



## SOF ASA – FINANCIAL REPORT FOR THE 2ND QUARTER 2003

- Operating revenue for the first six months was NOK 493 million compared to NOK 496 million for the same period last year.
- The operating result for the first six months, after depreciation (EBIT), was NOK 139 million compared with NOK 188 million for the same period last year.
- The result before tax at 30 June 2003 was NOK 49 million after posting a currency loss of NOK 90 million and a currency gain of NOK 37 million.
- The operating revenue for the second quarter alone was NOK 274 million, whilst the result before tax was NOK 56 mill.
- The Company's international activities have increased further.

### Financial Summary for the Group (for a full report, please refer to the attachment)

Profit and Loss Accounts	2 <sup>nd</sup> qtr 2003	2 <sup>nd</sup> qtr 2002	1 <sup>st</sup> half 2003	1 <sup>st</sup> half 2002	Total 2002
Operating revenue	274	261	493	496	1.010
Operating expenses	125	112	238	213	437
Ordinary depreciation/write down	62	50	116	94	283
Operating profit	87	100	139	188	290
Result associated companies	8	7	9	10	22
Other Financial Items	-40	6	-99	-3	29
Result before taxes	56	112	49	195	341
Taxes	1	2	2	4	14
Result after taxes	55	110	47	191	327
No. of shares (mill)	35,2	35,2	35,2	35,2	35,2
Earnings per share (NOK)	1,55	3,12	1,33	5,43	9,27

Balance Sheet	30.06.2003	30.06.2002	31.12.2002
Fixed Assets (1)	4.314	3.451	3.903
Current Assets	702	587	695
<b>Total Assets</b>	<b>5.015</b>	<b>4.038</b>	<b>4.598</b>
Equity incl. minority interests	1.900	1.811	1.910
Long-term debt	2.910	2.057	2.480
Current Liabilities	205	170	208
<b>Total Equity and Liabilities</b>	<b>5.015</b>	<b>4.038</b>	<b>4.598</b>

(1) Hereof restricted bank deposits

158 146 145

#### Report per segment

(NOK mill.)	Cable				
	2nd qtr	2nd qtr	1st half	1 <sup>st</sup> half	Total
	2003	2002	2003	2002	2002
Total operating revenues	43	56	90	111	221
Operating result	28	30	60	58	37

(NOK mill.)	Offshore				
	2nd qtr	2nd qtr	1st half	1st half	Total
	2003	2002	2003	2002	2002
Total operating revenues	231	205	403	385	789
Operating result	59	70	79	130	253

## Economy and Finance

The operating revenue for the first half-year of 2003 was NOK 493 million which is NOK 3 million lower than for the same period last year. Simultaneously, the Group's fleet capacity has increased by approximately 20%. The average income per vessel (excluding hedging effects) fell by approximately 15% in the first six months compared to the same period in 2002. In the second quarter alone, the reduction was approximately 7% as market activity in the North Sea increased somewhat throughout the spring. The lower USD and GBP exchange rates compared to the first six months of 2002, was a contributory factor as income on these currencies converted to NOKs fell.

As a result of the strength of the USD, GBP and Euro since the beginning of the year, an unrealized currency loss related to the long-term debt of NOK 90 million was posted. At the same time, NOK 37 million was posted to income as a result of the increased value of the Group's currency deposits. The hedging effect of the cash flow is included in the operating revenue with NOK 44 million posted to income.

The half-year cash flow from operations (EBITDA) was NOK 201 million which is NOK 53 million lower than the previous year. EBITDA for the second quarter alone was NOK 122 million (126 million).

The Group's net interest bearing debt at the end of the second quarter of 2003 was NOK 2.129 million, a reduction of NOK 23 million in the second quarter. The reduction is a result of an increase of NOK 32 million in interest bearing deposits and the net result of NOK 9 million due to unrealized currency loss and debt reduction.

The interest bearing long-term vessel debt at 30 June 2003 was NOK 2.775 million, apportioned by 34% GBP, 41% USD, 6% Euro and 19% NOK. At expiry of the quarter, 2-5 year interest hedging agreements were entered into for approximately 20% of the total long-term debt.

