

SOLSTAD SHIPPING AS – FINANCIAL REPORT FOR THE 2ND QUARTER 2004

- Operating revenue for the first six months was NOK 422 million (including NOK 22 million in profit on sale of assets) compared to NOK 493 million for the same period last year.
- The operating result for the first six months after depreciation (EBIT) was NOK 61 million compared to NOK 139 million for the same period last year.
- The result before tax at 30.06.04 was NOK - 20 million after posting a currency loss of NOK 80 million and a currency gain of NOK 26 million.
- The operating revenue for the second quarter alone was NOK 197 million, whilst the result before tax was NOK 19 million.
- The company have entered a long-term contract with Single Buoy Moorings Inc.
- In August, the Group contracted 2 new vessels, which will be delivered in September 2005 and January 2006.

FINANCIAL SUMMARY (NOK 1,000)

| Profit & Loss Account | 01.04-30.06 2004 | 01.04-30.06 2003 | 01.01-30.06 2004 | 01.01-30.06 2003 | Total 2003 |
|---|---------------------|---------------------|---------------------|---------------------|---------------|
| Operating revenue | 196.500 | 273.815 | 399.483 | 493.219 | 993.926 |
| Profit on sale of assets | 0 | 0 | 22.133 | 0 | 0 |
| Operating expenses | 115.789 | 124.710 | 234.987 | 237.993 | 475.178 |
| Depreciation/write down | 63.085 | 61.646 | 125.252 | 116.442 | 240.359 |
| Operating result (EBIT) | 17.626 | 87.459 | 61.377 | 138.784 | 278.389 |
| Result from inv. in associated/jointly owned comp | 12.484 | 8.446 | 10.458 | 9.182 | 12.208 |
| Net currency gain/loss | 5.067 | -15.265 | -54.125 | -52.421 | -11.093 |
| Other financial postings | -16.418 | -24.711 | -38.000 | -46.233 | -86.711 |
| Result before tax | 18.759 | 55.929 | -20.290 | 49.312 | 192.793 |
| Taxes | -191 | -1.154 | -1.090 | -2.286 | -9.185 |
| Result | 18.568 | 54.775 | -21.380 | 47.026 | 183.608 |
| No of Shares (mill) | 37.762 | 35.221 | 37.660 | 35.236 | 35.239 |
| Result per share/watered result per share | 0,49 | 1,56 | -0,57 | 1,33 | 5,21 |

| Balance | 30.06.2004 | 30.06.2003 | 31.12.2003 |
|-------------------------------------|------------------|------------------|------------------|
| Fixed assets (1) | 4.492.569 | 4.313.724 | 4.313.808 |
| Current assets | 772.480 | 701.756 | 684.354 |
| Total assets | 5.265.049 | 5.015.480 | 4.998.162 |
| Equity incl. minority interests | 2.075.939 | 1.900.487 | 1.990.968 |
| Other long-term liabilities | 3.015.191 | 2.974.670 | 2.797.225 |
| Short-term liabilities | 173.919 | 140.323 | 209.969 |
| Total equity and liabilities | 5.265.049 | 5.015.480 | 4.998.162 |

| | | | |
|------------------------------|---------|---------|---------|
| (1) Restricted bank deposits | 221.813 | 158.098 | 208.227 |
|------------------------------|---------|---------|---------|

Economy and Finance

The operating revenue for the first half-year of 2004 was NOK 421,6 million which is NOK 71,6 million lower than for the same period last year. The operating revenue for this period includes a profit on sale of assets of NOK 22,1 million. The main factor for the reduced operating revenue is that the Company had relatively wide market exposure compared to a weak spot market in the North Sea during the second quarter.

As a result of the stronger USD and GBP since the beginning of the year, an unrealized currency loss of NOK 80,0 million was posted which is tied to long-term liabilities. For same reason NOK 25,9 million is posted in realized currency gain in relation to increased value of the Group's currency deposits. The hedging effect of the cash flow is included in the operating revenue with NOK 8.0 million posted to income.

