



SOLSTAD OFFSHORE ASA

ANNUAL REPORT 2004



COMPANY PHILOSOPHY

Our vision is to conduct profitable, integrated shipping operations with high specification vessels - our own vessels and chartered vessels. The company's core business shall be petroleum-related operations.

"DAMÅ I PARKEN". The galleon figure "DAMÅ I PARKEN" (The Lady in the Park) was erected in 1925 as a reminder of the sail ship town of Skudeneshavn. The galleon figure was initially located in the town park, and subsequently on the cliff where it now looks over the ocean.

INDEX

Briefly about our business	4
Company Structure	8
Financial highlights	10
Key Figures	11
The Director´s Report	13
1. Company philosophy, objectives and strategies	13
2. The Company´s activities	13
3. The offshore market	14
4. Company related matters	14
5. Owner control and management and shareholders issues	14
6. Financials - Group	15
7. Health, safety and environment (HSE)	19
8. Expectations for 2004	20
9. Financials - Parent Company	20
Profit and loss accounts	23
Balance sheets	24
Statement of cashflows	26
Notes	28
Auditor´s report	41
A brief look at 2004 / Important events	42
The fleet	44
Contract coverage	47

FINANCIAL CALENDAR 2005

Provisional figures for 2004	28.02.05
Ordinary annual general meeting	12.05.05
Report for the 1st quarter 2005	13.05.05
Report for the 2nd quarter 2005	18.08.05
Report for the 3rd quarter 2005	11.11.05
Provisional figures for 2005	Ultimo February, 2006

The dates may be subject to change.

The Solstad Offshore ASA Annual Report for 2004 is a translation from the Norwegian version.

For electronic annual report:
www.solstad.com

BRIEFLY ABOUT OUR BUSINESS

Solstad Shipping AS was established in 1964 by Captain Johannes Solstad. The company's head office and home port are still located in Skudesneshavn. During the company's first decade in business, it purchased and operated 14 dry-cargo vessels (liner type) and also took delivery of three newbuildings of container type. These vessels varied in size from 8,000 dw to 14,000 dw.

In 1974 the company started offshore activities when four supply vessels were ordered from a Dutch shipyard. In 1976 the company was operating nine supply vessels of various types. Most of them were co-owned with Haugesund companies and all were built at the same Dutch shipyard (Pattje).

From 1974 to 1982, the company owned and operated a combined fleet of both offshore and dry cargo vessels and, during the same period, the company ordered several newbuildings. Two AHTS vessels and three AHTS vessels were built in New Foundland, and four semi-container vessels were built in Rostock in East Germany. But the last dry cargo vessel was sold in 1982 and during the following 8 years Solstad Shipping AS owned and operated only offshore / supply vessels.

In October 1997, the company was listed on the stock exchange under the name SOLSTAD OFFSHORE ASA. SOLSTAD SHIPPING AS, which is 100% owned by Solstad Offshore ASA, is responsible for management and marketing.

At the end of 2004, the company operated 32 offshore vessels of various types, of which 23 were built at Norwegian shipyards, two were built in Brazil (in a 50/50 co-ownership with DOF), and seven vessels were bought second-hand. The company also has five vessels under construction for delivery in 2005 and 2006 (two of them are being built in Brazil in a 50/50 co-ownership with DOF).

At present, the vessels operate world-wide and half of them are working outside the North Sea.

Solstad Offshore ASA has 750 employees, of which 540 are Norwegian. In addition to its head office in Skudesneshavn, Solstad has divisional offices in Aberdeen and Rio de Janeiro.



Above is one of the vessels owned by Solstad Offshore ASA. The Normand Ivan has a deadweight tonnage (DWT) of 4,138 and 20,000 HP.