Booked equity at 30 June 2003 was NOK 1.900 million, giving NOK 54 per share. Based on broker's estimates at 30 June 2003, (excluding charter parties), the value adjusted equity before tax was approximately NOK 2.9 billion or NOK 81 per share. At the turn of the year, corresponding figures were estimated at NOK 82 per share.

At the end of July, the Group's fleet had contract coverage of approximately 63% for the remainder of 2003 based on number of days. Including options, the coverage was approximately 74%. In 2004 the coverage is currently around 21% and 40%.

The quarterly accounts are prepared in accordance with the same accounting principles as the previous annual accounts and in accordance with the Norwegian accounting standard for interim reporting.

## **The Market**

The North Sea spot market shifted considerably in the second quarter of 2003. The weak market at end of the quarter was due to a combination of a reduction in demand and increased availability of spot tonnage. The Company expects the shifting market to continue throughout the autumn. In the international markets the activity has remained relatively stable.

It is anticipated that the increased interest during the latest license awards on the UK side of the North Sea together with several larger projects on the Norwegian sector will contribute to increased activity from spring 2004. This together with the expectations of continued high activity in areas such as Brazil, West Africa, the Mediterranean, Far East and the Mexican Gulf will have a positive effect on the demand for modern offshore tonnage.

## **The Fleet**

Our offices in Skudeneshavn and Aberdeen operate a total of 28 vessels. For the time being, three are operating on the Brazilian Continental Shelf, 3 in the Mexican Gulf, 2 in the USA, 2 in the Mediterranean, 1 in West Africa and the remaining 17 vessels are in the North Sea area. During August 2003, 3 vessels of the owned fleet will leave the North Sea for a 2-month contract.

The activity in the 50% owned Brazilian company NorSkan Offshore Ltda (NSO) is increasing. Recently, a contract has been signed for purchase of a large anchor-handling vessel under construction due for delivery at the end of 2004, for an eight-year contract with Petrobras. Furthermore, NSO have taken delivery of the first of two platform supply vessels which the company had under construction in Brazil. The vessel has a four-year contract with Petrobras, commencing in August 2003. In June, NSO sold a smaller vessel (line handler) for USD 2.5 million, which is approx. the same as posted value.

From 1 July 2003, a net wages arrangement was introduced for crew onboard vessels registered in NOR (Norsk Ordinært Skipsregister), equivalent to the arrangements of other seafaring nations in the EU. The initiative is a considerable contribution to wards keeping Norwegian seamen onboard the company's vessels. The agreement is initially in force for the remainder of 2003.

## **The Company and its shareholders**

On the 12th May 2003, the Annual General Meeting resolved to pay a dividend of NOK 1,50 per share for 2002, which was paid on the 17<sup>th</sup> June 2003. The Company has currently approx. 1.650 shareholders.

Skudeneshavn 14.08.03.

Solstad Offshore ASA

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## SOLSTAD OFFSHORE ASA

### Profit and loss accounts

(NOK mill.)	2003 01.04-30.06	2002 01.04-30.06	2003 01.01-30.06	2002 01.01-30.06	2002 Total
<b>Total operating revenues</b>	<b>274</b>	<b>261</b>	<b>493</b>	<b>496</b>	<b>1.010</b>
Crew expenses	-79	-71	-156	-141	-291
Other operating expenses	-45	-41	-82	-73	-147
<b>Operating result before depreciations</b>	<b>149</b>	<b>149</b>	<b>255</b>	<b>283</b>	<b>573</b>
Ordinary depreciation	-52	-40	-99	-76	-166
Depreciation balance booked periodic maintenance	-10	-10	-18	-18	-37
Write-downs	0	0	0	0	-80
<b>Operating result</b>	<b>87</b>	<b>100</b>	<b>139</b>	<b>188</b>	<b>290</b>
Income from investment in associated	8	7	9	10	22
Other interest income	4	5	8	11	20
Other financial income	10	-64	37	-81	-101
Unrealised currency gain/loss	-25	85	-90	108	192
Other interest charges	-28	-21	-53	-41	-81
Other financial charges	0	1	-1	0	-1
<b>Ordinary result before taxes</b>	<b>56</b>	<b>112</b>	<b>49</b>	<b>195</b>	<b>341</b>
Taxes ordinary result	-1	-2	-2	-4	-14
<b>Result</b>	<b>55</b>	<b>110</b>	<b>47</b>	<b>191</b>	<b>327</b>
Hereof minority share	7	4	-9	10	43
Hereof majority share	48	106	56	181	284
Earnings per share	1,55	3,12	1,33	5,43	9,27

