

SOLSTAD OFFSHORE ASA FINANCIAL REPORT FOR THE 4TH QUARTER 2008

- Operating revenue for 2008 was NOK 2,209 million (including NOK 64 mill in profit from sales).
- In 2008, cash flow from operations (EBITDA¹) was NOK 1,124 million.
- Result before tax NOK 50 million after NOK 238 million has been posted in net currency loss (NOK 59 million in currency gain in 2007), net finance has been posted with a NOK 335 million loss on investments in an associated company (MPU Offshore Lift ASA) and NOK 130 million was posted to tax income relating to the resetting of the environmental provision in the previous tax regime
- Operating income in the 4th quarter was NOK 699 million (including NOK 63,5 million in profit on sales) compared to NOK 625 million for the previous year (NOK 0 in profit on sales).
- The Board propose a share dividend of NOK 2,- per share in 2008.

Summary of main figures (NOK 1,000) for the Group (For detailed overview ref. attachment):

Profit and Loss Accounts	01.10-31.12 2008	01.10-31.12 2007	Total 2008	Total 2007
Operating revenue	635.096	624.778	2.145.330	2.113.250
Gain on sale of assets	63.550	0	63.550	105.801
Operating expenses	-264.875	-224.562	-931.579	-832.580
Result associated companies	815	1.412	40.799	11.277
Ordinary depreciation	-130.178	-117.087	-490.718	-437.284
Operating profit	304.408	284.541	827.382	960.464
Net Financial items	-339.968	84.182	-940.060	145.753
Result before taxes	-35.560	368.724	-112.678	1.106.217
Taxes	153.704	-389.758	162.794	-402.612
Result after taxes	118.144	-21.034	50.116	703.605
No. of shares (1.000)	37.654	37.674	37.659	37.762
Earnings per share/Diluted earnings per share	3,90	-0,73	1,79	18,02
Balance Sheet			31.12.2008	31.12.2007
Fixed Assets (1)			8.680.610	8.463.875
Current Assets			1.563.470	1.850.794
Total Assets			10.244.080	10.314.669
Equity incl. minority interests			3.720.811	3.717.459
Long-term debt			5.111.377	4.479.587
Current Liabilities			1.411.892	2.117.623
Total Equity and Liabilities			10.244.080	10.314.669
(1) Hereof restricted bank deposits			0	565.651

EBITDA – Operating profit before depreciation (NOK 1.318 mill) adjusted for profit on sale of assets (NOK 64 mill) and reversal of any previous periods offset (NOK 131 mill)

Economy and Finance

Operating income in 2008 was NOK 2,209 million (of which NOK 64 million was profit on sales) and is at the same level as last years NOK 2,219 million (of which NOK 106 million was profit on sales). Operating income in the 4th quarter was NOK 699 million (of which NOK 64 million was profit on sales) compared to NOK 625 million (with 0 profit on sales) for the same period in 2007. The Group's fleet capacity when calculated on number of days compared to 2007 shows an increase of around 7%. Contract cover in 2008 was 92% (94% in 2007).

Ordinary operating costs have increased by approximately 25% when compared to 2007. The main reason for this is an increase operating expenses as a result of more vessels in Singapore (Nor Offshore Ltd) and higher crew expenses for both Norwegian and foreign personnel. Furthermore, a number of larger scheduled repairs and upgrades have been carried out on vessels which had scheduled maintenance during the year. The number of vessels that had scheduled maintenance in 2008 was similar to that in 2007 but the average cost of the maintenance work was significantly higher.

Cash flow from operations (EBITDA) in 4th quarter was NOK 349 million (402 million) whilst cash flow for the year was NOK 1,124 million (NOK 1,292 million). These figures are adjusted for profit on sale and the net effect of the reversal of offsets (ref. separate paragraph below). The reduction, both in this quarter and for the year is due to significantly higher operating costs.

The Group had three vessels on long-term leases, where the lessor had the option to sell. The contracts are renegotiated and two of the vessels were taken over by the Group in July 2008 and the third in November 2008 (50% owned by a jointly-owned company). The acquisition was financed through a long-term loan and utilisation of restricted bank deposits. As a result of a change in the tax regulations in the UK, funds were offset in 2006 for any anticipated increased cost in connection with exercising the sales option. The acquisition proceeded on other premises as compared to the offset that was made, and in accordance with IAS 37, this offset has been reversed as it is no longer likely that further costs will be incurred. In the meantime other costs were incurred as a result of the take over, for which no provision was made. The net effect in the accounts is NOK 131 million being posted to income (NOK 106 million of which was offset in the 3rd quarter and the remainder in the 4th quarter), as a reduction to other operating costs.