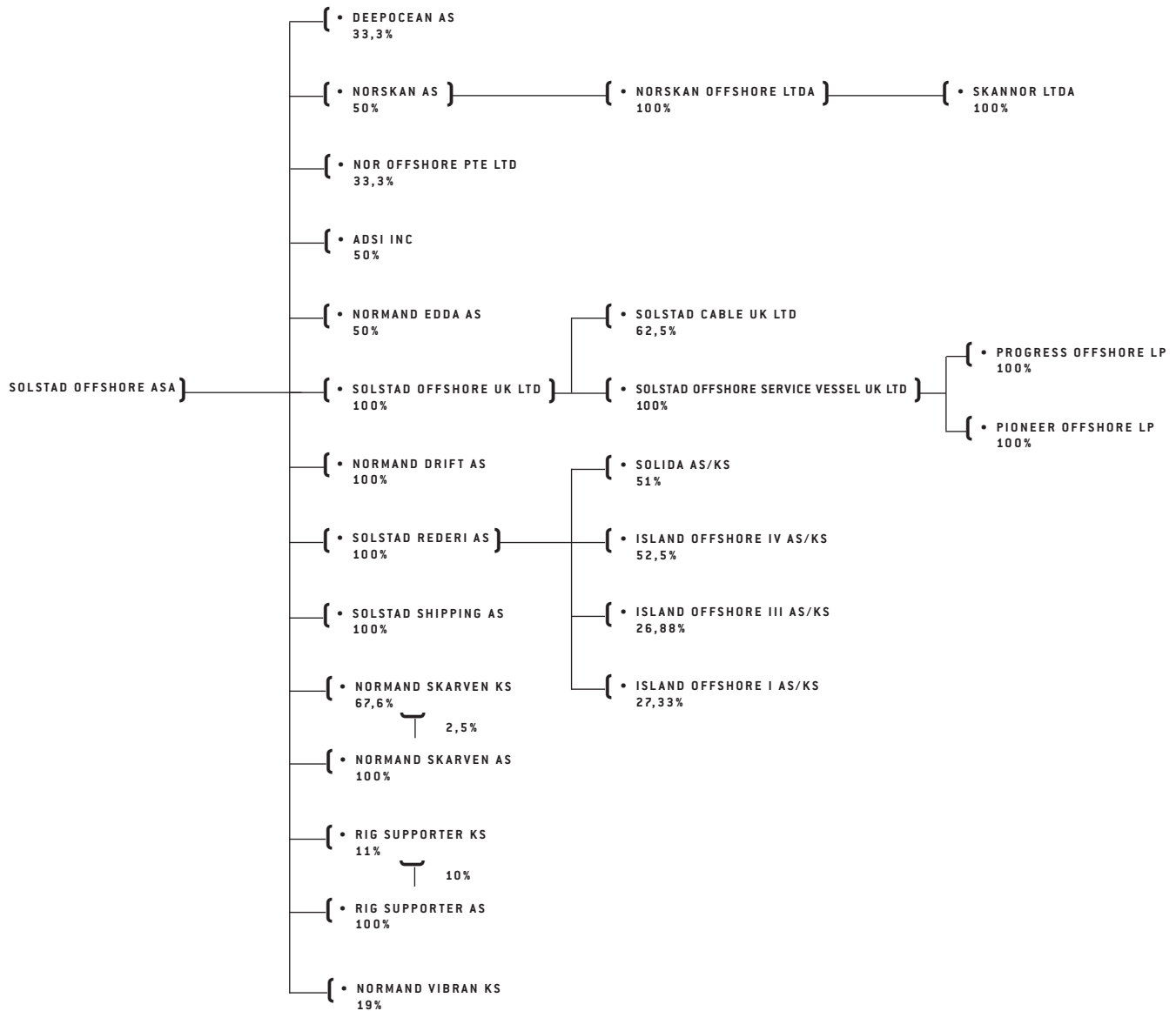






The Vikholmen Lighthouse. Built in 1875, this lighthouse is located at the inlet to Skudeneshavn and was one of the first lighthouses in Norway constructed entirely of concrete. In 1908, it became fully automated. The Seamen's Association took over the lighthouse in 1965 and it has provided overnight accommodations to many visitors since.

COMPANY STRUCTURE

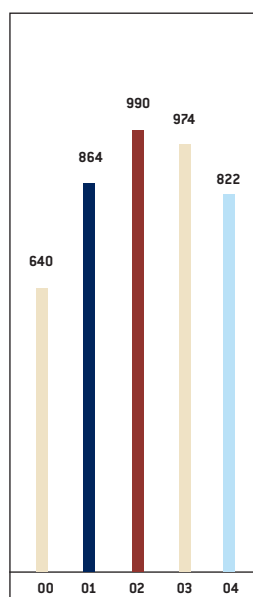




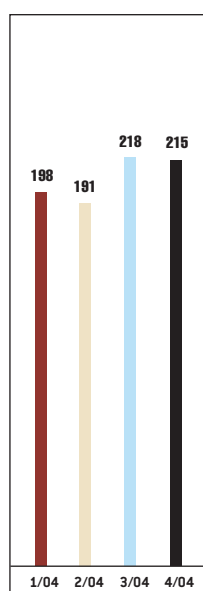
Mælandsgården in Skudeneshavn. A flourishing rural museum that recounts the story of Skudeneshavn up through the years. This museum allows you a glimpse of an old merchant's house, a general store, the shipping trade and old workshops. The film "Skipper Worse" was shot at the museum and in the old harbour area of Skudeneshavn.

