



4th Quarter Report 2022



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The Company

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

As per December 2022 the Company has approximately 3,400 highly skilled employees, nine offices globally and operates a versatile fleet of modern offshore vessels.

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

Letter from the CEO

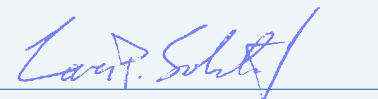
Our order intake was record-high 4Q 2022, bringing our total firm order backlog to MNOK 9,200 – and to MNOK 17,700 if we include options. This provides a solid foundation for 2023 and beyond. It is encouraging to see that our revenues from renewable energy continue to increase. Today, it is mainly our CSVs that are in demand from offshore wind clients, but also AHTS will be utilized as floating wind develops.

It is not unlikely that we will experience a scenario where oil and gas activity continues to increase, driven by high energy prices and energy security focus, at the same time as renewable energy sources are developed to reduce global emissions. The combined investments into offshore energy production in this transition period could be massive. Solstad's position as owner of high-end offshore vessels could be highly favorable.

When I meet clients all over the world, many of them are concerned about vessel availability, and they are right to ask such questions. Technology, construction cost, financing and yard capacity are some of the reasons why it will take years to bring a meaningful number of newbuild vessels to the market. It is likely that we will see longer contracts at higher rates and a project market where vessels are being mobilized to all corners of the world for shorter work-scopes. Clients have been spoiled over the last 7-8 years, with all types of vessels being always available at a low price. This could quickly change.

When activity goes up, the cost is normally also affected. Global inflation impacts our operational cost, and our finance costs increase due to higher interest rates. Still, when summarizing 2022, it is with high expectations for a busy 2023 with further improvements to our business.

Thank you!



Lars Peder Solstad
CEO



Highlights

- A quarter with high utilization and improved commercial terms across all geographical regions and vessel segments compared to 4Q 2021.
- The market continues to strengthen despite a challenging macroeconomic environment.
- Revenues for 4Q 2022 increased by 26 percent to MNOK 1,637 vs MNOK 1,303 in 4Q 2021.
- EBITDA adjusted increased by 56 percent to MNOK 454 vs MNOK 291 in 4Q 2021.
- The quarter experienced positive impact to equity following the strengthening of NOK against USD.
- The highest quarterly order intake in the Company's history with contracts signed for approximately BNOK 3.3.
- During the quarter, 80 vessels have been in operation at an average utilization of 88 percent.
- Full-year revenues for 2022 increased with 20 percent to MNOK 6,493 vs MNOK 5,418 in 2021, while adjusted EBITDA increased with 30 percent to MNOK 1,995 vs MNOK 1,534 in 2021.
- The Company has sold the CSV Normand Jarl in February 2023. The sale will result in a gain of approximately MNOK 420 and will be reflected in the Q1 2023 accounts.



Key Financials

(NOK 1,000,000)	2022 01.10-31.12	2021 01.10-31.12	2022 01.01-31.12	2021 01.01-31.12	2020 01.01-31.12	2019 01.01-31.12
Revenue	1,637	1,303	6,493	5,418	5,026	5,245
EBITDA adjusted	454	291	1,995	1,534	1,282	1,415
EBIT	45	-143	1,283	-7	-2,185	-1,196
Profit before Tax	525	-396	-1,009	-1,110	7,250	-3,129
Cash and equivalents	2,170	2,459	2,170	2,459	2,412	1,134
Net working capital	324	-119	324	-119	-803	-26,264
Equity	1,757	3,083	1,757	3,083	4,243	-3,835
Net interest bearing debt*	21,117	18,258	21,117	18,258	19,365	30,990
Order backlog	9,200	5,600	9,200	5,600	5,200	8,200

*Including recognized debt relating to IFRS 16 Leases (Note 6)

Operational Update

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

HSE

In 4Q 2022, the company reported a TRCF (Total Recordable Case Frequency) of 1,24 over the last 12 months (target of 1,1). Two LTI's (lost time incidents) were reported in December and four have been reported during the last 12 months. The majority of incidents are related to hand and finger injuries, and the focus remains high on turning the trend.

Operations

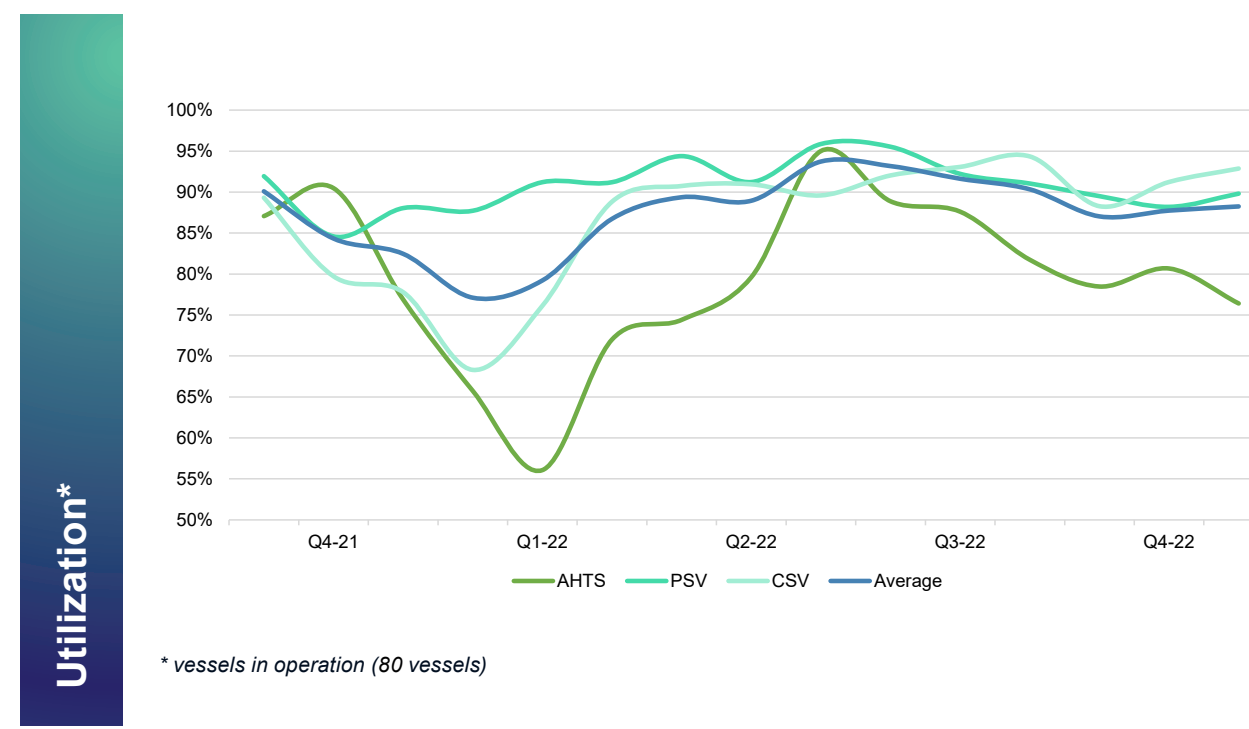
The total number of seafarers remains relatively stable around 3,100 with a retention rate of 94%.