In the 4th quarter tax income of NOK 153 million was posted, NOK 130 million of which relates to reversal of 1/3, the environmental provision, which was posted in the 4th quarter in 2007 relating to the Group's withdrawal from the previous tax regime. The authorities have, the whole time, stipulated that the environmental provision shall be treated as equity, but the way in which the transitional regulations were drafted (15 years deadline for environmental investment), this tax could not be posted as equity. On 1st January 2009, the 15 year deadline was revoked. An unstipulated timescale for implementation of environmental measures results in environmental provision now being posted as paid equity. The remaining portion of income from taxation relates to changes in deferred tax.

In April 2008, an agreement was entered into for the sale of a vessel in which the Group had a 70% share through a limited company subsidiary. The agreed handover was end 2008. The purchaser paid a deposit of 10% of the purchase price. In a notice to the Stock Exchange on 12 January 2009 the Group advised that the sale agreement was cancelled as the purchaser was not able to meet their obligations. In the accounts the vessel was classified as an asset held for disposal; because of this no depreciation has been posted for the vessel after the sales agreement was signed. In the 4th quarter the accounts have been debited with depreciation for the period the vessel has been classified as on hold for sale and the deposit paid has been posted to income. The net impact on the accounts is approximately NOK 17 million and is classified as gain on sales.

During 4th quarter, the USD has strengthened considerably (20%) against the NOK, whilst the net impact of the GBP has weakened against the NOK (4%). As a result of these currency exchange fluctuations, a net unrealised currency loss of NOK 274 million has been posted which is linked to the Company's reserves and commitments in foreign currency during the quarter. Compared to the NOK currency rates at the beginning of the year the USD has strengthened by around 29% whilst the GBP has weakened by 11%. The Group result before tax is a loss of NOK 113 million (profit of NOK 1,106 million in 2007) after NOK 335 million has been posted in loss (2nd quarter) on investments in associated companies (MPU Offshore Lift ASA), NOK 347 million in unrealised currency loss and NOK 109 million in realised currency gain (the equivalent in 2007 was NOK 144 million in unrealised currency gain and NOK 85 million in realised currency loss).

The Company's net interest-bearing debt at the end of 2008 was NOK 4,911 (NOK 4,158 million) which is an increase of NOK 753 million during the year. The increase throughout the year is mainly due to the significant strengthening of the USD against the NOK which has resulted in an unrealised loss on currency loans, an increase in loans when paying instalments on new builds, refinancing of vessels which have been on financial leases and refinancing of vessels in NOR.

Interest-bearing long-term debt at 31.12.2008 was NOK 5,301 million (5,365 million) of which NOK 473 million (1,339 million) is classified as short-term debt. The change in the portion of debt classified as short-term debt is related to refinancing of vessels on financial leases during the year. The debt is divided as follows: 53% NOK, 39% USD, 7.5% GBP and 0.5% Euro. At the end of the quarter 2-5 year hedging agreements were entered into for approximately 12% of the total long-term debt. Furthermore, some of the debt in NOK is tied to USD by financial instruments so that the real debt exposure is 43% NOK, 50% USD, 7.5% GBP and 0.5% Euro.

The market value of the Group's fleet at 31.12.2008 was NOK 10,830 million. This value is based on an average from three brokers and excludes charter party revenue and new builds. The adjusted equity before tax at the end of 2008 is NOK 232,- per share compared to NOK 227 per share for the previous year. The vessel values have decreased by some 3% since 30.06.2008. Other financial assets are the shares in REM Offshore ASA valued at NOK 56 per share (Stock Exchange valuation). Booked equity at 31.12.2008 was NOK 3,721 million or NOK 98 per share.

Contract coverage for the fleet is around 60% for 2009 based on the number of days. Including options, the cover is approximately 70%. For 2010 the contract cover including options is approximately 58%.

The accounts for the quarter are prepared using the same accounting principles as for the previous annual accounts and in compliance with IAS 34 Interim Financial Reporting.

Market

The market for offshore vessels improved further in the 4th quarter when compared to the first 9 months of the year in all geographical areas, including the spot market in the North Sea. In the 4th quarter the demand for all types of vessels for longer-term contracts has increased, resulting in significantly improved rate levels for long-term contracts. So far in the first quarter of 2009 the spot market activity has given relatively low utilisation and lower day rate levels for all types of vessels. Solstad Offshore ASA currently has 3 vessels in the spot market in the North Sea.