### Cashflow statements

(NOK mill.)	2003 01.04-30.06	2002 01.04-30.06	2003 01.01-30.06	2002 01.01-30.06	2002 Total
Cash flow from operational activities	140	72	200	159	580
Cash flow from investment activities	-26	-396	-512	-691	-1.344
Cash flow from financing activities	-89	223	288	447	842
<b>Net movement in cash and cash equivalents</b>	<b>25</b>	<b>-101</b>	<b>-24</b>	<b>-86</b>	<b>78</b>
Cash and cash equivalents per 01.01	463	450	512	435	435
<b>Cash and cash equivalents per end period</b>	<b>488</b>	<b>349</b>	<b>488</b>	<b>349</b>	<b>512</b>

### Report per segment

Cabel					
(NOK mill.)	2003 01.04-30.06	2002 01.04-30.06	2003 01.01-30.06	2002 01.01-30.06	2002 Total
<b>Total operating revenues</b>	<b>43</b>	<b>56</b>	<b>90</b>	<b>111</b>	<b>221</b>
<b>Operating result</b>	<b>28</b>	<b>30</b>	<b>60</b>	<b>58</b>	<b>37</b>
Offshore					
(NOK mill.)	2003 01.04-30.06	2002 01.04-30.06	2003 01.01-30.06	2002 01.01-30.06	2002 Total
<b>Total operating revenues</b>	<b>231</b>	<b>205</b>	<b>403</b>	<b>385</b>	<b>789</b>
<b>Operating result</b>	<b>59</b>	<b>70</b>	<b>79</b>	<b>130</b>	<b>253</b>

## SOLSTAD OFFSHORE ASA

### Balance sheets

(NOK mill.)	2003 30.06	2002 30.06	2002 31.12
<b>ASSETS</b>			
Fixed assets			
Intangible fixed assets	8	13	9
Tangible fixed assets	3.973	3.153	3.608
Financial fixed assets	333	285	287
<b>Total fixed assets</b>	<b>4.314</b>	<b>3.451</b>	<b>3.903</b>
<b>Current assets</b>			
Stocks	12	10	11
Receivables	202	228	172
Deposits, cash etc.	488	349	512
<b>Total current assets</b>	<b>702</b>	<b>587</b>	<b>695</b>
<b>TOTAL ASSETS</b>	<b>5.015</b>	<b>4.038</b>	<b>4.598</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Paid-in equity	82	82	82
Retained equity	1.601	1.610	1.610
Minority interests	217	119	218
<b>Total equity</b>	<b>1.900</b>	<b>1.811</b>	<b>1.910</b>
<b>Debt</b>			
Long-term provisions	135	119	143
Debt to credit institutions/leasing obligations	2.775	1.938	2.337
<b>Total long-term debt</b>	<b>2.910</b>	<b>2.057</b>	<b>2.480</b>
<b>Current liabilities</b>	<b>205</b>	<b>170</b>	<b>208</b>
<b>Total liabilities</b>	<b>3.115</b>	<b>2.227</b>	<b>2.688</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5.015</b>	<b>4.038</b>	<b>4.598</b>

### Changes in equity

(NOK mill.)	2003 30.06	2002 30.06	2002 31.12
Equity per 01.01	1.910	1.413	1.413
Change in hedging income	-65	142	91
Paid in minority share	9	71	142
Paid out minority share	0	-7	-12
Other changes	1	1	3
Result	47	191	273
<b>Total equity end period</b>	<b>1.900</b>	<b>1.811</b>	<b>1.910</b>