentives to prolong the useful life, in respect of possible future changes in environmental requirements, is a continuously process.

Residual value
The level of depreciation depends on the residual value of the vessel. Assumptions concerning residual value are made based on knowledge of the market for secondhand vessels. The estimate of residual value is based on a market value of a charter free vessel less sales related expenses. Fair values are based on estimates obtained from three independent brokers. Further adjustments are made to account for age of the vessel, with a factor starting from 50 percent and increasing to 100 percent as the vessels age increase to useful life. Changes in environmental requirements may impact the residual value, and economical lifetime, but the Group has implemented several measures to ensure the fleet will be in compliance with changes in such requirements. To maintain the residual value, vessels are modified to be competitive in the market, and maintain secondhand price.

Impairment test of vessels
For the purpose of assessing impairment for vessels, assets are group at the lowest levels for which there are separately identifiable cash flows (cash-generating units, CGU). Each vessel together with associated contracts is considered a separate CGU.

Test for impairment is performed for vessels where book value exceeds 65 percent of average brokers value. Brokers value is set as an average of three acknowledge and independent brokers. The brokers estimates are based on their judgement of the market, “willing buyer and willing seller”.

Value in use
Estimated cash flows are based on next year's budgets per vessel and forecasted earnings going forward. For each vessel, a budget and five years plan are prepared. The budget process is detailed and includes approvement up to the board of directors. Estimated future cash flows are based on historical performance per vessel, in combination with current market situation and future expectations. For the period after the five-year plan, internal and external analyses together with historical performance serve as a decision basis for managements judgements. Critical assumptions in the assessment are related to WACC and income rates/utilization.

For vessels on firm contracts over the period, the assumption is that the contracts run up until expiry. Customer's execution of options is weighted to include uncertainty in the expected cash flow. For vessels without contract, assumptions derived from comparable vessels and contracts in combination with other market information are considered when estimating future income. Management's assumption is that markets are normalized to historical rates, with a gradual increase over the remaining period.

Discounting rate
The discounting rate is based on a weighted average cost of capital (WACC) for the Group. The cost of equity is derived from the ten-year interest rate for state bonds (risk-free interest rate), market risk premium and an unlevered beta (Damodaran for Western Europe). The debt element of the discounting rate is based on the risk-free interest rate, plus a premium equivalent to the difference between risk-free interest rate and market rates. The discounting rate used for 2021 is 9,5 percent.

Financial liabilities
Financial liabilities are initially recognized at fair value. The methodologies applied for fair value calculations include assessments and estimations based on available market data, such as the level of interest rates, interest rate margins and credit spreads at the date of recognition. These estimates are based on Management's knowledge combined with advice obtained from professional external specialists. Please also refer to Note 9.

Provisions
Provision for liabilities of uncertain timing or amount is based on collating information on a case by case basis. The probability of a contingent liability occurring which would affect the provision is evaluated. The discounting rate used for liabilities is based on a risk-free interest rate, adjusted to the maturity date.

Climate and regulatory risks
In preparing the financial statement, the Group, has considered the impact of regulatory changes in particular in the context in climate change risks. The considerations did not impact our judgement and estimates in the current year. When preparing financial statements future cashflow impact of climate risks are also considered.

The most important key assumptions and sources of uncertainties identified are:

- Usefull life of vessels
- Residual value of vessels
- Cash flow from operations

Note 3 - Major transactions / events

Major transactions / events in 2021

Windstaller Alliance

Together with our partners in Aker Solutions and DeepOcean, Windstaller Alliance was launched in October 2021. The 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 renewable segments, and hence further strengthen Solstad Offshore's presence within renewable energy.

Sale of vessels

Throughout the year, the Group has disposed of 23 out of 37 vessels classified as non-strategic. As of year-end 2021, a total of 25 of 37 vessels classified as non-strategic have been disposed. Two vessels were disposed in 2020.

Fleet renewal

The Company has per year end 2021 installed battery hybrid solutions to reduce emissions to the environment on 11 vessels, and plan to increase this substantially with the new investment program being the leading Company in green operations.

Normand Maximus

In May 2021, full settlement was agreed with Saipem on the termination fee, MUSD 44,3, for the Normand Maximus charter.

The financing of the vessel has entered into standstill pending the ongoing refinancing.

Covid-19

Covid-19 has been a challenge for the majority of 2021 as it has affected both the market and the operational aspect of our industry. Crew changes have in some cases been impacted significantly due to travel restrictions and in some cases, vessel crews have been infected by the virus, which has caused downtime and subsequent expences for crew changes and cleaning. The impact has been limited to a minimum as the Company has proactively worked on implementing preventive measures since the early start of the pandemic.

Major transactions / events in 2020

Successful restructuring

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

- A NOK 0.6 billion reduction of right-of use assets due to termination of vessels recognized according to IFRS 16.
- A net NOK 9.6 billion reduction of debt to credit institutions due to de-recognition of existing debt and recognition of reinstated debt based on nominal values.
- An additional NOK 1.1 billion reduction of debt to credit institutions due to fair value measurement of recognized debt according to IFRS 9.
- A NOK 0.2 billion reduction of debt to credit institutions due fair value measurement of associated subscription rights (Warrants)
- A NOK 1.3 billion reduction of other current liabilities due to lease liabilities and interest relief converted to equity.
- A NOK 1.5 billion increase in deposits, cash, etc relating to new equity and working capital facility.
- The total effect on equity is NOK 11.6 billion.

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

Sale of vessels

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

The vessel former named Normand Skude, owned by a subsidiary Group company Sofo Skude AS, was sold to a third party in May 2020. All debt relating to the vessel has been repaid in full.

Normand Maximus

In September 2020, Saipem gave notice of an early termination the time charter for Normand Maximus. Further reference is made to Note 6 Mortage Debt and Other Long-term Liabilities.

Covid-19

Covid was a challenge for the majority of 2020 as it affected both the market and the operational aspect of our industry, crew changes have in some cases been impacted significantly due to travel restrictions and in some cases vessel crews were infected by the virus, which caused down time and subsequent expence for crew changes and cleaning. The impact was limited to a minimum as the Company worked proactively on implemented preventive measures since the start of the pandemic.

Exit Norwegian tonnage tax regime

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

Note 4 - Operating income, reporting by segments and geographical markets

Operating income

The Company's income mainly derive from offering vessels and maritime personnel to customers world wide. Basically all contracts with customers are contracts with day rate. Contracts with day rate is contracts where income is eared on a day-by-day basis, based on an agreed day rate with the customer. Income 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). Refer to Note 8 for more information related to the lease element.

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, incurance and commercial management for vessels not owned by the Group. Income on services, mentioned above, are recognized over time, as the performance obligation is satisfied over time.

Operating income	For the year ended 31.12.2021				
	AHTS	**PSV**	**Subsea**	**Renewable**	**Total**
Service element from contracts with day rate	550,376	718,427	666,587	186,331	2,121,722
Management fees	1,571	1,903	5,495		8,969
Victualling	4,793	1,624	79,349	21,093	106,860
Project management	-	-	-	-	-
Additional crew and other services	44,591	1,478	49,697	12,399	108,164
Income from contracts with customers	601,331	723,432	801,128	219,824	2,345,715
Lease element from contracts with day rate (Note 8)	659,111	702,690	1,300,824	343,827	3,006,452
Other operating income*	16,792	20,201	22,307	6,034	65,333
Total operating income	**1,277,234**	**1,446,323**	**2,124,259**	**569,684**	**5,417,500**

Operating income	For the year ended 31.12.2020				
	AHTS	**PSV**	**Subsea**	**Renewable**	**Total**
Service element from contracts with day rate	528,877	685,501	669,902	148,318	2,032,599
Management fees	3,737	6,518	13,276	3,737	27,268
Victualling	5,257	-	72,041	15,814	93,111
Project management	-	-	3,329	-	3,329
Additional crew and other services	1,413	5,048	40,634	10,801	57,896
Income from contracts with customers	539,284	697,068	799,181	178,670	2,214,203
Lease element from contracts with day rate (Note 8)	577,764	738,736	1,243,066	251,861	2,811,427
Other operating income	-	-	-	-	-
Total operating income	**1,117,048**	**1,435,804**	**2,042,247**	**430,531**	**5,025,630**

	2021	**2020**
Trade receivables from charters (Note 5)	816,745	839,628

*Other operating income includes distribution from Den Norske Krigsforsikring for Skib with MNOK 52,4 in 2021

For the majority of contracts, payment is generally due within 30-60 days after the end of each month or 30-60 days after the service is completed. Payment terms for all other services is normally 30 days after services is invoiced.

Income recognised in 2021 that was included in the contract liability balance at the beginning of the year amounts to MNOK 0 (MNOK 34.7 in 2020).

The Group had no customer with more than 10 percent of total income in 2021 and 2020.

EBITDA

	2021	2020
Freight income	5,128,173	4,844,027
Other operating income	289,327	181,603
Total operating income	**5,417,500**	**5,025,630**
Personnel costs	-2,044,482	-2,025,250
Administrative expenses	-449,509	-476,829
Other operating expenses	-1,521,986	-1 491,671
Total operating costs	**-4,015,978**	**-3,993,750**
Operating result before depreciations and impairment (EBITDA)	**1,401,523**	**1,031,880**
Leases	44,625	6,465
Accrued loss on Accounts receivables	18,589	7,115
Operational restructuring cost	61,372	108,887
Excess and less values freigth contracts	7,499	62,462
Result Joint Ventures	247	23,975
Result associated companies	108	41,423
Adjusted EBITDA	**1,533,961**	**1,282,208**

Operating lease

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

	31.12.2021		31.12.2020	
	Minimum payment	Present value minimum payment	Minimum payment	Present value minimum payment
Next year	3 515 665	3 429 917	3,178,154	3,100,638
Year 2	1 585 905	1 509 488	1,272,896	1,211,561
Year 3	392 557	364 529	622,587	578,134
Year 4	122 525	111 002	78,346	70,977
Year 5	15 508	13 707	69,040	61,021
Over 5 years	-	-	15,003	12,937
Finance cost	-	203 519	-	200,757
Total minimum leas payment	**5 632 161**	**5 632 161**	**5,236,026**	**5,236,026**

Reporting by segments and geographical markets

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

The operations were in 2021 and 2020 divided into four segments based on the different types of vessels:

- 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

	AHTS		PSV	
	2021	2020	2021	2020
Income from contracts with customers	601,331	539,284	723,432	697,068
Other income	16,792	-	20,201	-
Lease element from contracts with day rate	659,111	577,764	702,690	738,736
Total operating income	**1,277,234**	**1,117,048**	**1,446,323**	**1,435,804**
Crew expenses	574,382	590,319	771,097	773,970
Other expenses	444,492	425,161	497,261	514,047
Total operating expenses	**1,018,874**	**1,015,480**	**1,268,358**	**1,288,017**
Bunkers	24,403	61,659	21,810	28,014
Operating result before depreciations	**233,957**	**39,909**	**156,155**	**119,773**
Assets and liabilities				
Fixed assets	4,280,619	4,776,969	6,061,491	5,975,679
Total assets	**4,280,619**	**4,776,969**	**6,061,491**	**5,975,679**
Segment liabilities	4,287,163	4,344,316	6,375,384	6,349,249
Unallocated liabilities	-	-	-	-
Total liabilities	**4,287,163**	**4,344,316**	**6,375,384**	**6,349,249**
Other segment information				
Investment in tangible fixed assets	3,380	17,088	26,671	26,193
Addition of periodic maintenance	34,071	58,217	103,746	65,127
Operating result before depreciations and impairment (1)	310,590	909,439	373,731	839,401

	CSV		Renewable	
	2021	2020	2021	2020
Income from contracts with customers	801,128	799,182	219,824	178,670
Other income	22,307		6,034	
Lease element from contracts with day rate	1,300,824	1,243,066	343,827	251,861
Total operating income	**2,124,259**	**2,042,248**	**569,684**	**430,531**
Crew expenses	519,844	552,777	181,138	109,510
Other expenses	701,634	731,485	201,877	147,099
Total operating expenses	**1,221,478**	**1,284,262**	**383,014**	**256,609**
Bunkers	63,813	52,372	14,226	7,338
Operating result before depreciations	**838,968**	**705,614**	**172,444**	**166,584**
Assets and liabilities				
Fixed assets	8,832,516	9,784,531	1,411,744	1,152,028
Investments in JV and associated companies	91,127	111,032		
Total assets	**8,923,644**	**9,895,563**	**1,411,744**	**1,152,028**
Segment liabilities	9,313,623	7,221,201	1,694,265	1,249,546
Unallocated liabilities	-	-	-	-
Total liabilities	**9,313,623**	**7,221,201**	**1,694,265**	**1,249,546**
Other segment information				
Investment in tangible fixed assets	24,691	6,448	17,914	7,657
Addition of periodic maintenance	84,093	225,936	30,995	57,519
Operating result before depreciations and impairment (1)	424,724	1,383,233	172,720	49,411

	Total 2021	Total 2020
Income from contracts with customers	2,345,715	2,214,203
Other income	65,333	0
Lease element from contracts with day rate	3,006,452	2,811,427
Total operating income	**5,417,500**	**5,025,630**
Crew expenses	2,046,461	2,026,576
Other expenses	1,845,263	1,817,791
Total operating expenses	**3,891,724**	**3,844,367**
Bunkers	124,253	149,383
Operating result before depreciations	**1,401,523**	**1,031,880**
Assets and liabilities		
Fixed assets	20,413,522	21,689,208
Investments in JV and associated companies	92,407	111,032
Unallocated assets	4,431,753	4,268,736
Total assets	**24,937,682**	**26,068,976**
Segment liabilities	21,670,435	19,164,312
Unallocated liabilities	183,766	2,661,589
Total liabilities	**21,854,200**	**21,825,902**
Other segment information		
Investment in tangible fixed assets	6,448	57,385
Addition of periodic maintenance	225,936	401,800
Operating result before depreciations and impairment (1)	1,383,233	3,129,279

(1) The segment result is presented exclusive gain/ loss sale of assets, interests, currency gain/ loss and other financial items.
(2) Depreciation includes both ordinary depreciation and depreciation of periodic maintenance.