From a procurement and logistics perspective, challenges remain due to pressure on the global supply chain. The lead time on a certain number of critical spares has changed significantly. Planning and evaluation of critical spares will therefore be an important factor to avoid down-time.

4Q 2022 has been relatively busy in terms of planned maintenance and dry-dockings whereof five dry-dockings and eight maintenance stops.

Utilization

As per 31 December 2022, the Company owned and/or operated a total fleet of 86 vessels, of which 80 were in operation: 26 CSVs, 15 AHTS' & 39 PSVs. The overall utilization for the operational fleet in 4Q 2022 was 88% (86% in 4Q 2021). The CSV fleet had a utilization of 91% (82%), AHTS fleet 79% (85%) and PSV fleet 89% (88%).



Financial Summary

Operating income for 4Q 2022 amounted to MNOK 1,637 compared to MNOK 1,303 in 4Q 2021.

- The main revenue drivers are higher day rates and more sales of additional services.
- Operating expenses in 4Q 2022 amounted to MNOK 1,192, of which MNOK 1,084 is classified as vessel operating expenses. Compared to 4Q 2021, total operating expenses increased by MNOK 129 mainly driven by cost associated with inflation and increased sale of additional services.
- Administrative expenses in 4Q 2022 were MNOK 107 compared to MNOK 123 in 4Q 2021.
- Operating result before depreciation and impairment was MNOK 445 in 4Q 2022 compared to MNOK 241 in 4Q 2021.
- Unrealized currency gain in 4Q 2022 was MNOK 964 compared to a loss of MNOK 104 in 4Q 2021 due to debt nominated in USD.
- Ordinary result before taxes in 4Q 2022 was MNOK 525 compared to negative MNOK 396 in 4Q 2021.
- EBITDA adjusted was MNOK 454 in 4Q 2022 compared to MNOK 291 for 4Q 2021.
- Total liquidity for the group was MNOK 2,170 per 4Q 2022 compared to MNOK 2,459 in 4Q 2021.
- Total booked equity at the end of the quarter was MNOK 1,757.

Full-year highlights

- Operating income for 2022 was MNOK 6,493 compared to MNOK 5,418 in 2021.
- EBITDA Adjusted for 2022 was MNOK 1,995 compared to MNOK 1,534 in 2021.
- Ordinary result before taxes was MNOK -1,009 compared to MNOK -1,110 in 2021.
- Booked equity for 2022 was MNOK 1,757 compared to MNOK 3,083 in 2021.
- Interest rates levels have materially increased throughout 2022.
- Net impairment reversals in 2022 amounts to MNOK 556.

During 4Q 2022, currency exchange fluctuations resulted in an unrealized gain of MNOK 964. In addition, the company has a realized currency loss of MNOK 36 related to account payable and receivable positions being settled.

In 4Q NOK against USD strengthened and resulting in positive unrealized currency gain offsetting the loss from previous quarters in 2022.

The USD/NOK exchange rate as per 4Q 2022 (9.8573) compared to 4Q 2021 (8.8194), has resulted in an unrealized currency loss during the twelve month period of MNOK 974 with a corresponding reduction in the Company's booked equity.

Cash Flow & Cash Position

The overall cash position at the end of 4Q 2022 was MNOK 2,170 compared to MNOK 2,459 in 4Q 2021. The net cash flow from operations was positive by MNOK 625 for 4Q 2022. Net cash flow from investments was negative by MNOK 148, mainly related to planned maintenance. Net interest paid to lenders was MNOK 433 and net repayment of long-term debt to lenders were MNOK 2 in 4Q 2022.

Capital Structure

Total current assets at the end of 4Q 2022 were MNOK 4,392, compared to MNOK 3,885 per 4Q 2021. Of the total current assets, cash and cash equivalents amounted to MNOK 2,170 compared to MNOK 2,459 in the same quarter last year. This includes the unused super senior credit facility of MNOK 1,494.

Total current liabilities were MNOK 4,068, compared to MNOK 4,004 in 4Q 2021. The total current liabilities includes MNOK 2,608 in short term portion of long-term debt, giving net working capital of MNOK 324 compared to negative MNOK 119 in the same quarter 2021. Short term debt related to CSV Normand Maximus is MNOK 101. Liquidity is “ring-fenced” in separate structure.

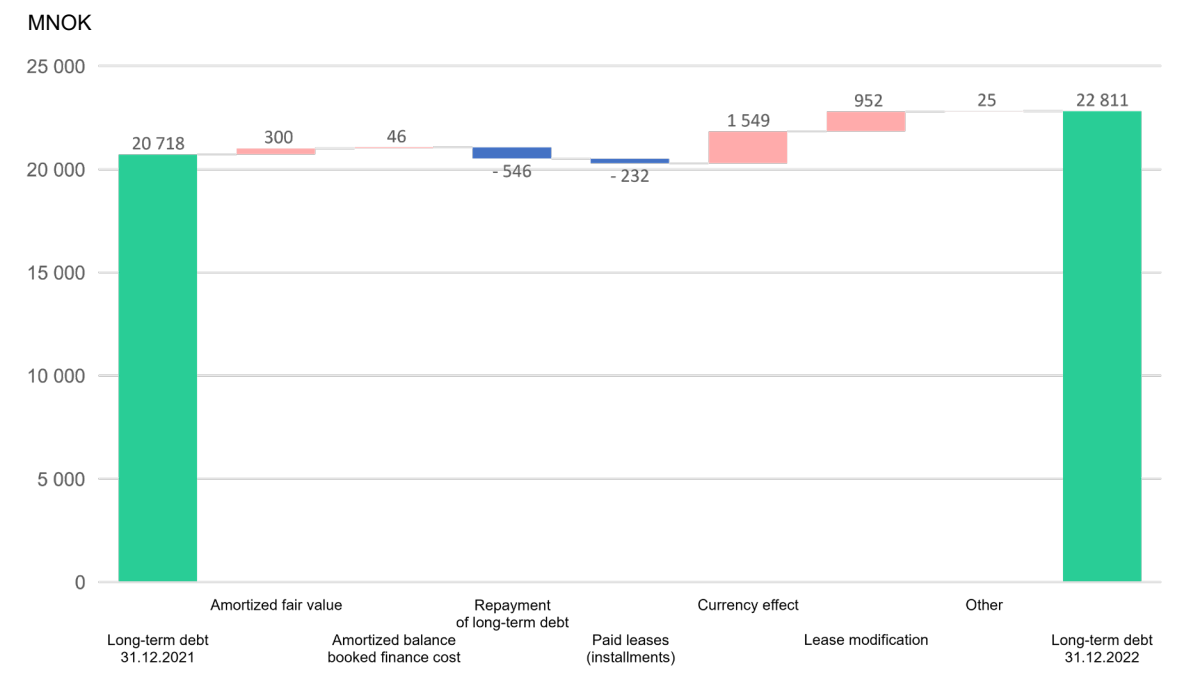
Total non-current assets at the end of the quarter were MNOK 21,257, compared to MNOK 20,865 in the same quarter last year. The increase is mainly due increase in Right of use-asset of Normand Maximus after the modification of the lease.