The half-year cash flow from operations (EBITDA) was NOK 168,3 million which is NOK 32,6 million lower than the previous year. EBITDA for the second quarter alone was NOK 72,4 million (122,0 million).

The Group's net interest bearing debt at the end of the second quarter of 2004 was NOK 2.173,2 million which is an increase of NOK 232.8 million. This increase is mainly due to the financing of the conversion of the Normand Cutter.

The interest bearing long-term debt at 30.06.04 was NOK 2.940,5 million, divided into 42% USD, 34% GBP, 19% NOK, and 5% EURO. At the end of the quarter, 3-5 year interest hedging agreements were entered into for approximately 14% of the total long-term debt.

Booked equity at 30.06.04 was NOK 2,075.9 million, giving NOK 55 per share. Based on broker estimates at 30.06.04, (excluding charter parties), the value adjusted equity before tax was approximately NOK 2,8 billion or NOK 75 per share. After adjusting the value for the share emission in January, pre-tax equity was estimated at NOK 76 per share at 31.12.03.

Included in the result from associated/jointly owned companies is an unrealized currency gain of NOK 6 million relating to the Group's 50% owned company in Brazil.

The utilization of the fleet has per 30.06.04 been approx. 87%. At the end of July, the Group's fleet had contract coverage of approximately 59% for the remainder of 2004 based on number of days. Including options, the coverage was approximately 74%. In 2005 the contract coverage is currently around 27% and 42% respectively.

The income in the second half of the year will be influenced by 3-4 of the Group's large AHTS operating in the spot market.

The Group has, with effect from the second quarter, omitted the segment reporting (for Offshore and Cable). This is because one of the Group's two cable ships, the Normand Cutter, has been converted to an offshore vessel. Due to this the most of the Company's activity will be in the offshore segment.

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.

Market

The weak market in the North Sea continued in the second quarter with low utilisation for vessels in the spot market giving weaker income. The fleet of anchor-handling vessels (AHTS) and supply ships (PSV) has remained relatively stable throughout the quarter. In addition to the general low activity, rig strike has had a negative impact on the demand for vessels. Outside the North Sea, activity is better and there is continued demand for modern ships.

In the longer term, and with a continued high oil price, the need for new oil discoveries and increased economic growth, it is expected an increased activity within the oil and gas industry. In particular, greater activity is

expected in exploration and production in deep water areas outside the North Sea and in relation to improved exploitation of existing fields/developments (maintenance, subsea services). Most of the Company's newer vessels are designed and equipped to meet the various demand for services that this new trend will demand.

The Fleet

The Group has contracted 2 new vessels during the second quarter of 2004. One is a large construction vessel of design VS 4204 which will be owned 50/50 by a joint venture with Single Buoy Moorings Inc. In total the project will cost around USD 100 million and the vessel will enter an eight-year frame agreement with Single Buoy Moorings. In addition, the Group has contracted a PSV of design P 105 being built by the Merwede shipyard in the Netherlands. The vessel will be owned 100% by the Group and delivered in September 2005 for a contract price of 24,5 million Euros. The new builds bring the total for the Group to 28 vessels, three of which are under construction, 2 are laid-up (one at the charterer's expense), 3 operate on the Brazilian Continental Shelf, 2 in the Mexican Gulf, 1 in West Africa, 2 in the Mediterranean and the remaining 15 vessels are in the North Sea.

In addition, the 50% owned Brazilian company NorSkan Offshore Ltd has two vessels in operation and 1 new build on order with a deliver date at the end of 2004/2005.

The Company and its Shareholders

On 11th May 2004, the Annual General meeting resolved to pay a dividend of NOK 1,00 per share for 2003, which was paid on 28 May 2004. The company has, at present, 1,450 shareholders.

Skudeneshavn 19.05.04.

Solstad Offshore ASA

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