All vessel types (AHTS, PSV and CSV) perform operations reportable under the Renewable segment based on actual work during the year. Under “Assets and liabilities” and “Other segment information” vessels are allocated to “Renewable” if the majority (>50%) of operating days relates to “Renewable” operations.

	2021	2020
Operating segment result before depreciations and impairment (1)	1,401,523	1,031,880
Depreciation	-993,053	-1,076,114
Depreciation capitalised periodic maintenance	-271,098	-282,231
Impairment fixed assets	-45,049	-1,895,040
Net gain/ loss on sale of assets	-99,730	-28,896
Income from investment in joint ventures	247	23,975
Income from investment in associated companies	108	41,423
Interest income	10,295	6,373
Other financial income	173,405	12,345,724
Interest charges	-1,003,543	-1,437,619
Other finance costs	-283,504	-1,479,125
Result before tax	**-1,110,398**	**7,250,349**

The Group’s vessels operate in several geographical areas during a year. Allocation between the different areas is based on freight income.

Freigth income is allocated to the following areas:

	2021		2020	
North Sea	44 %	2,379,439	45 %	2,255,509
North- and Central America	3 %	171,601	3 %	227,141
Mediterranean / remaining part of Europe	4 %	234,640	18 %	910,039
Africa	12 %	649,323	4 %	250,754
South America	6 %	340,430	15 %	459,455
Australia	23 %	1,223,186	9 %	652,298
Asia	8 %	435,853	6 %	270,435
Total	100 %	5,434,472	100 %	5,025,630

The Group's vessels may operate in more than one geographic region during the year. Therefore assets cannot be allocated per segment in accordance with IFRS 8.

Note 5 - Financial market risk, financial instruments

General

The Group is exposed to several types of financial risks through its operations. Financial market risks, such as currency rates, interest rates and freight rates, influence the value of the Group’s financial assets, liabilities and future cash flows.

Management monitors the financial market risks. When a risk factor is identified, action is taken to reduce this risk. The main strategy to reduce financial market risk is the use of financial derivatives, both for the specific exposure and for the net exposure of the Group. Where financial derivatives are appropriate, only conventional derivatives are used. Given its current financial position, the Group has limited possibility enter into new financial derivatives.

Derivatives are only used to manage the risk to fluctuations in interest and currency rates. The Group does not use financial derivatives to achieve financial income if no underlying exposure exists.

Management performs a continuous evaluation of the effect of financial instruments on the accounts with a view to hedge accounting. Based on this evaluation, hedge accounting is not used. The use of financial instruments is not significant when compared to the Group’s level of activity, income and equity.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group operates in a cyclical business, where exposure to losses on trade fluctuates. The business has recovered over the last years, and no material losses have been recognized. Due to the nature of the business concentration risk is present to some degree. Counterparties are concentrated in few industry sectors, and even though the Group operates worldwide, there is a concentration of counterparties in specific geographical markets. Management continuously review and assess mitigating responses to limit the concentration risk.

Status for accounts receivables is shown in the table below. Based on the composition of the customers, the Group applies an individual assessment for expected loss on trade receivables.

The Group is also exposed through guarantees issued on behalf of subsidiaries, joint ventures and associated companies. As the value of the assets placed as security for the guaranteed mortgages exceeds the loans, the credit risk related to the guarantees is considered acceptable. However, a potential forced sale situation could have a significant impact on the value of the mortgaged vessels. For further details refer to note 6.

The following table shows the ageing of account receivables:

per 31.12.2021	Not yet due	0 -1 month over due	1 - 3 months over due	Older than 3 months	Total
Net carrying amount	588,436	109,138	31,390	87,781	816,745

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

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	2021	2020
As at 1 January	**105,086**	**95,773**
Provision for expected credit losses	1,613	21,025
Write-off	-34,458	-9,010
Foreign exchange movement	2,982	-2,702
As at 31 December	**75,223**	**105,086**

Interest risk

Interest rate risk is the risk that the fair value of future cashflows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to changes in interest rates relates primarily to the Group's long-term loans and leasing obligations with floating interest rates. To mitigate exposure to interest rate fluctuations the Group previously entered fixed interest rate contracts for parts of the long-term liabilities.

As of 31.12.2021 there is no fixed-interest contracts. Per. 31.12.2020 there were no fixed-interest contracts.

Following the restructuring of the Group in 2020, most of its loan agreements with fixed interest rates through CIRR financing was refinanced through a new senior reinstated multicurrency term loan facility. As per 31.12.2021 and 31.12.2020 3 percent of the of the Group's loan agreements consisted of fixed interest rates through CIRR financing. The remaining debt had floating interest rates. Per 31.12.2021 and 31.12.2020 the Group had no exposure in neither interest swaps nor currency swap agreements.

The following table shows the sensitivity of the Group's result before taxes at a reasonable change in the interest rate, while all other variables are unchanged:

Increase / decrease in basis points		Effect on result before tax
+ / - 100	2021	+ / - 183,333
+ / - 100	2020	+ / - 184,737

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The Group's presentation currency is NOK. Income are earned in NOK, USD, BRL, AUD, GBP and EUR. The Group's future freight income are partly hedged using foreign currency loans. This hedging reduces the effect of fluctuation in currency rates on the profit and loss account.

The following table shows the sensitivity of the Group's profit and loss before tax due to changes in USD, GBP, AUD, EUR and BRL versus NOK. All other variables remain unchanged. These variations are mainly due to changes in the Group's freight income

Change in all currencies		Effect
+ / - 10 %	2021	+ / - 367,082
+ / - 10 %	2020	+ / - 420,774
Change in USD		**Effect**
+ / - 10 %	2021	+ / - 166,513
+ / - 10 %	2020	+ / - 205,819
Change in GBP		**Effect**
+ / - 10 %	2021	+ / - 60,666
+ / - 10 %	2020	+ / - 52,751
Change in AUD		**Effect**
+ / - 10 %	2021	+ / - 57,206
+ / - 10 %	2020	+ / - 77,770
Change in EUR		**Effect**
+ / - 10 %	2021	+ / - 34,136
+ / - 10 %	2020	+ / - 66,572
Change in BRL		**Effect**
+ / - 10 %	2021	+ / - 43,476
+ / - 10 %	2020	+ / - 17,862

The Group's long-term debt has the following allocation as at 31. December 2021; NOK 31 percent and USD 69 percent. The corresponding allocation for 2020 was NOK 33 percent and USD 67 percent.

With a change in the currency of USD versus NOK of 10 percent the effect on result before tax would have been MNOK 1,240 in 2021 (MNOK 1,194 in 2020).

Liquidity risk

Liquidity risk is the risk that the Group will be unable to fulfil its operational- and financial obligations as they fall due.

Liquidity risk has been reduced after the financial restructuring of the Company was completed. Following restructuring interest-bearing debt has been significantly reduced, amortization relief has been given for a period of time and the Company has a working capital facility up to MNOK 1,494. The Group monitors its available cash through a continued evaluation of its liquidity position combined with a rolling medium and long term cash flow forecast of its operational activities.

Pursuant to a senior secured facilities agreement that refinanced the restructured Group, certain banks made an additional super senior term loan facility up to MNOK 1,494 available to Solstad Shipholding AS for general corporate and working capital purposes ("Super senior term loan"). This has super senior status to all other liabilities under the facility and represents a non-amortizing bullet loan with maturity 31.03.2024. As per 31.12.2021 this facility was undrawn. The funds made available under the "Super senior term loan" facility is freely available for the restructured part of the Group subject that free cash in this group of companies is minimum MNOK 600.

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

per 31.12.2021	Less than 3 months	3 to 12 months	2 to 3 years	4 to 5 years	Over 5 years	Total
Interest bearing liabilities	311,199	91,753	17,387,122	270,230	949,872	19,010,176
Lease obligations (1)	2,451,228	31,943	75,540	80,382	121,741	2,760,834
Other long-term liabilities	-	-	-	-	-	-
Account payables	552,077	-	-	-	-	552,077
Interest payments	180,298	581,858	1,031,279	109,442	71,166	1,974,043
	3,494,802	**705,554**	**18,493,941**	**460,054**	**1,142,779**	**24,297,130**

per 31.12.2020	Less than 3 months	3 to 12 months	2 to 3 years	4 to 5 years	Over 5 years	Total
Interest bearing liabilities	129,354	1,007,099	1,840,414	15,405,860	781,586	19,164,313
Lease obligations (1)	2,540,275	18,678	50,106	72,097	154,753	2,835,909
Other long-term liabilities	-	2,158	-	-	10,215	12,372
Account payables	532,405	-	-	-	-	532,405
Interest payments	133,401	399,206	1,019,388	177,733	50,963	1,780,691
	3,335,435	**1,427,141**	**2,909,908**	**15,655,690**	**997,517**	**24,325,690**

Reclassification of long-term liabilities to current liabilities
(1) Lease obligation for Normand Maximus of MNOK 2,424 (MNOK 2,534 in 2020) is reclassified to current portion of long term debt, due to a contractual default with a covenant waiver, given in 2021, that can be revoked at any time by the Finance Parties. For 2020 the waiver was given for less then 12 months.

Financing risk

The main portion of the Company's external debt will mature by 1Q 2024 and therefore it is an inherent refinancing risk. A refinancing is dependent on how the market develops and many factors such as developments in oil and gas prices. This may lead to a need for adjustment of the capital structure.

The following table shows the total mortgage loan based on existing financing and their maturity dates as per 31.12.2021:

	Drawn	Maturity interval		Interest interval		Average interest
Loan, fixed interest	**676 833**	**10.11.2026**	**10.03.2031**	**3,61 %**	**6,07 %**	**5,39 %**
Loan, floating interest	**18 333 343**	**30.06.2023**	**07.03.2029**	**2,36 %**	**10,85 %**	**3,34 %**

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

	Drawn	Maturity interval		Interest interval		Average interest
Loan, fixed interest	**690 577**	**10.12.2026**	**10.04.2031**	**3,64 %**	**6,10 %**	**5,42 %**
Loan, floating interest	**18 473 736**	**31.03.2021**	**07.03.2029**	**2,32 %**	**10,98 %**	**3,21 %**

Capital structure and equity

The governing principle for the Group is that the company should have a solid balance sheet and liquidity reserves sufficient to support its business, future liabilities and always maximize shareholder value. The 2-3 years prior to the restructuring of the Company the equity ratio was at a very critical level. After the successful restructuring the equity ratio has improved, as a result of the debt conversion.