Net interest-bearing debt was at MNOK 21,117 with the net increase mainly explained by foreign exchange movements and increase in the lease liability of Normand Maximus. In 4Q 2021, the net interest-bearing debt was at MNOK 18,258.

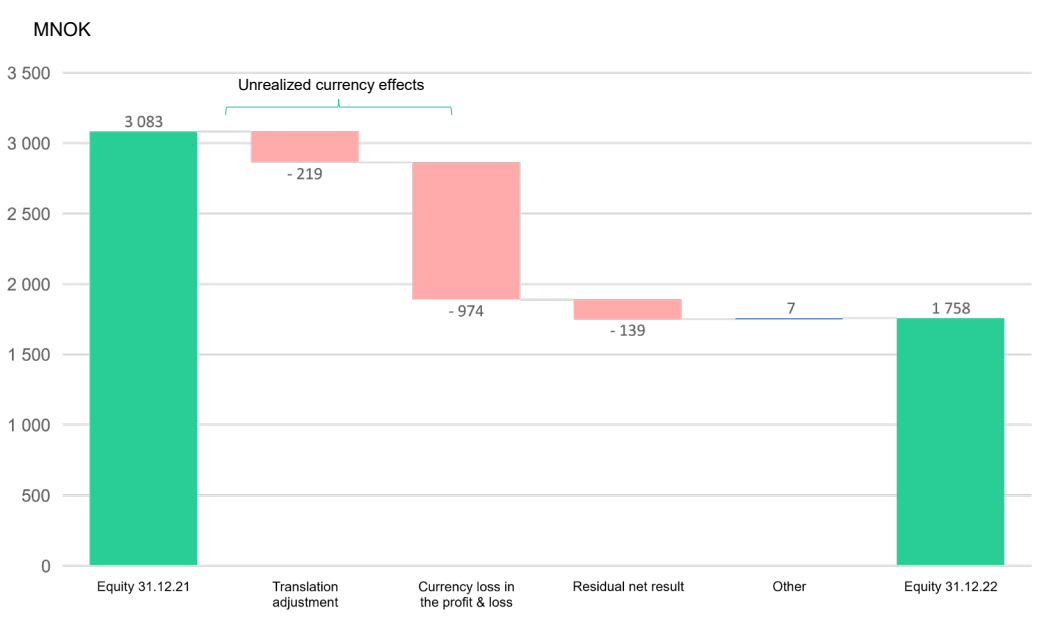
The Company’s equity as of 31 December 2022 was MNOK 1,757, which represents 6.7% of the total balance sheet. At 31 December 2021, the equity was MNOK 3,083 and represented 12,4 % of the balance sheet. Main driver for the decrease compared to 31 December 2021 is unrealized currency effects.

The balance sheet is sensitive to currency movements, particularly reporting currency NOK to USD. Illustrated in charts below and next page.

Long-term debt movement year-to-date 2022



Equity movement year-to-date 2022



Normand Maximus update

Reference is made to the Company's 2Q 2022 report, section Financial summary. The transaction whereby the Company's leased vessel, the CSV Normand Maximus was sold from its owner Maximus Limited to American Shipping Company ASA (AMSC) was completed in the 4Q 2022 and the vessel was delivered to its new owner.

Consequently, the residual claim against the Company's subsidiary Normand Maximus Limited has been finally determined and matures on 31 March 2024. The residual claim amounts to MUSD 161, and is included in the lease liability, with an annual interest rate of 9.5%. The residual claim is guaranteed by the Company.

The residual claim needs to be refinanced within the maturity date. As the residual claim is guaranteed by the Company, a failure to refinance the residual claim will have a material adverse effect on Solstad Offshore ASA's financial situation.

For further information on the general refinancing risk of the Company's debt, see item 2 of the prospectus issued on 19 October 2020.

Further, the vessel has been delivered to a subsidiary of the Company under a bareboat agreement for a five-year firm period and options for further 10 years with a subsidiary of AMSC. The group thus maintains operational control of the CSV Normand Maximus.

Risk

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

One of the key commercial risks for Solstad is the cyclical oil and gas markets that the company operates in, with high volatility in freight rates, vessel values and consequently profitability. Freight rates have increased during the year, after a long period of suppressed rates due to market imbalance. Factors affecting this are partly outside Solstad's control and influence.

Operational risks such as technical breakdown, grounding and malfunction of equipment are partly mitigated by insurance. In addition, there are operational risks out of the company's control such as Covid-19 and the war in Ukraine.

The main portion of Solstad's external debt will mature March 2024 and therefore it is an inherent refinancing risk. A refinancing is dependent on how the OSV market- and the oil and gas prices develops and other factors such as financing capacity for the OSV segment. This may lead to a need for adjustments of the capital structure.

Solstad is exposed to interest rate and currency risk, primarily through financing and contracts. Interest rate risk is mainly due to long-term debt with floating interest. With a substantial portion of the mortgaged debt in USD, currency exchange fluctuations can have a significant effect on the company's profit and loss, debt and consolidated booked equity.

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

Market and operational risks are changes in the demand and prices of the services provided by the Company, and potential adverse effects of the provision of such services. The market has steadily improved during 2022 from the weak starting point, despite Covid-19 still affecting regions where Solstad operates. The Company has avoided significant operational disruptions caused by Covid-19.

The outcome of the invasion of Ukraine remains uncertain. 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. The management team is handling the event and its development proactively, including sanctions and direct and indirect impacts. Cyber security risk has increased compared to 2021, partly driven by the war in Ukraine.

For further details, refer to section 9 in Board of Director's report in the Annual Report for 2021.



Sustainability

Sustainability is a high priority for the company. Solstad continuously strives to meet and exceed expectations from its stakeholders.

- The company's key safety factor TRCF is 1.24 by year-end (target 1.10).
- The total fleet CO₂ emissions decreased from 194 kton in 3Q to 179 kton in 4Q, mainly due to lower AHTS activity during the winter season.
- Solstad launched a campaign to specifically target fuel consumption during transits.
- Company-specific anti-corruption training course developed and rolled out to all employees.
- Implemented the new Norwegian Transparency act.
- Signed WISTA 40 by 30 pledge, actively committing to promote diversity in the industry by increasing the share of women in leading positions as one of the measures.