FINANCIAL HIGHLIGHTS

**FREIGHT REVENUES OVER
THE PAST FIVE YEARS (NOK mill)**



**FREIGHT REVENUES IN
2004 QUARTERLY (NOK mill)**



PROFIT AND LOSS ACCOUNTS (NOK mill)Ref	2004	2003	2002	2001	2000
Freight revenues	822	974	990	864	640
Deferred income/Gain on fixed assets	46	20	20	4	0
Operating result bef. depr./write-downs	411	519	573	494	350

Operating result	145	278	290	350	226
Result associated/jointly owned companies	25	12	22	7	0
Net finance	-38	-98	-29	12	68
Ordinary profit before tax	132	193	341	345	159
Net profit for the year	112	184	327	328	153
Hereof majority's share	74	163	284	328	153

BALANCE SHEETS

Vessels and other assets	4 677	4 314	3 903	2 859	2 004
Current assets	708	684	695	647	352
Total assets	5 385	4 998	4 598	3 506	2 355

Equity	2 229	1 991	1 910	1 413	1 200
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Deferred tax	51	46	38	4	5
Long-term liabilities	2 834	2 751	2 442	1 886	1 040
Current liabilities	271	210	209	203	111

Long-term interest bearing liabilities	2 744	2 661	2 337	1 761	1 040
Bank overdraft	84	57	0	0	0
Free and restricted bank deposits	674	674	657	599	379
Net interest-bearing liabilities	2 154	2 044	1 680	1 162	661

PROFITABILITY

Operating margin	1	47 %	52 %	57 %	55 %
Earning on equity	2,6	5 %	9 %	20 %	14 %
Earning on capital employed	3	4 %	7 %	9 %	14 %

LIQUIDITY

Liquid assets	467	466	512	435	216
Working capital	437	474	487	444	241
EBITDA	4	371	436	493	350
Current ratio	5	2,6	3,3	3,3	3,2

KAPITAL

Total assets	5 385	4 998	4 598	3 506	2 355
Equity	2 229	1 991	1 910	1 413	1 200
Equity ratio	6	41 %	40 %	42 %	51 %

KEY FIGURES

PER SHARE

KEY FIGURES PER SHARE	Ref	2004	2003	2002	2001	2000
Result of the year	7	1,96	4,63	8,06	9,25	4,29
EBITDA	4	9,89	12,39	13,93	13,88	9,81
Booked equity	6,8	59,03	56,46	54,23	40,12	33,68
Price/Earnings (P/E)		34,69	9,99	3,72	4,32	8,74
Price/EBITDA		6,87	3,74	2,15	2,88	3,82
Dividend		1,00	1,00	1,50	2,00	1,00
Share capital (NOK mill)		75,59	71,59	71,59	71,59	71,59
Quoted share price 31.12. (NOK)		68,00	46,30	30,00	40,00	37,50
Market capitalisation (NOK mill)		2 570	1 657	1 074	1 432	1 342
RISK amount per share (NOK)	9	-0,99	-0,62	-1,50	-1,72	-0,79
Average no. of shares incl. adj. for stock of treasury shares.		37 553 373	35 238 991	35 203 772	35 503 307	35 716 085
No. of shares per 31.12 incl. adj. for stock of treasury shares.		37 778 766	35 261 641	35 208 064	35 221 174	35 631 860
Where the Company has implemented new accounting principles and the figures from previous years are recalculated accordingly, and therefore comparable.						

