



## SOLSTAD OFFSHORE ASA FINANCIAL REPORT FOR THE 2ND QUARTER 2008

- Operating revenue for the first half year was NOK 924 mill (whereof NOK 0 related to sale of assets) compared to NOK 1.088 mill (whereof NOK 83 mill related to sale of assets) for the same period last year.
- Operating revenue for Q2 was NOK 474 mill (NOK 0 related to sale of assets) compared to NOK 559 mill i 2007 (incl NOK 83 mill related to sale of assets).
- Cashflow from operations (EBITDA) for the quarter was NOK 230 mill (NOK 274 mill in 2007).
- Result pre tax pr. 30.6.2008 was negative by NOK 167 mill after having charged net financial items with NOK 335 mill related to loss on investment in associated company – MPU Offshore Lift ASA.

Summay of the main figures for the Group (NOK 1.000) (for a more detailed overview, please refer to the attachment):

Profit and Loss Accounts	01.04-30.06 2008	01.04-30.06 2007	01.01-30.06 2008	01.01-30.06 2007	Total 2007
Operating revenue	473.983	475.390	924.260	1.005.472	2.113.250
Gain on sale of assets	0	83.497	0	83.497	105.801
Operating expenses	-263.447	-204.068	-499.476	-398.582	-832.580
Result associated companies	20.047	2.960	39.200	5.263	11.277
Ordinary depreciation	-120.404	-104.009	-238.054	-206.545	-437.284
<b>Operating profit</b>	<b>110.178</b>	<b>253.769</b>	<b>225.930</b>	<b>489.107</b>	<b>960.464</b>
Net Financial items	-359.740	899	-393.137	-6.541	145.753
<b>Result before taxes</b>	<b>-249.562</b>	<b>254.668</b>	<b>-167.207</b>	<b>482.566</b>	<b>1.106.217</b>
Taxes	41.837	-2.871	8.162	-7.835	-402.612
<b>Result after taxes</b>	<b>-207.725</b>	<b>251.797</b>	<b>-159.045</b>	<b>474.731</b>	<b>703.605</b>
No. of shares (1.000)	37.658	37.791	37.663	37.791	37.762
Earnings per share/Diluted earnings per share	-5,34	6,62	-4,19	12,57	18,02
<b>Balance Sheet</b>			<b>30.06.2008</b>	<b>30.06.2007</b>	<b>31.12.2007</b>
Fixed Assets (1)			8.710.912	7.530.097	8.463.875
Current Assets			1.435.172	1.643.241	1.850.794
<b>Total Assets</b>			<b>10.146.084</b>	<b>9.173.338</b>	<b>10.314.669</b>
Equity incl. minority interests			3.596.817	3.556.836	3.717.459
Long-term debt			4.188.214	3.693.319	4.479.587
Current Liabilities			2.361.053	1.923.182	2.117.623
<b>Total Equity and Liabilities</b>			<b>10.146.084</b>	<b>9.173.338</b>	<b>10.314.669</b>
(1) Hereof restricted bank deposits			535.600	612.133	565.651

### Economy and finance

Operating income for the first half of 2008 was NOK 924 mill, which is NOK 165 mill lower than last year's figure. Operating income for the first half of 2007 includes a gain related to sale of assets of NOK 83 mill compared to NOK 0 for the same period this year. The decrease is, among others, due to planned maintenance of 8 vessels the first half year. Comparable figures for 2007 was 4 vessels. Furthermore, some vessels on the spot market have experienced a decrease in both utilization- and rate levels in first half of 2008 as compared to the corresponding period of 2007. In comparison with the same period of 2007, three vessels have been sold by the Group, whilst two newbuilds have been

delivered from yard. The contribution from the new vessels is greater than the loss of income from the vessels disposed of.

Operating costs have increased by approx. 25% compared with the same period last year. The main reason for this, is increased wages as a result of increased activities in Singapore (Nor Offshore Ltd) as well as significant increases of the wage settlement in Norway. Furthermore, several larger scheduled repairs and upgrades have been carried out in addition to planned periodic maintenance during Q2. The increase of cost reflects the market in general as a result of continuous high activity within the global shipping-/offshore market.