Environment

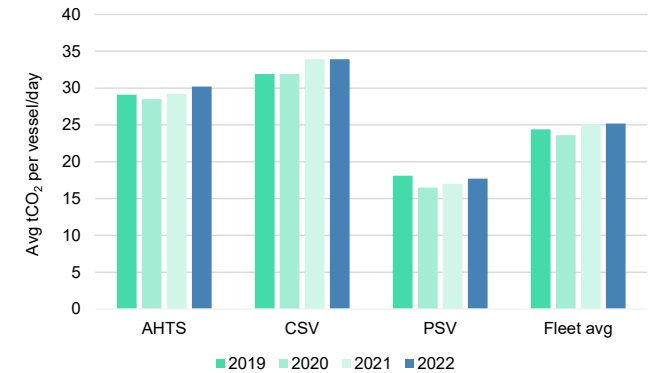
Solstad reports carbon intensity numbers for the fleet and by segment. In 4Q 2022, the average fleet carbon emissions were 25.2 tons (tCO₂/vessel/day). This is down 5% from 3Q mainly due to lower activity in the AHTS segment.

Solstad launched a campaign to specifically target transit fuel consumption on transits. The first vessel out was Normand Leader for the Australia to Norway transit. A total of 29%, or 164 tons, of fuel were saved compared to estimates and earlier transits.

A total of 37 litres of oil spill was registered to go to sea during the quarter. This was mainly related to incidents with broken hoses or other issues with hydraulic equipment.

Solstad's project to minimize the use of single-use plastic (SUP) water bottles continues and more than 50% of the vessels are now SUP-free. From 1 January 2023, these items have been removed from the normal ordering lists. Operation in some areas of the world is challenging and may still require bottled water to be used, permits may be given, hence it will take some time to get to our goal zero.

The company currently works on several pilot projects to investigate the use of new green fuels for fuel cell technology and multi-fuel solutions for internal combustion engines. All these initiatives are an important part of the company's ambition towards reaching the 50% emission reduction target. Such target require extensive investment and fleet renewal with technologies still under development.



Social

The TRCF has increased to 1.24 by the end of 4Q 2022, compared to 1.17 by the end of 3Q 2022. The KPI target is 1.10. Unfortunately, there were two LTIs in the quarter and a total of four LTIs over the previous 12 months, which is slightly higher than average over the previous years. These specific incidents could have been avoided as all other incidents according to SIFO (Solstad Incidents Free Operations / zero incidents programme). The main cause for injuries is hand and foot incidents typically occurring on deck. An internal task force led by the COO is currently focusing on these incidents.

Including onshore employees, the number of women in the company is now 325 (9,5 %).

Solstad is committed to the principles of non-discrimination and equal opportunity, regardless of gender, nationality, beliefs, or other factors. The Company has a dedicated group of personnel that works toward gender balance and towards encouraging more women to join the industry. Key activities in 2022 have been related to training, recruitment, right-fitting work clothes etc. In addition, Solstad signed the WISTA '40 by 30 pledge', actively committing to promote diversity in the industry by increasing the share of women in leading positions as one of the measures.

Governance

The Norwegian Transparency Act (Norwegian: "Åpenhetsloven") came into force 1 July 2022. The work to assess all aspects of our operations with respect to human rights and decent working conditions is ongoing.

As part of Solstad's compliance programme an in-house e-learning course has been developed and rolled out to all employees.

No material governance incidents have been registered during the quarter.

A total of 88 internal and external audits, vetting, class surveys, and port state controls have been completed during the quarter, resulting in only minor findings.

Market Outlook

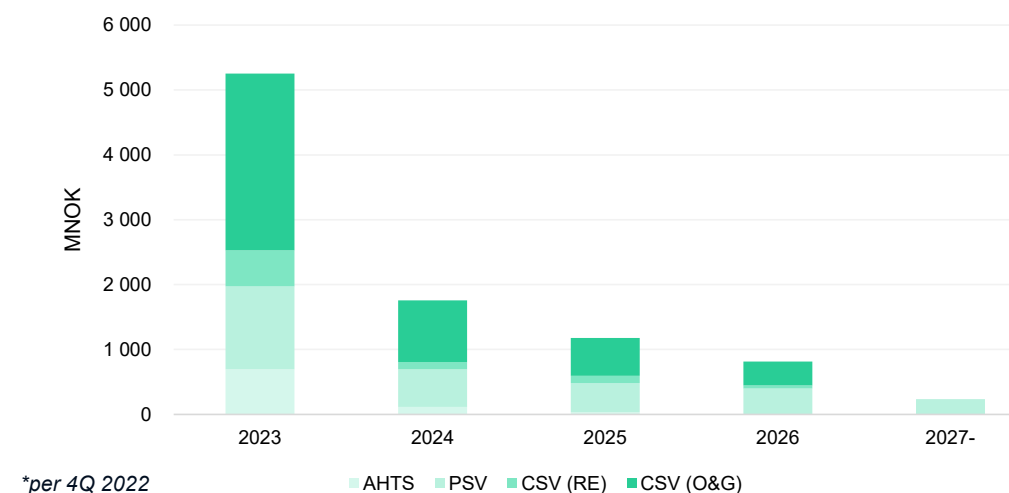
The outlook for offshore energy activities continue to strengthen.

Driven by high energy prices, energy security issues and bold ambitions to increasing energy production from renewable energy sources, the offshore energy markets ended 2022 strongly with both high tender activity and a substantial amount of contract awards. The demand for Solstad's services continues to increase and the company enters 2023 with a good balance between secured backlog and available capacity.

Even though Solstad's CSVs were originally built for the oil and gas markets, the vessels are already in high demand from renewable energy clients and as floating wind continue to develop, it is expected that the AHTSs also will be a central part of the installation of offshore wind parks. Except for vessels dedicated to offshore wind support, there are very few new vessels under construction, meaning that all activity increase has to be supported by the vessels that already in operation. This should give a continued positive effect on utilization and commercial terms for the high-end-fleet during the coming year.

In some regions, there are still seasonal variations in activity. The North Sea is one example where less planned work is conducted during the winter months. As global activity continues to improve, these seasonal variations could be less going forward.