	31.12.2021	31.12.2020
Total equity	3,083,481	4,243,075
Total assets	24,937,682	26,068,976
Equity ratio	12 %	16 %

Fair value

Estimated market values on financial instruments nominated in other currencies than NOK are determined using the currency rate at the balance sheet date. Fair value of the Groups interest- and interest-/currency swaps are determined using the currency and interest rate at the balance sheet date. Nominal value of cash and loan obligations is normally a reasonable estimate of the items' market value. The estimated fair value of the Group's long-term loan obligations is based on the estimated market interest level at the balance sheet date. The fair value of shares in non-listed companies are estimated based on the relevant company's financial report, focusing on the Group's share of its booked equity, and therefore a thorough evaluation is required prior to estimating the market value.

Fair value:

The following table shows the booked and fair value of financial ass*ets and obligations.*

Financial assets		2021		2020	
	Note	Carrying amounts	Fair value	Carrying amounts	Fair value
Cash to bank	20	2,459,027	2,459,027	2,411,905	2,411,905
Investments in shares (long-term)	13	4,271	4,271	4,119	4,119
Other long-term receivables		56,460	56,460	60,195	60,195
Total financial assets		**2,519,758**	**2,519,758**	**2,476,219**	**2,476,219**

Financial liabilities		2021		2020	
	Note	Carrying amounts	Fair value	Carrying amounts	Fair value
Mortgage loan with floating interests	6	20,040,786	20,040,786	19,939,968	19,939,968
Mortgage loan with fixed interests	6	676,833	676,833	690,577	690,577
Total financial liabilities		**20,717,619**	**20,717,619**	**20,630,545**	**20,630,545**
Hereof short-term part of long-term debt		446,592	446,592	940,944	940,944

Fair value hierarchy:

The Group use the following hierarchy for valuation and presentation of financial instruments:

Level 1: quoted prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data

The Group's level 1 includes shares in listed companies, refer to note 13 for further details.
Level 2 includes fixed interest contracts, interest and currency swap contracts, currency contracts and mortgage debt, refer above for further details.
Level 3 includes non-registered shares, refer to note 13 for further details.

The following methods and assumptions were used to estimate the fair values:
Nominal value of cash and loan obligations is normally a reasonable estimate of the items' market value.

The fair value of listed shares are based on market value.

The fair value of shares in non-listed companies are estimated based on the relevant company's financial report, focusing on the Group's share of its booked equity, and therefore a thorough evaluation is required prior to estimating the market value.

A certain part of the Group's financial liability is linked to vessels deemed to be "non core". Debt not covered by sales proceed from these vessels will be settled by warrants. The debt related to these non core vessels are measured to fair value at each accounting period. Fair value is set based on expected sales price of the vessels and share price of Solstad Offshore ASA at the end of the accounting period. Expected sales prices end of 2021 were based on actual sale prices for those vessels disposed in 1Q22.

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

	2021			2020		
Current financial assets	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investment in listed shares	15,200	-	-	11,100	-	-
Total per level	**15,200**	**-**	**-**	**11,100**	**-**	**-**
Total all levels	**15,200**			**11,100**		

	2021			2020		
Non current financial assets	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investment in shares	-	-	2,991	-	-	2,991
Total per level	**-**	**-**	**2,991**	**-**	**-**	**2,991**
Total all levels	**2,991**			**2,991**		

	2021			2020		
Current financial liabilities	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Debt to credit institutions	-	-	326,312	-	-	661,717
Total per level	**-**	**-**	**326,312**	**-**	**-**	**661,717**
Total all levels	**326,312**			**661,717**		

	2021			2020		
Non current financial liabilities	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Fixed interest contracts	-	-	-	-	-	-
Total per level	**-**	**-**	**-**	**-**	**-**	**-**
Total all levels	**-**			**-**		

31.12.2021	Derivatives not designated as hedging instruments - fair value through profit or loss	Financial assets and liabilities at fair value through profit or loss	Financial instruments at fair value through OCI	Financial instruments at amortized cost	Total
Assets					
Equity instruments					
Market based shares	-	15,200	-	-	15,200
Investments in stocks and shares	-	-	-	2,991	2,991
Debt instruments					
Other long-term receivables	-	-	-	26,458	26,458
Loans to joint ventures	-	-	-	47,506	47,506
Accounts receivable	-	-	-	816,745	816,745
Cash and cash equivalents	-	-	-	2,459,027	2,459,027
Total Financial assets	**-**	**15,200**	**-**	**3,352,728**	**3,367,928**
Liabilities					
Interest bearing loans and borrowings					
Interest bearing liabilities	-	326,312	-	17,644,225	17,970,538
Other long-term liabilities	-	-	-	1,917	1,917
Other financial liabilities					
Trade and other payables	-	-	-	552,077	552,077
Total financial liabilities	**-**	**326,312**	**-**	**18,198,219**	**18,524,532**

31.12.2020	Derivatives not designated as hedging instruments - fair value through profit or loss	Financial assets and liabilities at fair value through profit or loss	Financial instruments at fair value through OCI	Financial instruments at amortized cost	Total
Assets					
Equity instruments					
Market based shares	-	11,100	-	-	11,100
Non-listed equity instruments	-	-	-	2,991	2,991
Debt instruments					
Loans to joint ventures	-	-	-	45,961	45,961
Accounts receivable	-	-	-	839,628	839,628
Cash and cash equivalents	-	-	-	2,411,905	2,411,905
Total Financial assets	**-**	**11,100**	**-**	**3,300,485**	**3,311,585**
Liabilities					
Interest bearing loans and borrowings					
Interest bearing liabilities	-	661,717	-	17,154,587	17,816,304
Other long-term liabilities	-	-	-	12,372	12,372
Other financial liabilities					
Trade and other payables	-	-	-	532,405	532,405
Total financial liabilities	**-**	**661,717**	**-**	**17,699,364,**	**18,361,081,**

Note 6 - Mortgage debt and other liabilities

	2021	2020
Interest bearing liabilities	17,523,945	16,875,360
Other long-term liabilities	1,917	12,372
Leasing liabilities	280,761	255,288
Total long-term debt	**17,806,623**	**17,143,021**

For maturity profile reference is made to Note 5.

Reclassification of long-term liabilities to current liabilities
Total lease obligation for Normand Maximus amounts to MNOK 2,424 (MNOK 2,534 in 2020). This is presented as current leasing liabilities due to a contractual default with a covenant waiver that can be revoked at any time by the Finance Parties.
Short term portion of long-term debt includes a MNOK 326 (MNOK 658 in 2020) loan trance for non-core vessels. These vessels are held for sale. Any proceeds from the sales will reduce the loan trance.
There are warrants issued for the loan trance. Any unsettled remaining debt after sale of the vessels will be converted to equity in accordance with the warrants agreements.

Book value of pledged assets:	2021	2020
Bank deposits and cash equivalents	2,459,027	2,411,905
Account receivables	816,745	839,628
Vessels	18,064,019	19,476,354
Total booked value	21,339,791	22,727,887

All owned vessels are placed as security for the mortgages.

Covenants:

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

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

The loan agreements include customary security provisions including cross-collateralized mortgaged over relevant vessels, assignment of insurances and earnings, pledges over shares, assignment of any relevant intra-group loans, assignment over any monetary claims under any hedging agreements (if relevant), pledge over bank accounts, step-in rights/direct agreements with respect to management agreements and such other security as reasonably required by the banks. Of the Groups senior secured facilities, the loan agreements in Solstad Shipholding AS, Normand Ships AS and Solstad Superior AS are guaranteed by the Company. The loan agreements entered into in subsidiaries of Solstad Brasil Holding AS, Farstad Shipping Ltda and Deep Sea Navegacao Maritimos Ltda, is guaranteed by Solstad Ålesund AS and Solship Invest 3 AS respetively. The loan agreements in NISA Ltd is not guaranteed.

Normand Maximus:

Normand Maximus Limited as bareboat charterer of the vessel "Normand Maximus" is in dialogue with Maximus Limited as owner of "Normand Maximus" and Maximus Limited's financiers, to identify a long-term solution for the lease financing of Normand Maximus. A standstill has been entered pending the ongoing refinancing. On 3 March 2021, the financiers of Maximus Limited enforced their share pledge over the shares in Maximus Limited, and the shares are thus now controlled by a syndicate of banks. The discussions with Maximus Limited for a solution have been ongoing for some time and are continuing notwithstanding the change of ownership to the shares in Maximus Limited. The 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 the Company this could have a material adverse effect on Solstad Offshore ASA's financial situation.

In June 2021 the Company received a statement of claim from MYF Limited, in capacity of former shareholder in Maximus Limited, the owner of "Normand Maximus". The claim is for a declaratory relief (No "fastsettelsesdom") that MYF Limited has a recourse claim against the Company since MYF Limited's shares in Maximus Limited were forfeited due to the secured lenders to Maximus Limited enforcing their share pledge over the shares in March 2021.

Since the summons is for a declaratory relief, no quantum has been specified by the claimants. In the event that MYF Limited succeeds, quantum will be determined in later proceedings. From the submissions to date, the Company anticipates that a specified claim will relate to MYF Limited's alleged loss on its equity investment in Maximus Limited. The initial investment from MYF Limited was approximately MUSD 91, and divided paid to MYF Limited to date is approximately MUSD 41. It is however not possible today to give a reliable indication of how MYF Limited will ultimately calculate their quantum.

The Company's assessment is that it is less than 50 % probability that MYF Limited will succeed with the claim. The proceedings are for the ordinary courts and any decisions may be appealed. In the event that MYF Limited succeeds, a financial decision on a payment obligation with due date for the Company is thus unlikely to be available until late 2023 or 2024. A payment from the Company will not be recoverable from others.

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

Solstad Shipholding AS

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

Far Superior AS

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

NISA Ltd (50,1%)

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

Farstad Shipping Ltda

1. No applicable financial covenants

Normand Ships AS

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

SOFO Tonjer AS

1. Min free liquidity > MUSD 0,75
2. No payment of dividend, capital repayments or other form of capital distribution to its shareholders.

Normand Maximus Limited (BB Charterer)

Company to covenant that Solstad Shipholding AS maintains:

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

Deep Sea Navegacao Maritimos Ltda

1. No applicable financial covenants

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

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

The Company is in compliance with all the covenants related to bank loan agreements at year end 2021.

Borrowing cost and interest relief:	2021	2020
Capitalization borrowing cost	82,404	122,570

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

Other long-term liabilities

Other long-term liabilities of NOK 2 million (NOK 12 million in 2020) are mainly convertible loans from shareholders.
In 2020, the majority of the NOK 12 million were loan from minority interests.

Solstad Offshore ASA has issued a Parent Company Guarantee of MNOK 20,837, hereof lease guarantee of MNOK 2,424.

Changes in liabilities arising from financing activities

	1 January 2021	Refinance effect	Fair value adjustment	Cash flows*	Other**	31 December 2021
Current interest bearing liabilities	940,944	-	-71,200	-255,163	-167,989	446,592
Non-current interest bearing liabilities	16,875,360	-	-	-142,379	790,964	17,523,945
Current leasing obligations	2,558,953	-	-	-213,191	120,558	2,466,321
Non-current leasing obligations	255,288	-	-	-	25,473	280,761
Other long-term liabilities	12,372	-	-	-10,456	-	1,917
Total liabilities from financing activities	20,642,918	-	-71,200	-621,188	769,006	20,719,536

*Changes in cash flow related to current and non-current interest bearing liabilities is presented in aggregate in cash flow line Repayment of long-term debt

** For leasing liabilities, other changes include additions, currency effects and change in portion classified as non-current.

For interest bearing liabilities, other changes include amortisation of debt recognized in 2020 at fair value, currency changes and change in portion classified as non-current.