Operating income for Q2 was NOK 474 mill (NOK 559 mill). Last year's figures include gain related to sale of assets of NOK 83 mill, compared to 0 for the same period this year. Not taking into account the gain related to sale of assets last year, the income in Q2 2008 was at the same level as Q2 2007. The spot market has, however, been significantly weaker in 2008, whilst the income from the two newbuilds delivered after Q2 2007 has compensated for the lower spot rates and the loss of income from the three smaller anchorhandling vessels disposed of.

Cash flow from operations (EBITDA) for the first half of 2008 was NOK 464 mill compared to NOK 612 mill for the same period last year. EBITDA for Q2 alone was NOK 230 mill (NOK 274 mill).

As a result of a weakened USD and GBP during first half of 2008, an unrealized currency gain of NOK 50 mill has been posted to income (40 mill). Furthermore, NOK 63 mill (44 mill) has been posted to income as realized currency loss, mainly due to a reduction in value of the Company's currency deposits. The Group's result pre tax for the first half of 2008 was negative by NOK 167 mill (positive by NOK 483 mill) after having charged net financial items with NOK 335 mill related to loss on investment in associated company (see below).

The Group's net interest-bearing debt by the end of first half of 2008 was NOK 4.560 mill, representing an increase of NOK 402 mill from year end. The increase is due drawdowns of loans related to vessels under construction by the Company as well as taking delivery of one vessel and drawdowns of loans related to vessels under construction via NOR (50% owned). Payment of dividend and investments in associated – and other companies has also contributed to increased net debt.

Interest bearing long-term debt at 30.06.08 was NOK 5.215 mill (5.366), whereof NOK 1.454 mill (1.339) classified as short term debt. The debt is divided as 55% NOK, 10% USD, 34% GBP and 1% EUR. At the end of first half 2008, 2-5 year hedging agreements were entered for approx. 8% of the total long-term debt. Furthermore, parts of the debt in NOK and GBP, is through financial instruments, transferred to USD, giving a real debt exposure of 45% NOK, 30% USD, 23% GBP and 1% EUR.

Posted equity at the end of first half 2008 was NOK 3.597 mill, equivalent to NOK 95 per share. Based on brokers' evaluations pr 30.06.2008 (on charterfree basis) value adjusted equity excl. minorities pre tax amounted to approx. NOK 8,8 billion or approx. NOK 235,- per share. Corresponding figures at the end of 2007 was NOK 227 per share. The increase of value adjusted equity is mainly due to an increase of brokers' evaluations on the existing fleet by approx. 4% for the first half of 2008.

The Group's fleet has currently contract coverage of approx. 81% for the remaining of 2008 based on number of days. Including options, the coverage is approx. 89%. For 2009, contract coverage is approx. 45% and 59% accordingly.

During Q1, Trym Titan KS (30% owned by the Group) signed an agreement related to sale of two anchor handling vessels. One of the vessels was delivered to its new owner during Q1, whilst the other one was transferred during Q2. Net profit from the sale for the Group, approx. NOK 42 mill was posted at the time of handover for each of the vessels and is included under "result associated companies".

The Group owned approx. 30% of MPU Offshore Lift ASA (MPU), which had a vessel under construction in the Netherlands, specifically designed for, among others, decommissioning of offshore installations. Due to major cost overruns and difficulties achieving full financing in order to complete the construction of the vessel MPU decided to submit a petition for bankruptcy end of June 2008, whereafter the company went into bankruptcy 1<sup>st</sup> July 2008. Solstad Offshore ASAs posted investement in the company was NOK 198 mill as paid in equity, and additionally USD 31,4 mill as a convertible shareholder's loan. All of the paid in equity plus USD 27,2 mill of the loan has been posted as a loss in Q2 as any further payments from the liquidation property is not expected.

The Group has had two vessels on long-term leasing contracts, where the owner has held a put option. The debt related to the vessels is classified as short-term debt (first year instalment) in the balance sheet per 30.06.2008. The vessels were undertaken by the Group in July 2008. The takeover was financed by long-term deb and restricted bank deposits.

The quarterly accounts are prepared using the same accounting principles as last year's annual accounts and in compliance with IAS 34 Interim Financial Reporting.