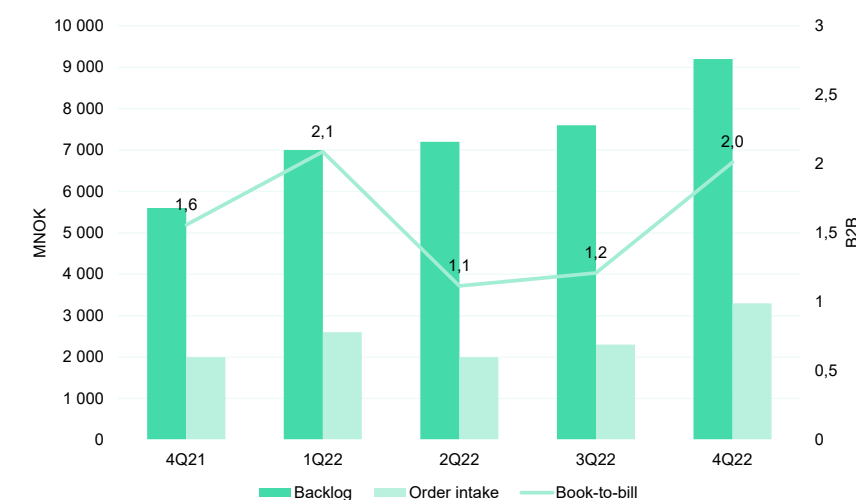
Backlog by year of execution*



Events Subsequent to the Quarter

- The Company announced several new contracts and contract extensions for various PSVs (platform supply vessels) and AHTS vessels (anchor handling tug supply vessels). The contracts have a combined firm duration of approximately 10 vessel years, will be executed by 14 of the company's vessels, and have value of approximately MNOK 830.
- The Company sold one CSV vessel, Normand Jarl, delivered to its new owners 15 February 2023.
- The Company sold one PSV vessel, Normand Flipper, delivered to its new owners 9 February 2023.

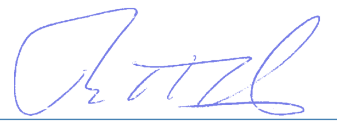
Backlog, Order intake & Book-to-bill development



Skudeneshavn 23.02.2023



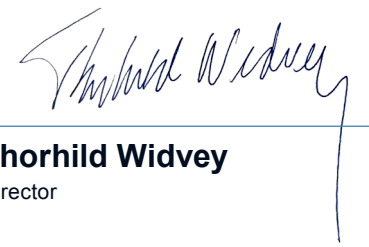
Harald Espedal
Chairman



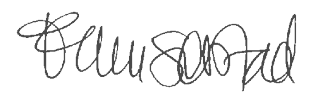
Frank O. Reite
Director



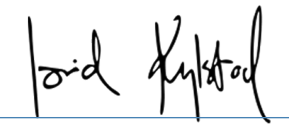
Peder Sortland
Director



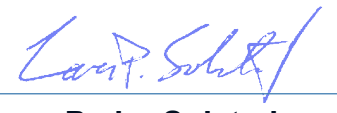
Thorhild Widvey
Director



Ellen Solstad
Director



Ingrid Kylstad
Director



Lars Peder Solstad
CEO



Condensed statement of comprehensive income

(NOK 1,000)

	2022 01.10-31.12	2021 01.10-31.12	2022 01.01-31.12	2021 01.01-31.12	Note
Operating income	1,636,752	1,302,824	6,493,454	5,417,500	2,3,4
Vessel operating expenses	-1,084,489	-939,650	-4,134,405	-3,566,468	
Administrative expenses	-107,195	-122,646	-447,822	-449,509	
Total operating expenses	-1,191,684	-1,062,296	-4,582,226	-4,015,978	4
Operating result before depreciations	445,068	240,528	1,911,228	1,401,523	3
Ordinary depreciation	-405,458	-312,469	-1,336,949	-1,264,151	5,6
Impairment	9,412	-	555,958	-45,049	5,6
Net gain/-loss on sale of assets	-3,958	-71,391	152,490	-99,730	
Operating result	45,064	-143,331	1,282,727	-7,406	
Result from Joint Ventures	-710	3,251	20,418	247	7
Result from associated companies	109	20	722	108	7
Total other items	-600	3,271	21,140	355	
Interest income	34,636	2,346	42,566	10,295	
Realised currency gain/-loss	-35,739	1,367	36,117	7,932	
Unrealised currency gain/-loss	964,470	-103,954	-974,013	-283,562	
Interest charges	-466,064	-253,001	-1,404,972	-1,003,543	
Net financial charges/-income	-16,442	97,788	-12,753	165,530	
Net financing	480,862	-255,455	-2,313,055	-1,103,347	
Ordinary result before taxes	525,325	-395,515	-1,009,188	-1,110,398	
Taxes ordinary result	-83,172	-6,644	-104,679	-25,664	9
Result	442,153	-402,158	-1,113,866	-1,136,062	
Other comprehensive income:					
Exchange differences on translating foreign operations	360,938	72,786	-218,677	-34,851	
Actuarial gain/-loss	947	-3,971	947	-3,971	
Other comprehensive income	804,039	-333,344	-1,331,596	-1,174,885	
Result attributable to:					
Non-controlling interests	951	-34,931	-4,788	-33,613	
Majority share	441,202	-367,228	-1,109,079	-1,102,449	
Earnings per share	5.72	-5.34	-14.48	-15.13	
Other comprehensive income attributable to:					
Non-controlling interests	951	-34,931	-4,788	-33,613	
Majority share	803,088	-298,413	-1,326,808	-1,141,272	
Other comprehensive income per share	10.40	-4.42	-17.31	-15.64	
EBITDA adjusted	453,831	291,311	1,995,349	1,533,961	3,4
Average number of shares (1,000)	77,309	75,319	76,935	75,107	



Condensed statement of financial position

(NOK 1,000)

	2022 31.12	2021 31.12	Note
ASSETS			
Fixed Assets:			
Intangible assets	4,351	14,497	
Tangible fixed assets	17,632,103	18,090,328	5
Right-of-use assets	3,345,812	2,561,186	6
Investment in associated companies and Joint Ventures	158,559	92,407	7
Financial fixed assets	116,357	106,957	4
Total fixed assets	21,257,181	20,865,374	
Current Assets:			
Stocks	228,051	173,041	
Accounts receivables	1,178,525	816,745	
Other receivables	794,195	421,094	
Market based shares	21,000	15,200	
Deposits, cash, etc	2,170,072	2,459,027	8
Total current assets	4,391,843	3,885,107	
Assets held for sale	412,052	187,200	5
TOTAL ASSETS	26,061,076	24,937,682	
EQUITY AND LIABILITIES			
Equity:			
Paid-in equity	257,696	252,536	
Other equity	1,508,736	2,835,545	
Non-controlling interests	-9,387	-4,599	
Total equity	1,757,045	3,083,481	
Liabilities:			
Long-term provisions	32,806	43,180	
Other long-term debt	1,046	1,917	8
Long-term debt	20,202,325	17,804,706	6,8
Total long-term debt	20,236,177	17,849,803	
Current liabilities:			
Current portion of long-term debt	2,607,802	2,912,913	8
Other current liabilities	1,460,052	1,091,485	
Total current liabilities	4,067,854	4,004,397	
Total liabilities	24,304,031	21,854,200	
TOTAL EQUITY AND LIABILITIES	26,061,076	24,937,682	