REFERENCES:

1. Operating profit before depreciations as a percentage of total operating profit
2. Profit before extraordinary items, less payable/deferred tax, as a percentage of average equity, including minority interests
3. Operating profit plus earned income and profit from associated companies divided between equity and interest-bearing debt
4. Operating profit plus depreciations adjusted for amortised gains related to fixed assets and hedged foreign currency
5. Current assets divided on short-term debt
6. Booked equity including minority interests as a percentage of total assets
7. The majority's share of the result of the year divided on the average number of shares
8. Equity recognised in the balance sheet including minority interests divided between the number of shares at the end of the year
9. Last year is a provisional estimate



India, "Allegro" and Normand Drott. The sailing ship "Allegro" was built in Québec, Canada in 1882 and arrived in Skudeneshavn ten years later. The ship's first captain, Johs. Falnes was from Skudeneshavn. In 1903, the Allegro was sold to Stavanger, but Captain Falnes guided the ship on its first long-distance journey to the waters around India. More than 100 years later, another Skudeneshavn vessel is ploughing these very waters – the Normand Drott.

DIRECTORS REPORT

In 2004, Solstad Offshore ASA (the Group) achieved operating revenues of NOK 868 million which was a decrease of NOK 126 million or 12.7% lower than the previous year. Profit was NOK 112 million. Booked equity at the turn of the year was NOK 2,229 million (41%) or NOK 56 per share.

Increased demand for oil and gas products following economic growth in large parts of the world together with the limitations on production from OPEC countries, forced the oil price up in 2004 and gave a strong income growth for the oil companies. In addition, and for the first time in many years, many of these companies significantly raised their expectations of the long-term oil prices. Together this has led to increased focus on investment in exploration, development and production in the offshore related oil industry. In the last half of 2004 there were clear indications that activity was increasing. In the North Sea the demand for modern offshore service vessels increased considerably towards the end of the year and the vessels operating on short-term contracts achieved both satisfactory utilization and good dayrates. In later years, and also in 2004, areas such as Brazil, West Africa, the Gulf of Mexico and the Far East/Australia have been increasingly important areas for employment of new and modern offshore service vessels.

In 2004, 47% of the company's income came from activities outside the North Sea market. After conversion of the company's only remaining cable vessel, the whole fleet is now directed towards the offshore service market.

At the turn of the year, the fleet consisted of 30 vessels, of which three were under construction. The company sold three of its older vessels in March 2004. On 20th December, the company acquired two wholly owned vessels and shares in three ship owning companies from Troms Fylkes Dampskipsselskap ASA.

In addition, the company owns 50% of NorSkan Offshore Ltda., Brazil. This company has two new builds under construction and two vessels in operation. Recently Solstad Offshore ASA decided to participate with 1/3 share of a newly established company in Singapore. Our aim is to realize the possibilities for investment and operation of offshore service vessels directed at the market in the Far East.

On the 31st August 2004, Solstad celebrated 40 years as a shipping company. As early as in 1973, the company inverted in offshore service vessels as a part of its activities. In its jubilee year, the company achieved its best safety result ever, particularly when measured against lost time incidents, the H-factor.

1. COMPANY PHILOSOPHY, OBJECTIVES AND STRATEGIES

The company philosophy is to run a profitable and integrated shipping company with high specified vessels either being owned or chartered. The company's core business is primarily to offer services to oil related offshore activities.

It aims to become a significant player and offer a wide spectrum of services based on high quality vessels and equipment and maritime personnel with extensive experience. In the North Sea we aim to be one of the heavy weights in the industry and on an international level, a larger player in deep water, sub sea and construction activities.

The company continues to focus on safety, environment, solidity and profitability and aims to meet the targets set in these areas. The most important target as regards safety and environment, is to avoid injury to personnel and equipment and any uncontrolled spillage from the vessels.

The company's strategy is to deliver customer-adjusted solutions and high quality services as well as actively develop it's services in close co-operation with existing and new customers.

In general, the company will manage the total operation of the vessels including freight, crewing and technical management.

2. THE COMPANY'S ACTIVITIES

From its offices in Skudeneshavn and Aberdeen, the company operates a fleet of 30 vessels, 26 of which are owned by the Group and four are owned by associated companies. In addition, the company has two large platform supply vessels (PSV) and one large construction service vessel (CSV) under construction. The PSV's, which are owned 100% by the Group, will be delivered in April and September 2005. The acquisition of the CSV new build is in joint-venture with Single Buoy Mooring where each party owns 50%. In December 2004, Solstad Offshore ASA acquired five offshore vessels, two wholly owned and three partly owned from Troms Fylkes Dampskipsselskap ASA. Three of the company's oldest vessels were sold in March 2004.