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

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

Note 7 - Tangible fixed assets

	Vessel	Fixture	Total
Acquisition cost 01.01.2021	32,277,692	205,255	32,482,947
Acc. depreciations / write downs 01.01.2021	-13,561,561	-171,990	-13,733,551
Book value 01.01.2021	18,716,131	33,265	18,749,396
Additions	71,157	-	71,157
Disposals	-1,835,095	-90	-1,835,185
Transferred	-	-	-
Transfer to asset held for sale	-172,313	-	-172,313
Disposals of acc. depreciations / write downs	1,478,706	-	1,478,706
Translation adjustment	86,467	-30	86,437
Cost price 31.12.2021	30,427,908	205,135	30,633,043
Acc. depreciations / write downs 31.12.2021	-13,041,408	-178,826	-13,220,234
Book value 31.12.2021	17,386,500	26,309	17,412,809
Depreciation current period	-893,504	-6,836	-900,340
Impairment current period	-65,049	-	-65,049

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

Capitalized periodic maintenance	**2021**	**2020**
Capitalized periodic maintenance at 01.01	760,223	666,179
Additions this year	221,392	406,800
Disposal this year	-25,789	-8,739
Transfer to asset held for sale	-4,221	-
Depreciation this year	-271,098	-280,983
Impairment this year	-	-958
Translation differences	-2,989	-22,077
Capitalized periodic maintenance at 31.12	**677,518**	**760,223**

Each part of a fixed asset that is significant to the total expence of the item are separately identified and depreciated over that component's useful lifetime. Assumed physical lifetime for all categories are 30 years, while estimated useful life is 20 years. Estimation of residual value are based on marked values/ brokers values in the beginning of the year. The brokers values, sales related expenses deducted, are multiplied with a factor dependent on the vessels age. The factor is 50 percent for a new build, increasing to 100 percent for a 20 year old vessel. Periodic maintenance is depreciated over the period until the next planned interim- and main docking takes place, respectively. The normal interval is five years for both interims- and main docking. The depreciation rate for other equipment is 15-25 percent. Vessels with a book value of MNOK 18,064 (MNOK 19,476 in 2020) are held as a guarantee for the Group's loans, see note 6.

There is no capitalized interest in 2021 or 2020.

IMPAIRMENT VALUATION OF FIXED ASSETS

Quarterly, the Group assess whether there is any impairment indicators of the fixed assets. The current market, and few sales of vessels on normal market terms, indicate need for revaluation of the vessels. As of 31.12.2021, price-to-book (P/B) ratio for the Group is below 1.

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

DISCOUNTING RATE

The discounting rate is based on a weighted average cost of capital (WACC) for the Group. The cost of equity is derived from the 10-year interest rate for state bonds (risk-free interest rate), market risk premium and an unlevered beta (Damodaran for Western Europe). The debt element of the discounting rate is based on the risk-free interest rate, plus a premium equivalent to the difference between risk-free interest rate and market rates. The discounting rate used for 2021 is 9,5 percent.

INCOME ASSUMPTIONS

For vessels having firm contracts, income is based on the current contracts. For vessels without firm contracts, and for vessels where the firm contract expires during the period, income is based on budget and long term forecast. The long term forecast expects the market to stabilize, and a gradual increase in dayrates over the prognosis periode. Market rates after year end, gives support to estimated rate levels in the early prognosis periode. Market uncertainty is reflected in the assumptions, based on managements assessment and market analysis provided from independant third parties.

INFLATION

No inflation of income in 2022, while operating expence is adjusted for inflation by 2 percent. This is consistent throughout the prognosis periode.

RESIDUAL VALUES

Estimated residual values used in the value in use calculations are set using the same principle as for the ordinally depreciations. Initially the value is set to 50 percent of cost price, expected cost of sale deducted, and adjusted according to changes in broker valuations. The assumption is that the broker values decline by 2,5 percent per year, until the vessel is 20 years old. It is assumed that the vessels are disposed after 20 years in operation. Average life of the core fleet is 11 years, with respectively 12 years average for the CSV and AHTS vessels and 9 years for the PSV vessels.

IMPAIRMENT TESTING

The Group recognized an impairment of MNOK 45 in 1Q21 related to a "non-strategic" vessel that was sold later the same year.

SENSITIVITY CALCULATIONS

The sensitivity of the value-in-use-calculations for the vessels with impairment is analyzed by altering the key assumptions; discounting rate, utilization and day rates. A change of discounting rate by -1% point and -2% points indicates potential additional impairment of MNOK 100 and MNOK 520, respectively. A yearly change in dayrates or utilization for the prognosis periode bringing the income down by 3-6%, indicates potential addional impairment by MNOK 120-390. The group has recognized significant impairments on the vessels during the last years. If rates/utilization increases more rapidly than Group's expectations the vessel values are sensitive to reversals of previous year's impairment.

CLIMATE-RELATED MATTERS

The Group constantly monitors the latest regulatory changes in relation to climate-related matters.

Regulatory changes in climate requirements may impact future cash inflows for the Company, but based on the managements judgements as of 31.12.21 no material effects are identified for the prognosis period.

Changes in environmental requirements may impact the residual value, and economical lifetime in the future. The Group has implemented several measures to ensure the fleet will be in compliance with changes in such requirements. Some of the initiatives already implemented is conversion to battery hybrid, and given the financers limited willingness to finance new comparable vessels, residual values and useful life are assumed to not be materially reduced in todays market.

The Group will adjust the key assumptions used in value-in-use calculations and sensitivity to changes in assumptions should a change be required.

LOSS ON SALE OF ASSETS

The Group has disposed 23 vessels in 2021, where all 23 were classified as "non-strategic" and in line with the restructuring plan for the Company. The majority of the loss is related to the one vessels not classified as "non-strategic".

ASSETS HELD FOR SALE

Assets held for sale consist of 13 vessels classified as non-strategic, which the Company has disposed and not delivered. Book value is MNOK 187,2, which agrees to salesprices less cost to sell.

Note 8 - Right-of-use assets

	Right-of-use asstes			
	Vessels	Office	Total	Lease liabilities
Balance 01.01.2021	**2,212,854**	**244,468**	**2,457,322**	**2,814,242**
Other adjustments	-	-	-	-10,839
Additions	107,855	-	107,855	75,558
Disposals	-	-	-	-332
Translation adjustment	72,953	-4,230	68,722	78,845
Depreciation	-64,158	-28,554	-92,712	-
Impairment	20,000	-	20,000	-
Interest expense	-	-	-	176,480
Leasing payment	-	-	-	-389,671
Closing balance 31.12.2021	**2,349,503**	**211,683**	**2,561,187**	**2,744,284**

	Right-of-use asstes			
	Vessels	Office	Total	**Lease liabilities**
Opening balance 01.01.2020	**3,521,309**	**250,597**	**3,771,906**	**4,284,283**
Other adjustments	-	22,613	22,613	-
Additions	3,393	-	3,393	-
Additions	-551,297	-	-551,297	-1,319,049
Translation differences	49,000	-15,819	33,181	69,343
Depreciation	-109,552	-12,924	-122,475	-
Impairment	-700,000	-	-700,000	-
Interest expense	-	-	-	241,442
Leasing payment	-	-	-	-461,777
Closing balance 31.12.2020	**2,212,854**	**244,468**	**2,457,322**	**2,814,242**

The following are the amounts recognised in profit or loss:	2021	2020
Depreciation expense of right-of-use assets	92,712	122,475
Interest expense on lease liabilities	176,480	241,442
Variable lease payments expensed in the period*	44,625	6,500
Operating expenses in the period related to short-term leases	60	906
Total lease expenses included in other operating expenses	313,877	371,324

*The Group has two vessels on lease with variable lease payments.

The Group had total cash outflows for leases of MNOK 434 in 2021 (MNOK 469 in 2020).

Impairment testing of Right-of-use assets

Based on value-in-use-calculations a reversal of impairment of MNOK 20 was recognized in 2021 (impairment of MNOK 700 in 2020). Further reference is made to Note 7 Tangible Fixed Assets.

Normand Maximus

Guarantee

Vessel lease liability is guaranteed by the Parent Company with MNOK 2,424, for further reference is made to Note 6 Mortage Debt.The Parent Company has also guaranteed for a put option related to the leased vessel. The put is valued at MUSD 309 as of 31.12.2021.

Default put option

The lease agreement for *Normand Maximus* includes a default put option. The Company received a waiver for the bareboat charter including the default put option for *Normand Maximus*.

Variable lease payments

The Company has two vessels on lease with variable lease payments. The total payments for 2021 was MNOK 44.6 (MNOK 6.5 in 2020).

Reference is made to note 6 Mortage Debt and Other Liabilities regarding further information related to Normand Maximus.

Group as a lessor

As mentioned in note 4, the agreed day rate invoiced to customers 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).

For the future minimum rentals receivable under non-cancellable operating leases, see note 4.

Note 9 - Financial items

Financial items	2021	2020
Interest expense	-1,003,543	-1,437,619
Interest income	10,295	6,373
Net currency loss	-275,629	-420,456
Income from investment in associated companies	108	41,423
Gain sale shares	4,932	155
Gain/ loss (-) financial derivatives	-7,875	-17,084
Impairment of shares	-	-294,745
Dividends	750	
Restructuring effects:		
Derecognition of capitalized borrowing costs and interest relief	-	-127,085
Termination of Right-of-use-assets (IFRS 16)	-	-550,950
Gain debt converted to equity	-	9,644,363
Gain purchase of own debt (RDA)	-	942,343
Gain fair value recognition of debt	-	1,066,639
Gain fair value warrants	111,589	177,950
Interest relief refinancing	-	514,275
Other financial income/ -expenses (-)	56,134	-68,805
Net financial items	**-1,103,239**	**9,476,776**

Currency gain and -loss is mainly relating unrealized currency gain and -loss on assets and liabilities in foreign currency, change in currency rates in the period from posting of invoices and actual timing of payments and realised currency gain and -loss related to refinancing og loan.

Restructuring effects:

Restructuring effect described in the following mainly relates to 2020.

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

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

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

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

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

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

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

Note 10 - Other expenses, wages, employees and distinctive contributions

Other operating expenses:	2021	2020
Technical cost	492,179	569,457
Bunker and lube oil	144,171	181,152
Insurance	107,643	106,186
IT, communications and other costs	777,993	634,876
Total other operating expenses	**1,521,986**	**1,491,671**
Wages and personnel costs:		
Employees, vessels	2,044,482	2,025,675
Employees, administration	283,633	304,531
Total employee cost	**2,328,115**	**2,330,206**
Wages and employee cost:		
Wages	1,673,436	1,748,737
Social security	212,344	193,903
Pension costs	41,018	12,075
Other benefits	44,044	42,347
Traveling costs, courses and other personnel costs	357,273	333,144
Total employee cost	**2,328,115**	**2,330,206**
Average number of man-years	3,478	3,528

Renumeration to Directors, Managing Director and Auditors

2021	Wages	Bonus	Other benefits	Pension cost
Lars Peder Solstad (CEO)	5 313	1 430	157	109
Kjetil Ramstad (CFO)	2 245	1 318	12	104
Tor Johan Tveit (COO)	1 609	965	12	105
	9,167	**3,743**	**181**	**318**

2020	Wages	Bonus	Other benefits	Pension cost
Lars Peder Solstad (CEO)	2 312	2 289	155	107
Kjetil Ramstad (CFO)	1 779	1 562	155	103
Tor Inge Dale (COO)	1 892	703	11	109
	5,983	**4,554**	**321**	**319**

There are no distinctive agreements regarding remuneration for the Chairman of the Board and neither are there any distinctive bonusor option programmes for any Board Member. No loans have been given to the company management.

The Chief Executive Officer has an agreement securing 12 months salary and in addition a right to subscribe 5,038,187 shares in the Company with a nominal value of NOK 1 per share. The subscription right expires 20.10.2023.