Statement of cash flow

(NOK 1,000)

	2022 31.12	2021 31.12
CASH FLOW FROM OPERATIONS		
Result before tax	-1,009,188	-1,110,398
Taxes payable	-31,264	-18,917
Ordinary depreciation and write downs	780,990	1,309,199
Gain (-)/ loss long-term assets	-179,954	95,274
Interest income	-42,566	-10,295
Interest expense	1,404,972	1,003,543
Non-cash refinance effects	-16,691	-91,102
Effect of change in pension assets	-1,043	400
Unrealised currency gain/ -loss	938,084	275,136
Change in short-term receivables and payables	-160,063	34,843
Change in other accruals	-232,881	-103,931
Net cash flow from operations	1,450,397	1,383,754
CASH FLOW FROM INVESTMENTS		
Investment in tangible fixed assets	-124,912	-72,654
Payment of periodic maintenance	-488,011	-252,192
Consideration sale of fixed assets (vessels)	450,268	290,215
Payment of long-term receivables	-8,029	820
Received interests	42,566	10,295
Net cash flow from investments	-128,118	-23,515
CASH FLOW FROM FINANCING		
Paid leases	-261,767	-389,671
Paid interests	-839,280	-531,847
Repayment of long-term debt	-546,117	-397,541
Net cash flow from financing	-1,647,164	-1,319,059
Effect of changes in foreign exchange rates	35,929	5,942
Net change in cash	-324,884	41,180
Cash at 01.01	2,459,027	2,411,905
Cash at balance sheet date	2,170,072	2,459,027



Statement of changes in equity

(NOK 1,000)

	Share capital	Treasury shares	Share premium	Other paid-in capital	Other changes	Other equity	Total majority shares	Non-controlling interests	Total equity
Equity 01.01.2022	75,609	0	176,927	0	946,805	1,888,740	3,088,081	-4,599	3,083,481
Result	-	-	-	-	-	-1,109,079	-1,109,079	-4,788	-1,113,866
Acturial gain/loss(-)	-	-	-	-	-	947	947	-	947
Translation adjustments	-	-	-	-	-218,677	-	-218,677	-	-218,677
Other comprehensive income	0	0	0	0	-218,677	-1,108,131	-1,326,808	-4,788	-1,331,596
Share capital increase by conversion of debt	1,700	-	3,460	-	-	-	5,160	-	5,160
Equity 31.12.2022	77,309	0	180,387	0	728,128	780,609	1,766,432	-9,387	1,757,045
Equity 01.01.2021	74,873	0	175,572	0	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
Acturial gain/loss(-)	-	-	-	-	-	-3,971	-3,971	-	-3,971
Translation adjustments	-	-	-	-	-34,851	-	-34,851	-	-34,851
Other comprehensive income	0	0	0	0	-34,851	-1,106,420	-1,141,272	-33,613	-1,174,885
Share capital increase by conversion of debt	736	-	1,355	-	-	-	2,091	-	2,091
Equity contribution	-	-	-	-	-	-	-	13,200	13,200
Equity 31.12.2021	75,609	0	176,927	0	946,805	1,888,740	3,088,081	-4,599	3,083,481

Notes

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

(NOK 1,000)

Note 1 - General

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

The interim accounts are prepared on the assumption of a going concern. The going concern assumption until end of March 2024 is based on the level of cash and cash equivalents at reporting date, terms and conditions of the banking and borrowing facilities, the forecasted cash flow prognosis for the Group and the backlog position.

There is sufficient liquidity in the Company until final maturity of the fleet loan and Maximus residual claim due end-March 2024. The fleet-loan agreement includes a mechanism for deferring 2023-installments. The Company does not expect to settle first installment of the fleet-loan 31 March 2023.

The group has started the process with refinancing and this process will continue in the coming period until maturity of the main portion of the external debt. The Group has seen continued strengthening of the marked during the year despite of a challenging macroeconomic environment. With an expected continuing strong energy market and focus on energy transition we also expect an active offshore marked in the coming period. Due to the macroeconomic environment, we see increase in expenses due to inflation and increased interest expenses for the Group. A failure to refinance by the end of March 2024 will have a material adverse effect on the financial situation of the Group and Company.

Note 2 - Operating Income

The Company's revenues mainly derive from offering vessels and maritime personnel to customers world wide. Predominantly all contracts with customers are day rate based contracts. Such day rate based contracts are recognized by income being earned on a day-to-day basis.

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

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

Operating income	Q4 2022				
	AHTS	PSV	Subsea	Renewable	Total
Service element from contracts with day rate	121,850	206,929	158,196	97,821	584,796
Management fees	313	587	1,567	29	2,497
Victualling	1,192	809	21,125	12,938	36,064
Additional crew and other services	3,340	1,274	3,327	-136	7,806
Income from contracts with customers	126,695	209,599	184,215	110,653	631,162
Lease element from contracts with day rate	184,519	261,225	353,252	206,594	1,005,590
Total operating income	311,215	470,824	537,467	317,246	1,636,752

Operating income	Q4 2021				
	AHTS	PSV	Subsea	Renewable	Total
Service element from contracts with day rate	222,789	127,154	155,647	58,754	564,343
Management fees	358	433	1,251	-	2,042
Victualling	1,282	434	21,218	5,640	28,574
Additional crew and other services	-8,961	-297	-9,987	-2,492	-21,736
Income from contracts with customers	215,467	127,725	168,129	61,903	573,224
Lease element from contracts with day rate	149,115	236,211	205,691	86,140	677,157
Other operating income*	13,479	16,216	17,906	4,844	52,443
Total operating income	378,061	380,151	391,726	152,886	1,302,824

*Other operating income includes distribution from Den Norske Krigsforsikring for Skib with MNOK 52.4

Operating income	YTD Q4 2022				
	AHTS	PSV	Subsea	Renewable	Total
Service element from contracts with day rate	564,958	869,968	682,345	331,030	2,448,302
Management fees	1,337	2,254	5,383	230	9,204
Victualling	7,752	2,559	87,476	65,363	163,151
Additional crew and other services	8,043	8,540	30,385	567	47,535
Income from contracts with customers	582,091	883,322	805,589	397,190	2,668,192
Lease element from contracts with day rate	881,125	899,475	1,369,459	675,203	3,825,262
Total operating income	1,463,216	1,782,796	2,175,048	1,072,394	6,493,454

Operating income	YTD Q4 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
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	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