In addition, the company own 50% of the Brazilian company NorSkan Offshore Ltda. The company, which has its own local administration and operations, has four vessels, two of which are PSV's in operations and two anchorhandling vessels (AHTS) currently under construction (delivery May 05 and June 06).

At the end of January the company decided to establish Nor Offshore Pte. Ltd. in Singapore, together with DOF ASA and Nortrans Pte. Ltd. In February, the newly established company entered into a bareboat contract (rental) of two AHTS with delivery in April and November 2005. The first vessel has a fixed charter for three months plus options. The company has the option to buy one vessel and a commitment to buy the other vessel during the bareboat period.

The company recently decided to convert it's last remaining fiber optic cable laying and maintenance vessel to a CSV. The company's activities are thereby 100% targeted at the oil industry. Most of the vessels are equipped to perform more complex tasks than the traditional supply and anchor-handling services. In later years the company has aimed at providing vessels for installing, monitoring and maintenance of equipment, both sub sea and on surface installations. At the same time

the company has expanded and modernized its tonnage for anchor-handling on deep water.

The company also holds a strategic share of 33% in DeepOcean AS (sub sea activities).

The Group's freight income is divided as 53% from the North Sea, 7% from South America, 9% from West Africa, 8% from Middle and North America, 20% from the Mediterranean and 3% from Asia.

3. THE OFFSHORE MARKET

Market forces influencing the demand for offshore service vessels are:

- Oil price development
- The extent of current production
- Development activities, including pipe-laying
- Exploration
- New markets
- Replacement of older tonnage

In the short-term the oil price is set by regulating the production levels within OPEC and other oil-producing countries. The demand for oil is affected by developments in world economy, which during the last years has shown continued improvement, and the threats of international conflicts. The combination of these conditions towards the end of the year, helped considerably by a cold winter in the USA, resulted in a steady but rising oil price in 2004. A steady cash flow within the oil companies forms a solid basis for increased activity and subsequently the need for the company's services.

It is estimated that annual investments in offshore exploration, development and operation activities over the coming years will exceed USD 100 billion. The geographical allocation of these funds is primarily determined by economic return. In later years, high operation costs and weakening political conditions in the Norwegian and UK sectors, have ensured that the market for large and specialized offshore service vessels has significantly increased outside the North Sea. In addition, old and outdated tonnage needs to be replaced.

In the long-term, the need for discovery of new oil reserves and production of these reserves will be the driving force for international offshore activity. Even with modest estimates for increased future consumption of oil, it will be necessary to replace produced volumes of oil with new reserves and improved production capacity will be essential. West Africa, Brazil, North America (incl. Mexico), Russia and parts of Asia and Australia emerge as areas with the highest growth potential in the offshore sector.

In the North Sea, the market for services to the offshore industry is increasingly dominated by operations such as supply and maintenance services to operating fields. This primarily applies to the UK sector. In Norway, the next 2-3 years will see increased activity linked to approved field development and pipelaying. In addition, there is the assumption that Norway still has potential for discovery of reserves, particularly in the North, which may result in the development of a production and transportation system.

Historically, the main categories of offshore service vessels have been

Anchor Handling Tug Supply (AHTS), and Platform Supply Vessels (PSV). Technological development has resulted in demands for services leading to the development of more advanced multi-purpose vessels such as Construction Service Vessels (CSV). The world fleet of AHTS's in excess of 15.000 BHP was at the year-end, around 90 - 100 vessels, but there was almost 210 PSV's with loading capabilities of over 3.000 dwt. There were respectively about 30 and 80 of this type of vessel operating in the North Sea at the turn of the year. This is unchanged from the previous year.

75 vessels of this size were on order at the beginning of this year compared with 40 the previous year. The number of AHTS and PSV new builds was 15 and 60 respectively.

4. COMPANY RELATED MATTERS

Solstad Offshore ASA has been listed on the Oslo Stock Exchange since 1997. As the holding company of the Group, its main activity is the ownership of shares in its various subsidiaries and other strategic investments. Solstad Shipping AS is the management company, and Solstad Rederi AS, is the ship owning/chartering company subject to the Norwegian shipping tax regime. Normand Drift AS handles activity not included under the Norwegian shipping tax regime. Solstad Offshore ASA owns 100% of Solstad Offshore UK Ltd in Aberdeen, 50% of NorSkand Offshore Ltd in Rio de Janeiro/Macaé and 33% of Nor Offshore Pte. Ltd. in Singapore. NorSkand Offshore Ltd. is owned together with med DOF ASA whilst Nor Offshore Pte. Ltd. is owned together with DOF ASA and Nortrans Pte. Ltd.