The total order book for new builds is still high but the credit crunch has increased the insecurity with respect to possible cancellations of newbuilds. For this reason the orders for more new builds have completely stopped.

Activity and market development in our segments will be negatively impacted by the fall in oil price, the credit crunch and the problems in the world economy. It is nevertheless difficult to say how major and long-lasting the impact will be. On a longer-term view the market, particularly the deep water segment, will be characterised by continued high level of activity. In the coming years is expected that there will be a great demand for vessels as a result of the large number of drilling rigs that will, in time, come in to operation combined with major deep water development and installation activities. The installation activity is though dependent upon the oil price development.

The Fleet

At the end of the year the fleet consisted of 35 fully owned/jointly owned and leased vessels as well as 8 new builds (6 in Norway and 2 through NOR Offshore Ltd (NOR) in Singapore). In total 26 vessels are operated from offices in Skudesneshavn and Aberdeen. Of these 4 are operating on the Brazilian Continental Shelf, 1 in the Mexico/US Gulf, 1 in West Africa, 3 in Asia, 5 in the Mediterranean and the remaining 12 vessels operate in the North Sea area. In addition the follow-up of 6 new builds are managed from Skudesneshavn. The remaining fleet, which currently consists of 9 vessels and 2 new builds, is managed and operated in Singapore by NOR.

Solstad Offshore ASA's new builds in Norway consist of 4 CSV's of various sizes and 2 larger AHTS's with 28,000 BHP, under construction at Karlsund Maritime Services AS (KMS). KMS has announced economical and operational problems relating to the building of these vessels. As advised in a previous notice to the Stock Exchange the situation with the yard has not been clarified and the situation is being closely monitored. The Company expect the situation at KMS to be clarified within 1st quarter 2009. Solstad Offshore ASA has bank guarantees for instalments paid to the yard. The remaining new building-programme is going in accordance with revised plans.

As part of Solstad Offshore ASA's new build program, long-term financial agreements have been entered with our banks for the vessels to be delivered in 2009. It is not entered into financial agreements for the vessels that are to be delivered from yard from middle/end of 2010 and at the end of the first quarter in 2011, but dialog with certain banks are initiated. Nor Offshore Ltd new building program is fully financed.

Nor Offshore Ltd in Singapore (NOR) in which Solstad Offshore ASA owns 50%, currently operates 1 CSV (owned) and 8 newer AHTS's (from 5,500 BHP to 11,000 BHP) 5 of which are owned and 3 are on bareboat hire. The Company has options to purchase the leased vessels during the term of the leasing period. NOR has a further CSV, TBN Nor Australis (previously Nor Vision) under construction for delivery in april 2009. Delivery is behind time as compared to the original delivery date as the vessel is being equipped for a long-term charter for Woodside Energy Ltd. In addition NOR has 1 derrick lay barge (DLB) under construction. The hull for the DLB is delayed and vessel is now expected to be delivered from the yard towards the end of the year.

The Company and its shareholders

In addition to operating its own fleet and a 50% share in NOR, Solstad Offshore ASA has a significant investment (around 48.5%) in REM Offshore ASA (REM). Development of REM continues to be good and the company's result before tax was NOK 94 million in the 4th quarter of 2008 and NOK 297 million for 2008. Booked equity at 31.12.2008 was NOK 1,5 billion.

At the next General Meeting, the Board will propose a share dividend of NOK 2,- per share for 2008.

At the end of the year the company had 2,300 shareholders with approximately 8% of the shares owned by foreign investors. The Company's market value is currently NOK 2.6 billion (rate per share NOK 68). At the start of the year the listed share value was NOK 61,25.

Declaration from the Board and Managing Director

We verify that the consolidated quarterly accounts for the period 1 September to 31 December 2008 and the draft annual accounts for 2008 are to the best of our knowledge, prepared in compliance with IAS 34. Reporting periods throughout the year and information in the quarterly accounts gives a fair picture of the enterprise's and Group's assets, debt and financial position and the overall result and gives a true overview of information in accordance with § 5-6 fourth paragraph.

Skudesneshavn 26.02.2009

Harald Eikesdal Chairman of the Board (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

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A complete report for the 4th quarter 2008 is attached.

This information is required under §5-12 of the law governing securities trading.