### **Market**

The market for offshore service vessels has somewhat improved during Q2 compared to the first three months of the year. The fleet of available vessels in the North Sea is approximately unchanged and seasonal increase in activity is anticipated to form the basis for improvement in Q3. On the international markets, the demand has continued to be strong and the influx of new vessel does not appear to have negatively impacted the market. Well supported by the high oil prices, the demand for large and advanced vessels is expected to increase going forward as a result of continued high activity levels within international development combined with a number of new drilling rigs and floating production vessels expected delivered within the nearest future.

The total number of vessels under construction continues to be high, however the numbers have stopped increasing. The large increase in the cost of new builds in the last couple of years together with long delivery times, greater pressure on the yards and a substantial tighter credit market is most likely why, the orderbook the last half year has not increased in line with what we have seen over the last few years.

### **Fleet**

By the end of Q2, the fleet consisted of 36 wholly -/jointly -/partly owned and leased vessels plus 9 vessels under construction (6 in Norway and 3 via Nor Offshore Pte Ltd (NOR) in Singapore). The Company's main focus is large and advanced construction service- and anchor handling vessels providing service to the offshore construction- and oil companies. In total, the Company operates 27 vessels from offices in Skudeneshavn and Aberdeen. Currently, these vessels are located as follows: 2 on the Brazilian Continental Shelf, 1 in Mexico/US Gulf, 2 in West Africa, 4 in Asia, 3 in the Mediterranean whilst the remaining 15 vessels are operated in the North Sea area. The remaining fleet of 9 AHTS' and 3 new builds (2 CSVs and 1 DLB) are operated and managed by NOR in Singapore.

Solstad Offshore ASA currently has 4 CSVs of various sizes and 2 large anchor handling vessels of 28.000 BHP under construction in Norway. One of the CSVs, the NB 190 is delayed (mainly due to problems with the hull yard in Bulgaria) and is now expected delivered from yard at the end of Q2 2009. Equivalently, the first of the AHTS' is approx. 4 months delayed from the hull yard and is expected delivered in April 2009. Beyond this, no further significant delays are expected.

In May 2008, Normand Skarven KS, where Solstad Offshore ASA owns 71,1%, entered into an agreement related to sale of the "Normand Skarven". The vessel will be handed over to its new owner during autumn/winter 2008. Total net profit from the sale is approx. NOK 130 mill, whereof minority share amounts to NOK 37 mill. The gain from the sale will probably be posted in Q4 2008.

Charterer of "Seabulk South Atlantic", owned by Rig Supporter KS, where Solstad Offshore ASA owns 21% has declared its option under the bareboat agreement to buy the "Seabulk South Atlantic". The vessel will be handed over to the new owner in the beginning of September 2008. The sale will have an insignificant impact on the Q3 accounts.

NOR Offshore Ltd in Singapore (NOR), where Solstad Offshore ASA owns 50%, is currently operating 9 new AHTS' (from 5.500 BHP to 11.000 BHP), where of 5 are owned and 4 chartered (bare-boat). NOR has the option to buy the chartered vessels during the respective contract periods. After end of Q2 (mid July 2008), NOR took delivery of its first of two construction-/diving vessels. For the first mentioned vessel, the "Nor Valiant", a 4-year chartering agreement has been entered with Petroleum Marine Services in Egypt. For the latter, the "Nor Vision", a 5-year contract with Woodside Energy Ltd, Australia has been entered commencing at the time of delivery from yard, early in 2009. Both construction-/diving vessels will be owned by NOR. Additionally, NOR has one Derrick Lay Barge (DLB) under construction. This will be equipped with a 1.100 t crane, pipe-laying equipment and large cabin capacity and is expected to be operative at the end of Q2 2009.

### **The Company and its Shareholders**

In addition to operation of its own fleet and 50% ownership in NOR, Solstad Offshore ASA has a significant investment (approx. 48,5%) in REM Offshore (REM). Presentation of the accounts for the first half of 2008 from REM is announced to find place on the 27. August 2008. The REM Annual General Meeting passed a resolution on the 20. May 2008, to pay a dividend of NOK 1,50 per share.

The Annual General Meeting of Solstad Offshore ASA held on the 6. May passed a resolution to pay a dividend of NOK 4 per share, in total NOK 151 mill to be paid 23. May. The Company currently has approx. 2015 shareholders, whereof approx. 9% are foreign shareholders. The share price is currently NOK 121, representing a current market value of approx. NOK 4,5 billion.