Board of Directors fee:	**2021**	**2020**
Harald Espedal	600	676
Frank O. Reite	406	376
Ellen Solstad	196	370
Peder Sortland	246	-
Ingrid Kylstad	246	-
Thorhild Widvey	196	-
Toril Eidesvik (until 20.10.2020)	138	443
Harald Thorstein (untill Q1 2020)	-	390
Merete Haugli (untill 20.10.2020)	104	383
Anders Onarheim	25	25

Auditors EY	**2021**	**2020**
Statutory audit	16,160	13,151
Other assurance services	1,660	2,600
Other non-audit services	16,629	14,139
Total	**34,449**	**29,890**

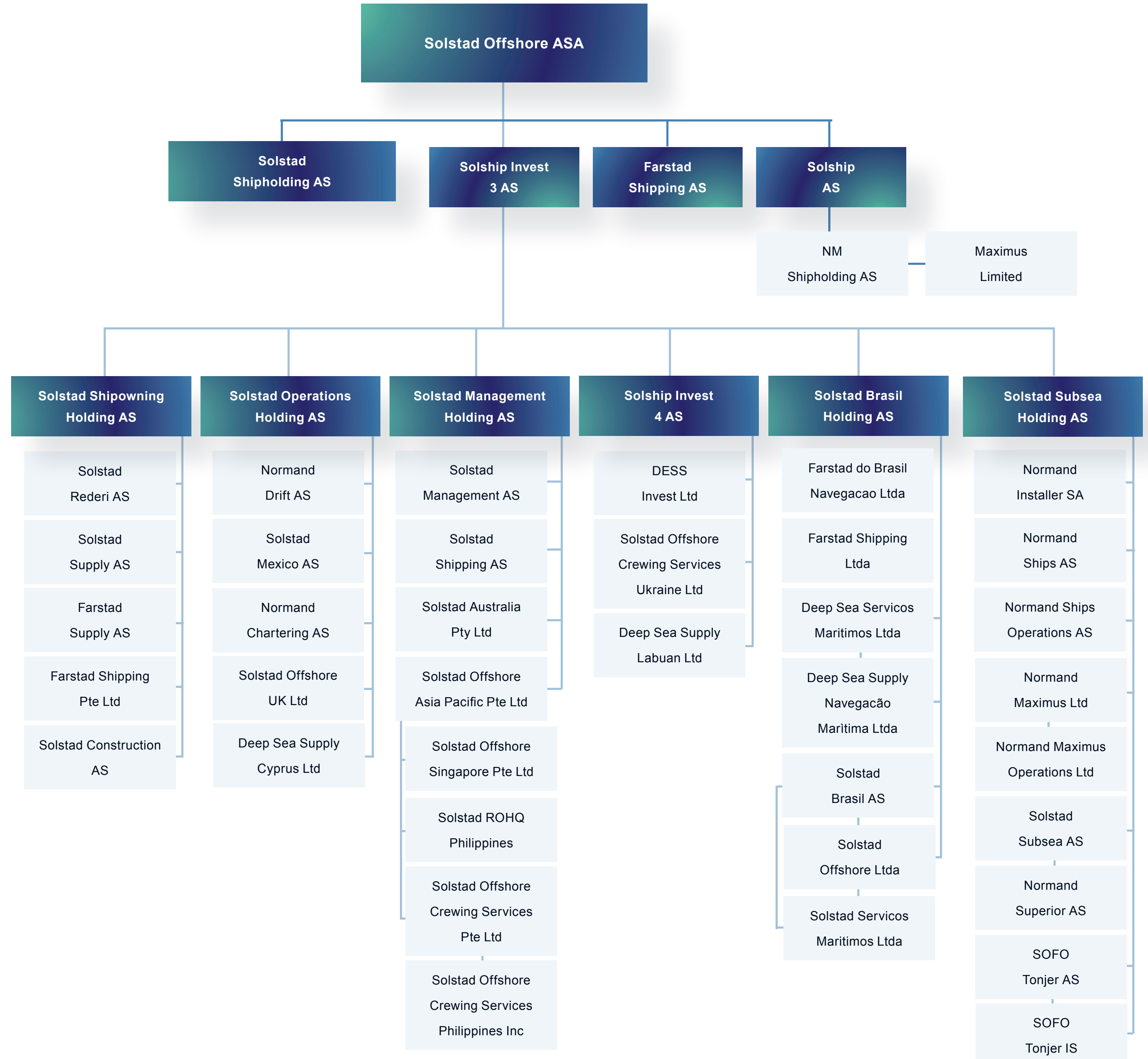
Audit fees relates to statutory audit of accounts. Other assurance services relates to services required by law.
Other non audit services: Fees for services related to compliance servides and restructuring process.

Note 11 - Government grants

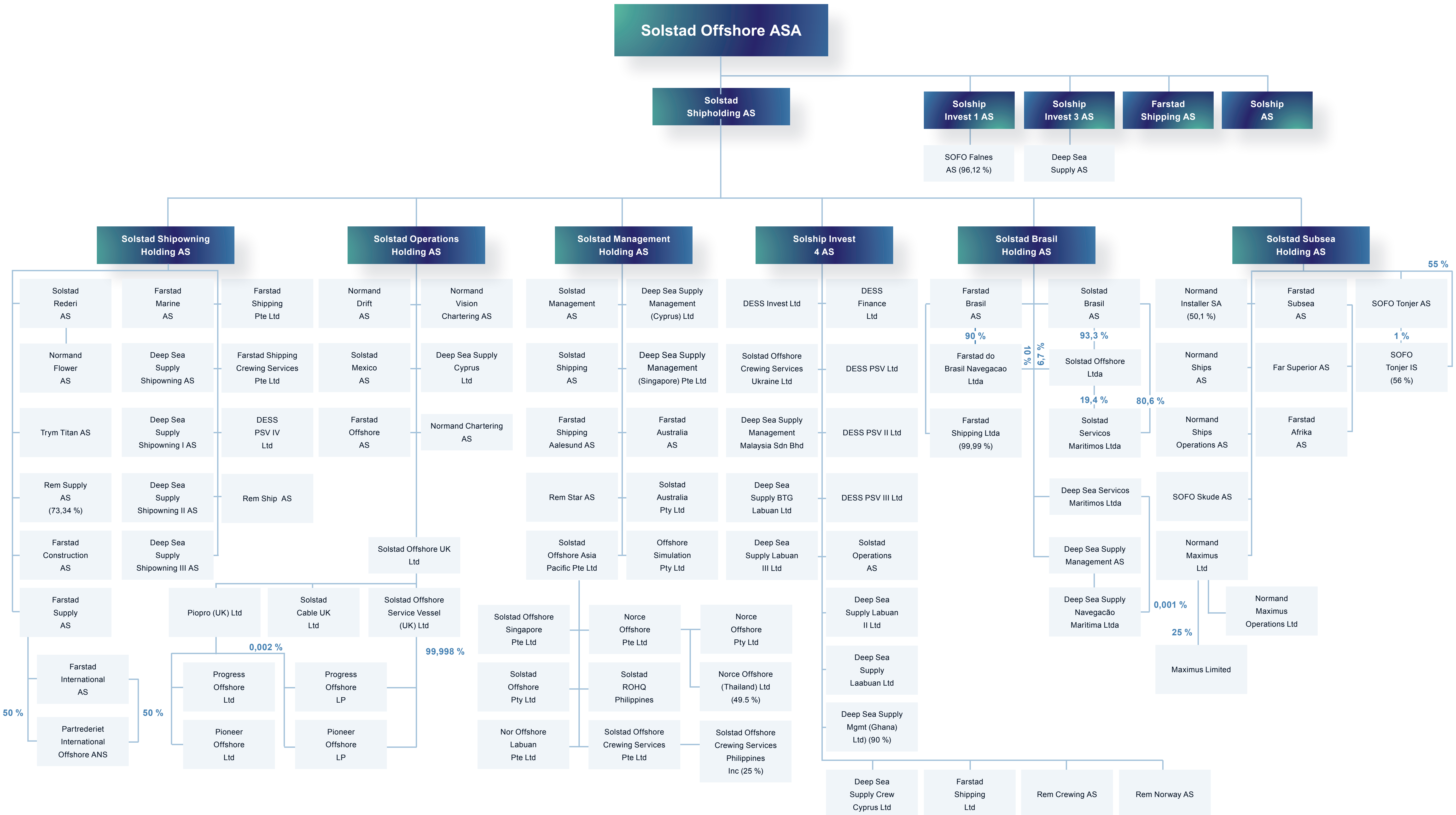
	2021	**2020**
Net pay scheme at NOR-vessels	250,542	206,973
Government grants to reduction of payroll expenses	250,542	206,973

Note 12 - Share in subsidaries

Simplified organization chart of Solstad Offshore ASA exclusive of dormant companies.



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



Note 13 - Share in joint ventures, associated companies and other investments

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

		Place of Business	Ownership	Date of Financial statement
Normand Installer SA (NISA)	JV	Marly, Sveits	50 %	31.12.2021
Solstad Offshore Crewing Services Philippines (SOCS)	AC	Manilla, Philippines	25 %	31.12.2021
Maximus Limited (MAXL)	AC	George Town, Cayman Islands	25%*	31.12.2020

* disposed in 2021

Normand Installer SA owns one construction service vessel hired on time charter to a company associated with the other part of the joint venture.
Solstad Offshore Crewing Services Philippines deliver crewing services to the Group.
Maximus Limited is the legal owner of the vessel Normand Maximus which the Group has on financial lease.

All the above investments are strategic for the Group.

Joint venture NISA:	**2021**	**2020**
Cost price 01.01.	1,631	1,631
Acc result and adjustments	108,273	90,928
Book value 01.01.	109,904	92,559
Share of result	247	23,975
Other adjustments	-19,024	-6,630
Book value 31.12.	91,127	109,904
Balance sheet:		
Bank deposit and cash equivalents	20,881	39,496
Current assets	245	33,424
Long-term assets	529,152	504,000
Short-term liabilities	-77,914	-50,067
Long-term financial liabilities	-290,108	-322,148
Net Assets	182,255	204,704
Share of balance sheet:	91,127	102,352
Income and profit:		
Income	128,032	202,429
Operating expenses	-67,616	-82,492
Depreciations	-40,033	-15,947
Impairment	-	-30,617
Financial income	726	2,146
Interest expense	-20,615	-27,535
Reuslt before tax	494	47,983
Taxes	-	-33
Result	494	47,950
Share of income and profit:	247	23,975

Associated companies	**2021**	**2020**		
	SOCS	SOCS	Maximus	**Total**
Cost price 01.01.	385	385	250,853	**251,239**
Acc result and adjustments	742	949	41,658	**42,607**
Book value 01.01.	**1,128**	**1,335**	**292,511**	**293,846**
Share of result	108	-169	41,592	**41,423**
Impairment of investment (1)	-	-	-294,745	**-294,745**
Other adjustments	44	-38	-39,358	**-39,396**
Book value 31.12.	**1,279**	**1,128**	**-**	**1,127**
Share of balance sheet:				
Current assets	5,391	4,886	38,613	**43,499**
Long-term assets	476	601	688,651	**689,251**
Short-term liabilities	-5,492	-5,068	-11,964	**-17,032**
Long-term financial liabilities	-5	-5	-413,231	**-413,236**
Net Assets	**370**	**414**	**302,069**	**302,483**
Share of income and profit:				
Income	2,391	2,573	92,341	**94,914**
Operating expenses	-2,158	-2,757	-29,502	**-32,259**
Financial expense	-108	104	-21,247	**-21,143**
Reuslt before tax	**125**	**-81**	**41,592**	**41,511**
Taxes	**-17**	**-62**	**-**	**-62**
Result	**108**	**-143**	**41,592**	**41,449**

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

Financial assets at amortized cost - long term	**2021**		**2020**	
Unlisted shares	Share	Book value	Share	Book value
Bleivik SIM Holding AS	29,54 %	2,991	29,54 %	2,991
Hafast AS	2,64 %	-	2,64 %	-
		2,991		2,991

Based on, amongst others, no board representation, the Group does not have significant influence on the above mentioned companies.
The shares in Hafast AS was written down to NOK 1 in 2019.

Investments in shares - current		**2021**			**2020**	
Listed shares	Cost price	Share	Book value	Cost price	Share	Book value
Reach Subsea ASA	10,000	5,48 %	15,200	10,000	5,48 %	11,100
Team Tankers International Ltd.	-	-	-	5,000	0,03 %	-
			15,200			11,100

Investments available for sale are shares which have no fixed maturity or return.
Shares are valued at fair value at year end. See note 5 for more information.

Subsidiaries with significant non-controlling interests

The Group have two subsidiaries with significant non-controlling interests (NCI) as of 31. Desember 2021. Information regarding these is as follows (NOK 1,000):

2021 Name	Country	NCI	Result allocated to NCI	Accumulated NCI	Paid dividend
Rem Supply AS	Norway	27 %	-1,726	-23,248	-
SOFO Tonjer IS	Norway	44 %	-34,526	18,649	-

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

Capital has been called upon in SOFO Tonjer IS in 2021, with MNOK 30. MNOK 13,2 is contributed by minority interest.

2021

Condensed financial statement	Rem Supply AS	SOFO Tonjer IS
Non-current assets	246,250	26,543
Current assets	63,156	40,272
Total assets	**309,406**	**66,815**
Long term liabilities	363,255	-
Short term debt	33,873	24,638
Total liabilities	**397,128**	**24,638**
Income	73,996	52,826
Result after tax	**-6,475**	**-78,469**

2020

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

Minorities in SOFO Falnes AS was acquired in 2021, following a merger with Normand Ships AS which is consolidated.

Note 14 - Insurance settlements

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

	2021	**2020**
Received compensation	66,782	69,845

Insurance deductible per damage is included in Other operating expenses.
Freight income includes recognition of Loss of Hire-income of MNOK 36 and MNOK 29 for the last two years, respectively.