Note 3 - Reporting per Segment

EBITDA Adjusted	Q4 2022				
	AHTS	PSV	Subsea	Renewable	Total
Revenue from contracts with customers	126,695	209,599	184,215	110,653	631,162
Other income	-	-	-	-	-
Lease element from contracts with day rate	184,519	261,225	353,252	206,594	1,005,590
Total operating income	311,215	470,824	537,467	317,246	1,636,752
Crew expenses	136,575	221,788	149,387	55,047	562,798
Other expenses	112,519	169,069	189,510	115,829	586,927
Total operating expenses	249,094	390,857	338,897	170,876	1,149,724
Bunkers	28,015	14,440	-8,619	8,124	41,960
Operating result before depreciations	34,105	65,528	207,189	138,247	445,068
Leases	10,512	-	-	-	10,512
Restructuring cost	-397	-198	-357	-13	-965
Net result from Joint Ventures	-	-	-710	-	-710
Net result from associated companies	17	33	35	24	109
Accrued loss on accounts receivables	-27	-56	-59	-43	-185
EBITDA Adjusted	44,211	65,306	206,098	138,215	453,831

EBITDA Adjusted	Q4 2021				
	AHTS	PSV	Subsea	Renewable	Total
Revenue from contracts with customers	215,467	127,725	168,129	61,903	573,224
Other income	13,479	16,216	17,906	4,844	52,444
Lease element from contracts with day rate	149,115	236,210	205,691	86,140	677,157
Total operating income	378,061	380,151	391,726	152,887	1,302,824
Crew expenses	152,721	221,394	126,602	50,909	551,626
Other expenses	121,767	130,515	180,702	47,240	480,224
Total operating expenses	274,489	351,909	307,304	98,148	1,031,849
Bunkers	3,969	8,638	16,075	1,765	30,447
Operating result before depreciations	99,603	19,604	68,347	52,974	240,528
Leases	13,771	-	-	-	13,771
Restructuring cost	4,372	4,410	4,599	1,773	15,153
Excess and less values freight contracts	-	-	-	-	-
Net result Joint Ventures	-	-	3,251	-	3,251
Net result from associated companies	6	6	5	2	20
Accrued loss on accounts receivables	4,383	4,963	7,285	1,959	18,589
EBITDA Adjusted	122,134	28,983	83,487	56,708	291,311

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

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

EBITDA Adjusted	YTD Q4 2022				
	AHTS	PSV	Subsea	Renewable	Total
Revenue from contracts with customers	582,091	883,322	805,589	397,190	2,668,192
Other income	-	-	-	-	-
Lease element from contracts with day rate	881,125	899,475	1,369,459	675,203	3,825,262
Total operating income	1,463,216	1,782,796	2,175,048	1,072,394	6,493,454
Crew expenses	581,911	889,671	583,384	232,747	2,287,712
Other expenses	463,435	554,509	766,223	333,788	2,117,955
Total operating expenses	1,045,346	1,444,180	1,349,607	566,535	4,405,667
Bunkers	73,422	33,892	51,210	18,035	176,559
Operating result before depreciations	344,448	304,724	774,231	487,825	1,911,228
Leases	50,238	-	-	-	50,238
Restructuring cost	3,196	3,894	4,751	2,342	14,183
Accrued loss on accounts receivables	-325	-396	-483	-238	-1,441
Net result from Joint Ventures	-	-	20,418	-	20,418
Net result from associated companies	163	198	242	119	722
EBITDA Adjusted	397,720	308,420	799,159	490,048	1,995,349

EBITDA Adjusted	YTD Q4 2021				
	AHTS	PSV	Subsea	Renewable	Total
Revenue from contracts with customers	601,331	723,432	801,128	219,824	2,345,715
Other income	16,792	20,201	22,307	6,034	65,333
Lease element from contracts with day rate	659,111	702,690	1,300,824	343,827	3,006,452
Total operating income	1,277,234	1,446,323	2,124,259	569,684	5,417,500
Crew expenses	574,382	771,097	519,844	181,138	2,046,461
Other expenses	444,492	497,261	701,634	201,877	1,845,263
Total operating expenses	1,018,874	1,268,358	1,221,478	383,014	3,891,724
Bunkers	24,403	21,810	63,813	14,226	124,253
Operating result before depreciations	233,957	156,155	838,968	172,444	1,401,523
Leases	44,625	-	-	-	44,625
Restructuring cost	14,469	16,385	24,065	6,454	61,372
Excess and less values freight contracts	-	-	7,499	-	7,499
Net result from Joint Ventures	-	-	247	-	247
Net result from associated companies	25	29	42	11	108
Accrued loss on accounts receivables	4,383	4,963	7,289	1,955	18,589
EBITDA Adjusted	297,459	177,532	878,110	180,864	1,533,961

Note 4 - EBITDA

	2022 01.10-31.12	2021 01.10-31.12	2022 01.01-31.12	2021 01.01-31.12
Total operating income	1,636,752	1,302,824	6,493,454	5,417,500
Total operating expenses	-1,191,684	-1,062,296	-4,582,226	-4,015,978
EBITDA	445,068	240,528	1,911,228	1,401,523
Leases	10,512	13,771	50,238	44,625
Restructuring cost	-964	15,152	14,184	61,372
Excess and less values freight contracts	-	-	-	7,499
Net result from Joint Venture	-710	3,251	20,418	247
Net result from associated companies	109	20	722	108
Accrual loss accounts receivable	-185	18,589	-1,441	18,589
EBITDA adjusted	453,831	291,311	1,995,349	1,533,961

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

Note 5 - Fixed Assets

	Vessels	Periodic maintenance	Other	Total
Opening balance 01.01.2022	17,386,500	677,518	26,309	18,090,327
Additions	124,912	408,131	7,282	540,326
Asset held for sale	-471,725	-	-	-471,725
Disposals	-20,771	-13,077	-	-33,848
Translation adjustment	34,423	8,934	-288	43,068
Depreciation	-835,881	-292,009	-4,921	-1,132,812
Impairment	596,768	-	-	596,768
Closing balance 31.12.2022	16,814,225	789,496	28,382	17,632,103

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

As of 31 December 2022 three vessels are classified as held for sale in Condensed Statements of Financial Position, two of the vessels are sold in 1Q 2023. Total book value is MNOK 412.

Impairment Testing of Vessels

Summary

The Company has performed impairment testing of the fleet in accordance with IAS 36. Indicators such as movement in market and increase in market interest rates form, according to IAS 36, the need for revaluation of the Company's assets.

Based on value-in-use-calculations the Company has recognized a net reversal of impairment of MNOK 18 in 4Q 2022 (MNOK 8 impairment of inventory booked as impairment as well, and net impairment for the quarter is reversal of MNOK 9).

Impairment Testing

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

The main assumptions used in the computations are charter rates, utilization, escalation of expenses, operational area, weighted average cost of capital (WACC) and performance per 4Q 2022.

Discounting Rate

The discounting rate is based on a weighted average of capital cost (WACC) for the Company. 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 rate and market rates. The discounting rate used for 4Q 2022 is 11.0% compared to 9.5% as of 31.12.2021.