### **Responsibility statement**

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first half year of 2008 which has been prepared in accordance with IAS 34 Interim Financial Statements gives a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 forth paragraph.

Skudeneshavn 14.08.2008.

Harald Eikesdal  
Chairman (sign)

Johannes Solstad  
Deputy Chairman (sign)

Anette Solstad  
Board Member (sign)

Toril Eidesvik  
Board Member (sign)

Arne Austreid  
Board Member (sign)

Lars Peder Solstad  
Managing Director (sign)

Solstad Offshore ASA

Contact: Lars Peder Solstad (Tlf 52 85 65 00 / 913 18 585).

Appendix: Complete report for first half of 2008.

# SOLSTAD OFFSHORE ASA

## Profit and loss accounts

(NOK 1.000)		2008 01.04-30.06	2007 01.04-30.06	2008 01.01-30.06	2007 01.01-30.06	2007 Total
Net freight income		473.983	475.390	924.260	1.005.472	2.113.250
Gain on sale of assets		0	83.497	0	83.497	105.801
<b>Total freight income and gain on sale of assets</b>		<b>473.983</b>	<b>558.887</b>	<b>924.260</b>	<b>1.088.969</b>	<b>2.219.051</b>
Crew expenses		-147.411	-121.778	-286.258	-237.754	-490.732
Other operating expenses		-116.036	-82.290	-213.218	-160.828	-341.848
Result associated companies		20.047	2.960	39.200	5.263	11.277
<b>Operating result before depreciations</b>		<b>230.583</b>	<b>357.778</b>	<b>463.983</b>	<b>695.651</b>	<b>1.397.748</b>
Ordinary depreciation		-120.404	-104.009	-238.054	-206.545	-437.284
<b>Operating result</b>		<b>110.178</b>	<b>253.769</b>	<b>225.930</b>	<b>489.107</b>	<b>960.464</b>
Other interest income		14.150	14.848	36.969	35.938	81.210
Other financial income		28.607	67.764	86.620	93.923	297.251
Realised currency gain/loss		-9.417	-31.125	-63.197	-44.137	-85.022
Unrealised currency gain/loss		657	21.311	50.001	40.463	143.982
Other interest charges		-56.279	-48.124	-131.952	-93.003	-221.894
Other financial charges		-337.458	-23.775	-371.578	-39.724	-69.774
<b>Ordinary result before taxes</b>		<b>-249.562</b>	<b>254.668</b>	<b>-167.207</b>	<b>482.566</b>	<b>1.106.217</b>
Taxes ordinary result		41.837	-2.871	8.162	-7.835	-402.612
<b>Result</b>		<b>-207.725</b>	<b>251.797</b>	<b>-159.045</b>	<b>474.731</b>	<b>703.605</b>
Hereof minority share		-6.537	1.495	-1.241	-419	23.276
Hereof majority share		-201.188	250.302	-157.804	475.150	680.329
Earnings per share/Diluted earnings per share		-5.34	6.62	-4.19	12.57	18.02
No. of shares (1.000)		37.658	37.791	37.663	37.791	37.762

## Cashflow statements

(NOK 1.000)		2008 01.04.30.06	2007 01.04.-30.06	2008 01.01.30.06	2007 01.01.-30.06	2007 Total
Cash flow from operational activities		151.327	477.773	366.674	688.619	1.062.629
Cash flow from investment activities		-307.535	-1.212.860	-506.388	-1.382.308	-2.360.765
Cash flow from financing activities		-175.309	339.812	-245.848	236.401	1.059.745
<b>Net movement in cash and cash equivalents</b>		<b>-331.517</b>	<b>-395.275</b>	<b>-385.562</b>	<b>-457.287</b>	<b>-238.391</b>
Cash and cash equivalents per start period		667.153	1.229.093	1.052.715	1.291.106	1.291.106
<b>Cash and cash equivalents per end period</b>		<b>335.636</b>	<b>833.819</b>	<b>667.153</b>	<b>833.819</b>	<b>1.052.715</b>