Note 15 - Share capital, shareholders and treasury shares

	Shares	Share capital	Treasury
01.01.2021	**74 872 682**	**74 873**	
Share capital increase by conversion of debt	735 976	736	-
31.12.2021	**75 608 658**	**75 609**	**-**
01.01.2020	**291,532,299**	**583,065**	**-281**
Share capital decrease	-291,240,767	-582,773	281
Share capital increase by conversion of debt	48,074,688	48,075	-
Share capital private placement	26,506,462	26,506	-
31.12.2020	**74,872,682**	**74,873**	**-**

At 31.12.21 the Company's share capital represents 75,608,658 shares at NOK 1.
Capital increases by convertion of debt is through exercise of warrents issued by decision of the Company's general meeting held on 20 October 2020. Warrents will be excersised for any unsettled debt after disposal of vessels held for sale.

Top 20 shareholders at 31.12.2021	Number of shares	Ownership
Aker Capital AS	18,843,913	24,92 %
Hemen Holsing Ltd	7,016,727	9,28 %
Jarsteinen AS	3,130,734	4,14 %
Citibank Europe plc	1,921,921	2,54 %
Magne Hystad	1,800,000	2,38 %
DNB Markets Aksjehandel/-analyse	1,542,780	2,04 %
The Export-Import Bank of China	1,139,842	1,51 %
Otto Rognvær	991,598	1,31 %
Sparebanken Møre	965,728	1,28 %
Knut Invest AS	800,000	1,06 %
Nordea Bank ABP, Fil	793,196	1,05 %
Morten Østdahl	777,527	1,03 %
The Bank of New York Mellon SA/NV	773,570	1,02 %
Espedal & CO AS	656,687	0,87 %
BNP Paribas Securities Services	600,758	0,79 %
Nordnet Livsforsikring AS	562,889	0,74 %
Ava AS	550,012	0,73 %
Citibank, N.A.	509,270	0,67 %
Sandberg JH AS	503,986	0,67 %
Torvik Trailerrep AS	500,000	0,66 %
	44,381,138	**58,69 %**

The Chief Executive Officer holds 3,130,734 shares through Jarsteinen AS in addition to a right to subscribe 5,038,187 shares in the Company with a nominal value of NOK 1 per share. The subscription right expires 20.10.2023.

The number of shareholders at 31.12.21 was 7,482. The number of shareholders at 31.12.20 was 7,773.
The Group held 124 treasury shares with cost price of MNOK 9,6 at 31.12.2021 and 31.12.2020.

Note 16 - Earnings per share

Earnings per share are calculated by dividing the Group result by the average number of shares as of 31.12, adjusted for the average stock of treasury shares.

There are no instruments limiting the possibility of dilution.

	2021	2020
Majority result from net profit for the year	-1 102 449	7 240 743
Result from net profit for the year	-1 136 062	7 253 866
Average number of shares	75 106 684	249 041 851
Average number of Treasury shares	139	112 830
Average number of shares to calculate earnings per share	75 106 545	248 929 021
Earnings per share (NOK) - majority	-14,68	29,09
Earnings per share (NOK)	-15,13	29,13

Note 17 - Transactions with related parties

In addition to general management services, the Group has the following transactions with related parties:

	Income		Expenses		Receivables		Payables	
	2021	2020	2021	2020	2021	2020	2021	2020
Joint venture companies								
Normand Installer SA	-	131	-	-	47 506	45 830	-	-
Other related parties								
Ivan Eiendom	-	-	11 975	10 566	-	-	-	-
Ocean Yield	-	-	44 625	35 315	-	-	-	-
Ship Finance International	-	-	-	16 421	-	-	-	-

The Group's affiliation with related parties:

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

The Group leases offices and a warehouse at market price from om a company controlled by the CEO.

The Group has two vessels on bareboat from Ocean Yield (company controlled by one of the larger shareholders during majority of 2021, but controll is ceased by 31.12.21 due to disposal). Further, the Group had five vessels on lease from Ship Finance International (company controlled by one of the larger shareholders) for three months in 2020.

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

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

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

Note 18 - Taxes

	2021	2020
Tax payable	24,424	16,313
Under/over accrual of tax payable	1,241	8,154
Change in deferred taxed	-	-27,984
Tax on ordinary result	25,665	-3,517
Apportionment of tax on ordinary result:		
Norwegian tax - ordinary	-89	5,462
Foreign tax	25,854	-8,979
Total tax	25,665	-3,517
Temporary differences:		
Fixed assets (vessels and other non-current assets)	2,903,778	1,394,912
Receivables (current assets)	-29,140	-27,794
Other current assets	-106,444	-106,444
Pension	-25,864	-25,015
Tax position related to disposed assets	-555,297	-193,601
Interest deductions carried forward	-2,109,997	-2,202,254
Unrecovered loss carried forward	-17,448,411	-15,203,545
Total temporary differences	-17,394,055	-16,390,396
Tax effect on temporary differences:		
Fixed assets (vessels and other non-current assets)	638,831	306,881
Receivables (current assets)	-6,411	-6,115
Other current assets	-23,418	-23,418
Pension	-5,690	-5,503
Tax position related to disposed assets	-122,165	-42,592
Interest deductions carried forward	-464,199	-484,496
Unrecovered loss carried forward	-3,838,650	-3,344,780
Deferred tax assets not recognised	3,812,195	3,600,306
Net deferred tax / deferred tax asset (-)	-14,497	-5,581
Change in deferred tax in the balance sheet:		
Opening balance deferred tax	-5,581	16,637
Booked to profit and loss	-	-27,984
Changed to equity (change pension)	-8,932	-1,774
Translation adjustment	16	7,540
End balance deferred tax / deferred tax asset (-)	-14,497	-5,581
Payable tax in the balance sheet consist of:		
Other payable corporation tax	176,767	168,016
Total payable tax in the balance sheet	176,767	168,016
Analysis of effective tax rate:		
22 % of pre-tax result	-244,287	1,595,077
Effect of deferred tax asset nor recognised	211,889	481,787
Correction of previous years	1,241	-23,772
Differential in tax rates foreign entities	5,249	-1,747
Permanent differences/ Shipping Tax Regime	51,574	-2,054,861
Estimated tax	25,665	-3,517

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

Deferred tax on deviating values in associated companies with foreign partnerships has been included in the Group accounts. Further, deferred tax is calculated on scenarios where a future realization will lead to a tax liability.

Deferred tax assets from losses carried forward are recognized under the assumption that companies under the ordinary tax regime will have taxable income in the future. This taxable income is related to ordinary income, gain from sale of fixed assets and taxable financial income.

The Group has an international business. The taxable treatment of transactions, operations and structures in foreign countries may be challenged by local tax authorities, and may result in future tax obligations. Contingent liabilities are recognized in the accounts if they are more likely than not to occur. At the end of the year the Group has included an MNOK 160 accural for expected taxes related to operations in foreign waters. The accounts reflect the Groups best estimate for contingent liabilities at the end of the year.

Note 19 - Pension

The Group has defined benefit pension plans for seafaring personnel in United Kingdom, for some of the seafaring personnel in Norway, and for some of the administrative personnel. The pension plans are insurance based. As at December 31, 2021, the pension plans have 7 actives and 101 pensioners as members.

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

The following assumptions are used:	UK **2021**	UK **2020**	NORWAY **2021**	NORWAY **2020**
Discounted interest	1,90 %	1,10 %	1,90 %	1,70 %
Expected return			1,90 %	1,70 %
Regulation of salaries	3,70 %	3,90 %	2,75 %	2,25 %
Regulation of base amount			2,50 %	2,00 %
Regulation of pension	3,00 %	2,40 %	2,50 %	1,50 %

Changes in pension obligation:	**2021**	**2020**
Estimated liability at beginning of the year	256,580	434,975
Interest expense	1,548	11,598
Annual pension earnings	3,306	9,066
Curtailment / settlement	-	-196,928
Payroll tax employer contribution, assets	-613	-1,387
Benefits paid	-13,014	-13,528
Past service cost	-	47
Actuarial (gain) / loss on the obligation	4,586	12,738
Estimated liability at year end	252,393	256,580
Changes in plan assets:		
Opening value of plan assets	231,565	408,384
Expected return	2,611	8,531
Curtailment / settlement	-	-189,916
Payroll tax of employer contribution, assets	-149	-591
Contributions by employer	4,344	11,028
Benefits paid	-11,219	-10,914
Actuarial gain / (loss)	-623	5,043
Estimated plan assets at year end	226,529	231,565

	2021	**2020**
Net plan assets/liabilities:		
Pension liabilities	252,393	256,580
Plan assets	226,529	231,565
Net plan assets/ (liabilities) incl social security	-25,864	-25,015
Social security	-3,196	-3,091
Pension cost:		
Present value of pension obligation	1,132	11,260
Interest expenses on obligation	3,306	9,066
Expected return on plan assets	-2,611	-8,531
Administration expense	565	929
Recognition of past service cost	-	47
Settlement/curtailmen of net obligation	-	-7,013
Pension cost	2,392	5,758
Payment on contribution plan	38,627	6,317
Total pension cost	41,018	12,075
Actual return on plan assets	1,988	13,574
Acturial gain and loss (-)		
Total acturial gain / loss	-5,209	-7,700
Currency	-	5
Tax effect	1,237	1,774
Acturial gain / loss booked on Other comprehensive income	-3,971	-5,921

Pension liability for 2021 and 2020 is based on table K2013 for Norway and S2IA for UK.

Individual pension agreements

From the merger with Farstad the Group has an individual pension obligation for four former employees and one former Chairman of the Board.

A total liability of NOK 4.3 million is included in the net liability above (NOK 6.1 million in 2020).

Plan assets are invested in a wide portfolio by an external insurance company. The insurance company is responsible for total administration of the pension plan.

For both years the "Norwegian Covered Bonds Market"-interest rate is used as basis for determination of the discounting rate.

Note 20 - Bank deposits

The Group's tied deposits total NOK 38.8 million (NOK 40.1 million in 2020) of which is employee tax withheld.

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

As a part of the refinancing a MNOK 1,500 Super Senior Credit Facility (SSCF) was made available for the Group. Per 31. December 2021, drawn amount was MNOK 1,494. (MNOK 1,467 in 2020). The SSCF is classified as an ordinary bank deposit. The SSCF can only be utilized if Group's available cash is less than MNOK 600.

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

Note 21 - Environmental conditions

All of the company's vessels comply with current environmental requirements. In 2021, none of the company's vessels had conditions imposed on them for upgrading or improving technical equipment or any other measures necessary to satisfy current environmental standards.

The company's HSE and ISPS system complies with international regulations (IMO's International Safety Management Code). All vessels and our administration hold ISM certification from Det Norske Veritas or relevant Flag State. The company's Quality Assurance system is certified in accordance to NS-EN ISO 9001:2000.

Reference is made to note 2.

Note 22 - Paid out and proposed dividend

	2021	2020	2019
Approved and paid out during the year:			
Ordinary dividend	--	--	--
Proposed dividend at general meeting:			
Ordinary dividend	--	--	--
Per share (NOK)	--	--	--

Note 23 - Other long-term receivables

	2021	2020
Sellers credit (note 5)	26,458	-
Loan to associated companies	-	-
Loan to other companies	718	14,128
Other receivables	29,284	46,067
Total other long-term assets	56,460	60,195

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

Note 24 - Accounts receivable and other short-term receivables

	2021	2020
Accounts,receivable,(note,5)	815,182	832,655
Receivable,from,associated,and,joint,venture,companies	1,564	6,973
Total,accounts,receivable	816,745	839,628
Prepaid,expenses	47,348	32,877
Earned,,not,invoiced,income	89,192	79,208
VAT,receivable	64,450	96,408
Other,short-term,receivables	220,104	205,518
Receivable,from,associated,and,joint,venture,cimpanies		
Total,short-term,receivables	421,094	414,011

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

Note 25 - Inventory

Stock consists of provisions, bunkers and lube oil on the Group's vessels:

	2021	2020
Bunkers	84,128	80,039
Lube oil	33,312	36,638
Other	55,600	48,653
Total inventory	173,041	165,330

Other stock is mainly critical spare parts and dry docking work-in-progress.