Revenue Assumptions

For vessels having firm contracts, revenue is based on the current contracts. For vessels without firm contracts, and for vessels where the firm contract expires during the prognosis period, revenue is based on expected utilization and charter dayrates over the prognosis period. Dayrates are expected to gradually increase over the prognosis period. Market uncertainty is reflected in the assumptions, based on managements assessment and market analysis provided from independent third parties.

Inflation

Inflation used in the prognosis period is based on expectations for the geographical regions the company operates.

Residual Values

Estimated residual values used in the value-in-use calculations are set using the same principle as for the ordinary depreciations. Initially the value is set to 50 percent of cost price, expected cost of sale deducted, and adjusted according to changes in broker valuations. The assumption is that the broker value 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 operations. Average age of the core fleet is 12 years, with respectively 13 years average for the CSV and AHTS vessels and 10 years for the PSV vessels.

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 December 2022 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 financiers limited willingness to finance new comparable vessels, residual values.

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

Note 6 - Right-of-use Assets

	Right-of-use		Total	Lease liabilities
	Vessels	Office		
Opening balance 01.01.2022	2,349,503	211,683	2,561,186	2,744,284
Other adjustments*	695,921	-1,516	694,405	950,555
Additions	2,076	-	2,076	-
Disposals	-	-	-	-
Translation adjustment	321,864	3,127	324,991	222,216
Depreciation	-176,731	-27,406	-204,137	-
Impairment	-32,710	-	-32,710	-
Interest expense	-	-	-	233,521
Lease payments	-	-	-	-438,500
Closing balance 31.12.2022	3,159,923	185,888	3,345,812	3,712,076

* Other adjustments is mainly related to modification of the Maximus lease

Impairment Testing of Right-of-use Assets

Based on value-in-use-calculations the Company has recognized net impairment of Right-of-use assets with MNOK 33. Further reference is made to Note 5 Fixed Assets.

Normand Maximus - Lease obligations

Reference is made to the Company's 2nd quarter report, section Financial summary. The transaction whereby the Company's leased vessel, the CSV Normand Maximus was sold from its owner Maximus Limited to American Shipping Company ASA (AMSC) was completed in the 4th quarter 2022 and the vessel delivered to its new owner.

Consequently the residual claim against the Company's subsidiary Normand Maximus Limited has been finally determined and matures 31 March 2024. The residual claim amounts to MUSD 161, with an annual interest rate of 9,5%. The residual claim is guaranteed by the Company.

The residual claim needs to be refinanced within the maturity date. As the residual claim is guaranteed by the Company, a failure to refinance the residual claim will have a material adverse effect on Solstad Offshore ASA's financial situation.

For further information on the general refinancing risk of the SOFF group's debt, see item 2 of the prospectus issued on 19 October 2020.

Further, the vessel has been delivered to a subsidiary of the Company under a bareboat agreement for a 5 year firm period and options for further 10 years with a subsidiary of AMSC. The group thus maintains operational control of the CSV Normand Maximus.

The changes to the leasing arrangement for Normand Maximus is accounted for under IFRS 16. It is assessed as a modification of previous bareboat charter contract on the effective date of the new contract (18 October 2022) in accordance with the requirements in the standard. This resulted in an increase in the leasing obligation of MNOK 951 (including a reclassification of trade payables to leasing obligation of MNOK 251), and a corresponding increase in right of use asset of MNOK 695. The residual claim is included in the lease obligation. The change in lease obligation, and corresponding increase in right of use asset resulted in an impairment of MNOK 138 in October 2022. Based on the value-in-use calculation as of 4Q 2022 MNOK 105 of the impairment was reversed due to new contracts, and net impairment for the quarter is MNOK 33.

Variable lease payments

The Company has two vessels on lease with variable lease payments. The total payments for 4Q 2022 were MNOK 10,5 (MNOK 13,8).

Note 7 - Investment in Associated Companies and Joint Ventures

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

	AC	JV	
	Solstad Offshore Crewing Service Philippines (25 %)	Normand Installer SA (50 %)	
	AC	JV	Total
Opening balance	1,279	91,127	92,406
Share of result year to date	722	20,418	21,140
Additions	-	-	-
Disposals	-	-	-
Impairment	-	-	-
Other adjustments	322	44,690	45,013
Closing Balance	2,323	156,235	158,559

Other adjustments includes received dividends and currency effects.

Note 8 - Interest-bearing Debt

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

Initial recognition 20.10.2020	-1,066,639
Fair value adjustment 01.01.2022	-690,311
Amortisation YTD 4Q 2022 (*)	300,430
Unrealised currency loss	-49,764
Fair value adjustment 31.12.2022	-439,645

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

	2022 31.12	2021 31.12
Long term debt	20,203,371	17,804,706
Current portion of long term debt	2,607,802	2,912,913
Fair Value adjustment	439,645	690,311
Balance booked finance cost	36,585	82,404
Total interest bearing debt (*)	23,287,404	20,717,619
Bank deposit	2,170,072	2,459,027
Net interest bearing debt	21,117,332	18,258,592

Long term debt, nominated in NOK, is divided by 27% NOK and 73% USD. At the end of the 4Q 2022, fixed interest agreement loans were entered into for around 3% of interest bearing debt.

Current portion of long term debt includes MNOK 101 (MNOK 2,424) reclassification of lease obligation for Normand Maximus.

*Inclusive recognized debt relating to IFRS 16 Leases MNOK 3,712 (MNOK 2,744)

Note 9 - Tax Expense

Solstad's tonnage taxed companies have decided to exit the Norwegian Tonnage Tax Regime with effect from January 1st 2016. Amended tax returns for the period 2016-2018 have been filed with Norwegian Tax Authorities. Based on the tax assessments received the Company has a loss carried forward of about NOK 18,8 billion. The corresponding deferred tax asset is not recognized in the accounts.

The quarter includes MNOK 39 increased provision for expected taxes related to operations in foreign waters. The total provision amounts to MNOK 199 at year end 2022.

Taxes on ordinary result relates to local taxation outside Norway.

Note 10 - Subsequent Events

- The Company announced several new contracts and contract extensions for various PSVs (platform supply vessels) and AHTS vessels (anchor handling tug supply vessels). The contracts have a combined firm duration of approximately 10 vessel years, will be executed by 14 of the company's vessels, and have value of approximately MNOK 830.
- The Company sold one CSV vessel, Normand Jarl, delivered to its new owners 15 February 2023.
- The Company sold one PSV vessel, Normand Flipper, delivered to its new owners 9 February 2023.

Note 11 - Alternative Performance Measurement Definitions

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

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

EBITDA - Operating result before depreciation.

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

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

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

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

Current ratio - Current assets divided by current liabilities

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

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

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

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

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

Interest-bearing debt – Current and long-term interest-bearing liabilities, adjusted for fair value and balance booked finance cost

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

B2B – Book to bill, backlog less billed in period



Our Global Footprint

Vessels in operation during quarter



Offices



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