## Reporting per segment

(NOK 1.000)		2008 01.04.30.06	2007 01.04.-30.06	2008 01.01.30.06	2007 01.01.-30.06	2007 Total
<b>Net freight income per type of vessel</b>						
Anchorhandling/Tug/Supply vessel (AHTS)		247.211	240.748	477.061	498.836	1.083.676
Platform supply vessel (PSV)		78.062	88.375	144.568	171.012	345.834
Construction service vessel (CSV)		148.710	146.267	302.631	335.624	683.740
Other		0	0	0	0	0
<b>Total net freight income ex. gain on sale of assets</b>		<b>473.983</b>	<b>475.390</b>	<b>924.260</b>	<b>1.005.472</b>	<b>2.113.250</b>

(NOK 1.000)		2008 01.04.30.06	2007 01.04.-30.06	2008 01.01.30.06	2007 01.01.-30.06	2007 Total
<b>Operating result per type of vessel</b>						
Anchorhandling/Tug/Supply vessel (AHTS)		89.452	101.928	180.339	224.312	530.330
Platform supply vessel (PSV)		29.611	48.133	50.377	87.993	169.788
Construction service vessel (CSV)		-7.462	24.030	549	99.487	168.700
Other		-1.422	-3.819	-5.335	-6.183	-14.156
<b>Total operating result ex. gain on sale of assets</b>		<b>110.178</b>	<b>170.272</b>	<b>225.930</b>	<b>405.610</b>	<b>854.663</b>

# SOLSTAD OFFSHORE ASA

## Balance sheets

(NOK 1.000)	2008 30.06	2007 30.06	2007 31.12
<b>ASSETS</b>			
Fixed assets			
Tangible fixed assets	6.925.347	5.905.873	6.660.256
Financial fixed assets (1)	1.785.565	1.624.224	1.803.619
<b>Total fixed assets</b>	<b>8.710.912</b>	<b>7.530.097</b>	<b>8.463.875</b>
<b>Current assets</b>			
Stocks	29.109	13.236	25.954
Receivables	648.587	552.444	712.097
Shares	32.868	228.620	60.028
Deposits, cash etc.	667.154	833.819	1.052.715
<b>Total current assets</b>	<b>1.377.718</b>	<b>1.628.119</b>	<b>1.850.794</b>
Assets classified as held for sale	57.454	15.122	0
<b>TOTAL ASSETS</b>	<b>10.146.084</b>	<b>9.173.338</b>	<b>10.314.669</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Paid-in equity	186.964	187.231	187.004
Retained equity	3.376.565	3.357.696	3.494.850
Minority interests	33.288	11.910	35.604
<b>Total equity</b>	<b>3.596.817</b>	<b>3.556.836</b>	<b>3.717.459</b>
<b>Liabilities</b>			
Long-term provisions	428.024	145.602	452.522
Other long-term debt	39.437	33.164	39.117
Debt to credit institutions/leasing obligations	3.720.753	3.514.554	3.987.948
<b>Total long-term liabilities</b>	<b>4.188.214</b>	<b>3.693.319</b>	<b>4.479.587</b>
<b>Current liabilities</b>			
Bank overdraft	547.677	142.249	409.824
Current portion of long-term debt	1.454.447	1.237.370	1.339.265
Other current liabilities	314.899	543.563	368.534
<b>Total current liabilities</b>	<b>2.317.023</b>	<b>1.923.182</b>	<b>2.117.623</b>
Liabilities related to assets classified as held for sale	44.030	0	0
<b>Total liabilities</b>	<b>6.549.267</b>	<b>5.616.502</b>	<b>6.597.210</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>10.146.084</b>	<b>9.173.338</b>	<b>10.314.669</b>
(1) Hereof restricted bank deposits	535.600	612.133	565.651

## Changes in equity

(NOK 1.000)	2008 30.06	2007 30.06	2007 31.12
Equity per 01.01	3.717.459	3.173.788	3.173.788
Paid in minority share	-1.866	-2.390	-2.390
Other adjustments Joint Venture:	-6.517	-2.346	-7.301
Adjustment shares hold for sale	199.963	64.218	17.349
Purchase/Sale of treasury shares:	-2.545	0	-16.428
Other changes	0	0	0
Paid out dividends:	-150.632	-151.165	-151.165
Result	-159.045	474.731	703.605
<b>Total equity end period</b>	<b>3.596.817</b>	<b>3.556.836</b>	<b>3.717.459</b>