Note 26 - Other current liabilities

	2021	2020
Accrued salaries, related taxes and VAT payable	249,277	275,714
Other current liabilities	113,363	168,964
Total short-term liabilities	362,640	444,678

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

Note 27 - Contingent liabilities, assets and provisions

Tax claims in Brazil:

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

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

All claims are handled by the Company's lawyers in Brazil. The majority of the claims are rejected and chances to succeed are considered high. Although most claims are rejected, they represent liabilities which, in Management's assessment, can lead to release of financial resources in the future, or may need a legal deposit if the case goes to Judicial level. Management also believes some liabilities can be measured and estimated reliably.

The total potential claim amounts to approximately MNOK 220 (MNOK 240). The reduction in 2021 is due to currency MNOK 8 and cases closed with favourable outcome. Based on an individual assessment of each case the Group's total recognized accrual is MNOK 13.3 (MNOK 15.1 in 2020). Legal fees are expensed as incurred.

Reference is made to note 6 regarding information about Normand Maximus.

Note 28 - Deferred income and excess value contracts

Excess values contracts

As a part of the purchase price allocation from the mergers of Rem Offshore, Farstad Shipping and Deep Sea Supply, long-term charter contracts with excess values, contracted versus current market day rates, were identified. The excess values are classified as intangible fixed assets, and are amortised over the remaining duration of each charter contract.

	2021	2020
Book value as per 01.01.	7 499	69 961
Amortised	-7 499	-62 462
Book value as per 31.12.	0	7 499

Note 29 - Subsequent events

Contracts
The Company has increased its orderintake with approximately MNOK 2,600 during Q1 2022. The majority of new contracts (MNOK 1,450) are in the subsea and renewable segments.

Sale of vessels
The Company has disposed the remaining vessels classified as non-strategic in 2022, with warrants exercised for five of the sales. Warrants are exercised in accordance to the restructuring agreement 20. October 2020.

The Situation in Ukraine
In February 2022, Russian armed forces invaded Ukraine. The Group is present in Ukraine with an office managing crewing services within the Group, and employs approx. 300 Ukrainian crew. None of the Group's vessels have been forced to off-hire due to the situation, but there is a risk that crew changes and crew availability will be challenging as long as the war persists. Management is handling this event and its development proactively, including sanctions and direct and indirect impacts. Actions to mitigate its effect on services the Group provides and other associated risks are taken. Reference is made to the Board of Director's Report for further information.

Alternative performance measurements definitions

In addition to reporting measures required under IFRS, the Company also use the following alternative performance measures in the interim- and annual reports

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

EBITDA - Operating result before depreciation and impairment adjusted for excess values charter parties from mergers and operating leases

Adjusted EBITDA - Operating result before depreciation and impairment adjusted excess values charter parties from mergers, operating leases and other non-cash related items

Adjusted Operating result before depreciations - Operating result before depreciation and impairment adjusted excess values charter parties from mergers, operating leases and net result from Joint Ventures

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

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

Current ratio - Current assets divided by current liabilities

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

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

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

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

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

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

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

B2B - Book to bill, backlog less billed in period

Corporate accounts for Solstad Offshore ASA

Parent company (NOK 1,000)

PROFIT OR LOSS ACCOUNT	2021 01.01-31.12	2020 01.01-31.12	Note
Other operating income	**12,951**	**77,172**	
Total operating income	**12,951**	**77,172**	
Personnel costs	-2,212	-10,055	4
Other operating expenses	-10,523	-162,553	4
Total operating expenses	**-12,735**	**-172,608**	
Operating loss	**216**	**-95,436**	
Other interest income		3	
Other financial income	97,948	1,502,192	5
Other interest charges	-	-5,381	
Other financial charges	-6,351	-579,385	5,7
Net financial items	**91,598**	**917,429**	
Ordinary result before taxes	**91,813**	**821,993**	
Tax on ordinary result	-	-	8
Net result for the year	**91,813**	**821,993**	
Transfer and disposable income			
Transfer to/from other equity	91,813	821,993	9
Total transfer and disposable income	**91,813**	**821,993**	

Balance sheet

Parent company (NOK 1,000)

	2021 31.12	2020 31.12	Note
ASSETS			
FIXED ASSETS			
FINANCIAL FIXED ASSETS:			
Investment in subsidaries	575,228	457,032	6
TOTAL FINANCIAL FIXED ASSETS	**575,228**	**457,032**	
TOTAL FIXED ASSETS	**575,228**	**457,032**	
CURRENT ASSETS			
RECEIVABLES:			
Other short-term receivables	40,033	58,359	7
Total receivables	**40,033**	**58,359**	
Bank deposits and cash equivalents	379	6,558	
TOTAL CURRENT ASSETS	**40,412**	**64,917**	
TOTAL ASSETS	**615,640**	**521,949**	

Balance sheet

Parent company (NOK 1,000)

	2021 31.12	2020 31.12	Note
EQUITY & LIABILITIES:			
EQUITY			
RESTRICTED EQUITY:			
Share capital (75,608,658 a 1,-)	75,609	74,873	
Shared premium	176,927	175,572	
TOTAL RESTRICTED EQUITY	**252,536**	**250,445**	**9**
EARNED EQUITY:			
Other equity	169,420	77,606	11
TOTAL EARNED EQUITY	**169,420**	**77,606**	
TOTAL EQUITY	**421,956**	**328,051**	**9**
LIABILITIES			
OTHER LONG-TERM LIABILITIES:			
Other long-term liabilities	1,917	2,158	13
TOTAL LONG-TERM LIABILITIES	**1,917**	**2,158**	
CURRENT LIABILITIES:			
Accounts payable	189,245	189,016	9
Other current liabilities	**2,524**	**2,723**	
Total current liabilities	**191,768**	**191,740**	
TOTAL CURRENT LIABILITIES	**193,685**	**193,898**	
TOTAL EUQUITY AND LIABILITIES	**615,640**	**521,949**	

Board of Director in Solstad Offshore ASA
Skudeneshavn April 21, 2021

Harald Espedal
Chairman

Frank O. Reite
Director

Ingrid Kylstad
Director

Thorhild Widvey
Director

Ellen Solstad
Director

Peder Sortland
Director

Lars Peder Solstad
CEO

Statement of cash flow

Parent company (NOK 1,000)

	2021 31.12	2020 31.12
CASH FLOW FROM OPERATIONS		
Profit / loss before taxes	**91,813**	**821,993**
Impariment of financial assets	-	-
Interest income	-	-3
Interest expense	-	5,381
Non-cash refinance effects	-116,347	-960,971
Unrealised currency gain/ -loss	-	-
Change in short-term receivables and payables	228	121,224
Change in other accruals	18,126	-58,788
Net cash flow from operations	**-6,179**	**-71,164**
CASH FLOW FROM INVESTMENTS		
Investments in shares	-	-30
Pamynet of long-term receivables	-	2,158
Deposal of shares	-	-
Net cash flow from investments	**-**	**2,128**
CASH FLOW FROM FINANCING		
Paid-in capital	-	70,355
Interest reiveiced	-	3
Interest paid	-	-2,025
New / repayment of (-) long-term debt	-	-
Net cash flow from financing	**-**	**68,333**
Net change in cash and cash equivalents	-6,179	-703
Cash and cash equivalents at 01.01	6,558	7,261
Cash and cash equivalents at 31.12	**379**	**6,558**

Notes

Notes to the Parent Company Financial Statements

(NOK 1,000)

Note 1 - Accounting principles

General
The annual accounts have been prepared in accordance with the Accounting Act and best practice accounting principles in Norway. The most important accounting principles are described below.

Use of estimates
In the preparation of the accounts, estimates and assumptions are used which affect the accounts. Actual figures may differ slightly from the estimates.

Foreign currency
Monetary items in foreign currency are converted at the exchange rate at the balance sheet date.

The following exchange rates have been used in the accounts:

	GBP	USD	EUR
Per 31.12.20	11.646	8.533	10.470
Per 31.12.21	11.888	8.819	9.989

Cost of borrowing
The cost of borrowing is capitalized at the time of borrowing and the cost is charged over the maturity period of the loan.

Evaluation and presentation of current assets

Stocks are valued as the lowest of either the acquisition or the estimated sales value. Receivables are ecorded at face value with deduction for anticipated loss.

Financial fixed assets
Long-term investment in shares and other investments are valued at the lowest of either the acquisition cost or the estimated sales value if the reduction in the sales value is not considered temporary.

Taxes / Deferred tax
Deferred tax/ deferred tax assets are calculated, using the liability method, at 22 percent based on temporary differences between the accounting and tax-related values existing at the end of the financial year and any tax deficits are carried forward.

Temporary tax increases and decreases are recorded in the balance sheet as net figures.

Classification of items in the accounts
Assets determined for long-term ownership or use and receivables which are due more than one year after the expiry of the financial year are recorded as fixed assets. Any remaining assets are classified as current assets.

Liability which is due more than one year after the expiry of the financial year is recorded as long-term debt.

Contingencies
Contingent losses that are probable and quantifiable are recorded to the accounts, whilst contingent gain/income is not.

Shares and holdings in other companies
Short-term investments related to shares are not treated as a trading portfolio and are valued at the lowest of cost price and market value.

Shares in subsidiaries, associated companies and jointly-owned companies
Shares in subsidiaries, associated and jointly-owned companies are recorded in the parent company accounts at cost and written down to the extent that there is a significant deficit value which is not considered temporary.

Treasury shares
Treasury shares are recorded as a nominal value under the item “share capital”. The difference between nominal and acquisition cost is entered as “other equity”.

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

Note 2 - Major transactions/events

Reference is made to Note 2 in the Group Annual Report for further information.

Note 3 - Financial risk

The company is exposed to various financial risks in its activities. Financial risk is the risk incurred from any changes in currency and interest rates together with counter parties ability to pay, and which impacts the value of the company’s assets, liabilities and future cash flows.

Reference is made to Note 5 in the Group Annual Report for further information.

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

	2021	2020
Wages and director fee	1,894	8,772
Employer's National Insurance	311	1,031
Pension costs		123
Other benefits	2	47
Travelling costs, courses and other personnel costs	5	83
Total employee cost	2,212	10,055
Average number of man-years	0	2

Renumeration to Directors, Managing director and Auditors

The Company had no employees in 2021.

2020	Wages	Bonus	Other benefits	Pension cost
Lars Peder Solstad	2,312	**2,289**	155	107

Board of Directors fee:	2021	2020
Harald Espedal	600	676
Frank O. Reite	406	376
Ellen Solstad	196	370
Peder Sortland	246	
Ingrid Kylstad	246	
Thorhild Widvey	196	
Toril Eidesvik (until 20.10.2020)	138	443
Harald Thorstein (untill Q1 2020)		390
Merete Haugli (untill 20.10.2020)	104	383
Anders Onarheim	25	25

In 2021, NOK 4,893,500 (NOK 2,673,877 in 2020) was charged as auditors fees and NOK 6,285,018 (NOK 10,972,898 in 2020) relating to other non-audit related services. Both amounts are exclusive VAT. There are no distinctive agreements regarding remuneration for the Chairman of the Board and nor are there any distinctive bonus or option programmes for any Board Member.

Note 5 - Financial items

Other financial income of MNOK 98 relates to conversion of debt to equity.

Comparative figures for 2020 of MNOK 1,502 relates to restructuring and consist of gain on sale of shares MNOK 204, debt converted to equity MNOK 1,217 and gain on loan to subsidiary MNOK 82.

Other financial costs of MNOK 6 consist of loss on receivables converted to shares in subsidiaries. Comparative figures for 2020 of MNOK 579 consist of loss on sale of shares MNOK 541, other cost 25 MNOK and currency loss MNOK 13.

Note 6 - Shares in subsidiaries

31.12.2021	Place of business	Owner- / voting shares	Number of shares	Nominal value	Share capital	Cost price / book value
Solstad Shipholding AS	Skudeneshavn	100 %	30,000	6,66	200	575,198
Solship Invest 1 AS	Skudeneshavn	100 %	30,000	1	30	
Solship Invest 3 AS	Skudeneshavn	100 %	30,000	1	30	
Farstad Shipping AS	Skudeneshavn	100 %	30,000	1	30	30
Solship AS	Skudeneshavn	100 %	30,000	1	30	30
Total						**575,228**

Solship Invest 1 AS was liqudated in 2021.

The investment in Solstad Shipholding AS was increased by MNOK 118 by conversion of debt to equity.

31.12.2020	Place of business	Owner- / voting shares	Number of shares	Nominal value	Share capital	Cost price / book value
Solstad Shipholding AS	Skudeneshavn	100 %	30,000	6,66	200	457,002
Solship Invest 1 AS	Skudeneshavn	100 %	30,000	1	30	
Solship Invest 3 AS	Skudeneshavn	100 %	30,000	1	30	
Farstad Shipping AS	Skudeneshavn	100 %	30,000	1	30	
Solship AS	Skudeneshavn	100 %	30,000	1	30	30
Total						**457,032**

Note 7 - Inter company group

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

	31.12.2021	31.12.2020	Interest
Solstad Shipholding AS	40,033	46,335	
Solstad Subsea Holding AS		11,724	
Solstad Rederi AS		300	
Other current assets	**40,033**	**58,359**	
Solstad Shipping AS	117,281	112,896	
Solstad Rederi AS	229		
Solstad Management AS	29,750	34,136	
Normand Drift AS	41,984	41,984	
Account payable	**189,245**	**189,016**	

Note 8 - Taxes

	2021	2020
Taxable income		
Result before tax	91,813	821,993
Changes in tempoary diferrences		-34,829
Permanent differences	-91,594	-917,686
Unrecovered interest		
Transferred to/from loss carry forward	-219	130,522
Taxable income	**-**	**-**
Change in deferred taxes	-	-
Tax on ordinary result	**-**	**-**
Short-term receivables	-2,000	-36,829
Unrecovered interest carried forward	-	-43,176
Unrecovered loss carried forward	-323,481	-150,002
Total temporart differences	**-325,481**	**-230,007**
Cuculated deferred tax asset	71,606	50,601
Unrecognized part of deferred tax asset	-71,606	-50,601
Booked deferred tax asset	**-**	**-**
Analysis of effective tax rate:		
22 % of Profit before Tax	20,199	-163,734
Deferred tax asset not recognised	-48	22,880
Tax effect of permanent differences	-20,151	140,854
Estimated tax	**-**	**-**

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

Note 9 - Equity, shareholders and treasury shares

	Share capital	Share premium	Other equity	Total equity
Equity 31.12.2020	**74,873**	**175,572**	**77,606**	**328,051**
Share capital increase by conversion of debt	736	1,355	-	2,091
Annual result	-	-	91,813	91,813
Equity 31.12.2021	**75,609**	**176,927**	**169,420**	**421,956**

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

At 31.12.21 the Company's share capital represents 75,609,658 shares at NOK 1.

Capital increases by convertion of debt is through exercise of warrents issued by decision of the Company's general meeting held on 20 October 2020. Warrents will be excersised for any unsettled debt after disposal of vessels held for sale.

The number of shareholders at 31.12.21 was 7,248 (7,773 at 31.12.20).

Shareholders with more than 1 % holding at 31.12.2021

	Number of shares	Ownership
Aker Capital AS	18,843,913	24,92 %
Hemen Holsing Ltd	7,016,727	9,28 %
Jarsteinen AS	3,130,734	4,14 %
Citibank Europe plc	1,921,921	2,54 %
Magne Hystad	1,800,000	2,38 %
DNB Markets Aksjehandel/-analyse	1,542,780	2,04 %
The Export-Import Bank of China	1,139,842	1,51 %
Otto Rognvær	991,598	1,31 %
Sparebanken Møre	965,728	1,28 %
Knut Invest AS	800,000	1,06 %
Nordea Bank ABP, Fil	793,196	1,05 %
Morten Østdahl	777,527	1,03 %
The Bank of New York Mellon SA/NV	773,570	1,02 %
	40,497,536	**53,56 %**

In accordance with the definition in corporate law, the Directors had the following holdings at 31.12.2021

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

The Chief Executive Officer holds 3,130,734 shares through Jarsteinen AS in addition to a right to subscribe 5,038,187 shares in the Company with a nominal value of NOK 1 per share. The subscription right expires 20.10.2023.

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

Per 31.12.2021 the company holds 124 treasury shares at a cost price of MNOK 9.6.
Per 31.12.2020 the company holds 124 treasury shares at a cost price of MNOK 9.6.

Note 10 - Earnings per share

In 2021, earnings per share was NOK 10.94. The equivalent value in 2020 was NOK 3.30. Earnings per share is calculated by dividing the company's result by the average number of shares, adjusted for the stock of treasury shares. There are no instruments that prevents the possibility of dilution.

Note 11 - Transactions with related parties

Related parties are considered to be Board Members (including associated companies) and the company management.

There are no management agreements with related parties outside the Group that charge management fees.

Note 12 - Guarantees

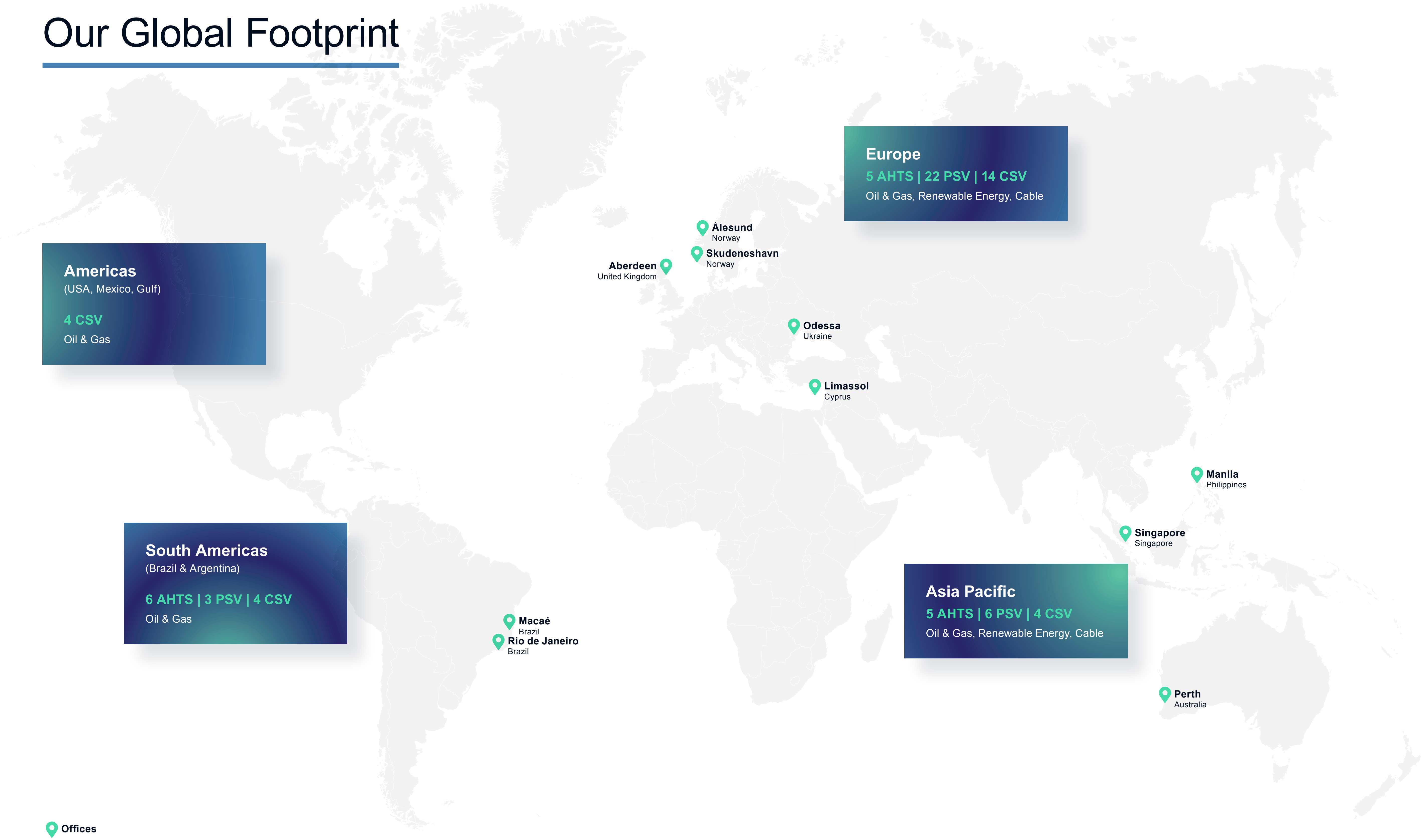
Solstad Offshore ASA has issued a Parent Company Guarantee of MNOK 20,837, hereof lease guarantee of MNOK 2,424.

Note 13 - Other long-term liabilities

As part of the refinancing in 2020 Aker, Hemen and Jarsteinen issued convertible loans as an instrument to avoid dilution. Portions of the convertible loans will be converted in relation to sale of non-strategic vessels, and exercise of warrants from certain banks.

	31.12.2021	31.12.2020
Aker Capital AS	1,244,782	1,401,545
Hemen Holding Ltd	441,367	496,950
Jarsteinen AS	230,484	259,510
	1,916,633	**2,158,005**

Our Global Footprint



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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Solstad Offshore ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Solstad Offshore ASA (the Company) which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company comprise the balance sheet as at 31 December 2021, the profit or loss account, the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements of the Group comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable legal requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway,
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the audit committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company since the listing in 1997, for more than 24 years from the election by the general meeting of the shareholders.

Emphasis of matter

We draw attention to note 6 of the financial statements, which include information about possible consequences for Solstad Offshore ASA related to guarantees provided under the bareboat charter of Normand Maximus, and the recourse claim received from MYF Limited. Our opinion is not modified in respect of this matter.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Impairment evaluation of vessels and right of use asset (vessels)

Basis for the key audit matter
Management identified the challenging market conditions and price/book ratio below 1 as impairment indicators and tested recoverable amounts of the Group's vessels (includes right of use assets vessels). Each individual vessel was assessed as a separate cash generating unit, and management estimated recoverable amounts by comparing the carrying amount to the highest of fair value less costs of disposal and value in use. For a majority of the vessels, value in use was the basis for the recoverable amount.

As per 31 December 2021 book value of the Group's vessels amounted to NOK 20 413,5 million, representing 82 % of the Group's total assets. The Group recognized an impairment of NOK 45 million in 1Q21 related to a "non-strategic" vessel that was sold later the same year.

When estimating value in use, management applied budget and long-term strategic plans approved by the Board of Directors, including assumptions regarding future market and economic conditions. Key estimates for the value in use calculation were future day rates, utilization rates, and discount rate. The estimated fair value less cost of disposal was based on sales transactions for comparable vessels and an average of three external broker valuation reports for each vessel.

Considering the extent of estimates and assumptions applied in the impairment evaluation, and management's involvement and significant judgement in establishing them, we assess impairment evaluation of vessels as a key audit matter.

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

For fair value less cost of disposal, our audit procedures included comparing estimated net proceeds to actual sales transactions for comparable vessels and third-party broker valuation reports obtained by management. We evaluated the appropriateness and reliability of the broker valuations through comparing the broker estimates to management's value in use calculations.

We refer to note 2 Accounting estimates and assessments, note 7 Tangible fixed assets and note 8 Right of use assets

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Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report, the statement on corporate governance and the statement on corporate social responsibility contain the information required by applicable legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by applicable legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report, the statement on corporate governance and the statement on corporate social responsibility are consistent with the financial statements and contain the information required by applicable legal requirements.

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

Report on other legal and regulatory requirement

Report on compliance with regulation on European Single Electronic Format (ESEF)

Opinion

As part of our audit of the financial statements of Solstad Offshore ASA we have performed an assurance engagement to obtain reasonable assurance whether the financial statements included in the annual report, with the file name SOLSTAD OFFSHORE ASA-2021-12-31-en.zip, has been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation given with legal basis in Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements included in the annual report have been prepared, in all material respects, in compliance with the ESEF Regulation.

Management's responsibilities

Management is responsible for the preparation of an annual report and iXBRL tagging of the consolidated financial statements that complies with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary to enable the preparation of an annual report and iXBRL tagging of the consolidated financial statements that is compliant with the ESEF Regulation.

Auditor’s responsibilities

Our responsibility is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation based on the evidence we have obtained. We conducted our engagement in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – “Assurance engagements other than audits or reviews of historical financial information”. The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation.

As part of our work, we performed procedures to obtain an understanding of the company’s processes for preparing its annual report in XHTML format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management’s use of judgement. Our work comprised reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Bergen, 21 April 2022
ERNST & YOUNG AS

The auditor's report is signed electronically

Øyvind Nore
State Authorised Public Accountant (Norway)

Øyvind Nore
Statsautorisert revisor
On behalf of: Ernst & Young AS
Serial number: 9578-5994-4-485745
IP: 213.52.xxx.xxx
2022-04-21 13:29:23 UTC

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