DeepOcean AS supplies sub sea services; primarily inspection and maintenance of installations on the sea bed. Solstad Offshore ASA owns this company together with Østensjø Rederi and the management of Deep Ocean, where all parties own about a third share. The company plan to issue new shares and register the company on the Oslo stock exchange during 2005.

In addition to the vessels owned 100% by Solstad Rederi and Solstad Offshore UK the Group has several investments in vessels through limited partnerships. The largest external partners in these limited partnerships are Ulstein Mekaniske Verksted Holding ASA Group and the Borgstein Group.

5. OWNER CONTROL AND MANAGEMENT AND SHAREHOLDER ISSUES

The total number of issued shares in the company was at the turn of the year 37,794,160. The number of shareholders was 2,075, which is 450 more than the previous year. Foreign shareholders own 8.7 %.

The Board will propose, at the general meeting on 12th May, a dividend of NOK 1 per share for 2004. The payment will be made at the end of May 2005.

The price of the company's shares developed positively throughout the year. At the beginning of the year the share price was NOK 46 compared to NOK 68 at the end of the year, an increase of 48%. The company paid NOK 1 per share in dividend in 2004 (for the 2003 accounting year).

The company adopts the main principles outlined in the draft "Norwegian Recommendation for ownership and company management" – Stock exchange circular no. 8/2004. There are some minor deviations on an independent basis or for practical or administrative reasons.

The company's operations are "to perform shipping activity and all related activities". The policy of equality towards all its shareholders and unrestricted disposal of shares remains unchanged.

The aim is to make the company attractive in the long-term by reflecting its increased value shareprice and dividends. The Board's aim, over several years, is that the share dividend will equal approximately 20% of the company's profit after tax, adjusted for any large currency loss and minority shareholders. The share dividend must also be considered in the light of future turnover and cash flow as well as any other financial considerations affecting the company's position.

The Board of Directors has the power of attorney until the next ordinary general meeting to acquire up to 10% of treasury shares. The Board of Directors has requested power of attorney in order to be able to continuously assess this as both a strategic and short-term investment option. In January 2004, the company sold 500,000 treasury shares aiming to improving diversification and liquidity. At 31.12.04 the total number of treasury shares was 15,394.

In January 2004, the Board of Directors exercised their power of attorney and increased the share capital by NOK 4 million (2 million shares). The adjusted share emission was offered at a rate of NOK 53.50 per share. The basis for the Board's decision was primarily to secure liquidity for future projects, and to improve the Group's liquidity balance between companies within and outside the Norwegian shipping tax regime. At the general meeting in May 2004, the Board's power of attorney was extended to increase share capital by up to NOK 4 million. This power of attorney which extends until the first ordinary general meeting has not yet been exercised.

Based on same reasons, the Board of Directors will propose that the general meeting in May 2005 approve renewal of the power of attorney relating to increase of share capital and acquisition of treasury shares.

There is no resolution that the company shall have an election committee. The approach is that the Chairman and Deputy Chairman form the committee. The aim is to select candidates that have the best and most relevant competence to assist on the board. Furthermore, the Board should be able to act independently of private interests and should have at least two board members elected by shareholders which are independent of the company's main shareholders. At the next general meeting, two of the acting members will leave. When recruiting board members, the policy of equal opportunity will be applied as well as relevant competence and capacity.

The Boards remuneration will be reflected in the responsibility that the board has, time spent and the complexity of the industry and is not dependent on profits. In cases where the board members take on additional projects for the company, the Board as a whole must be informed and the fee approved by the Board. Remuneration for such projects will be highlighted in the Annual Accounts. All transactions between board members or employees (or the companies they represent or are associated with) are done using the "arms length" principle. There is no commitment for the Company to release any other information than that under the notes to the accounts regarding the remuneration to the Managing Director and directors (or companies they represent/are associated with). The remuneration to the Managing Director and board members is considered

to be at market level for the industry.

The aim is to have an information policy based on openness and equal treatment of all shareholders and that the information shall be correct clear, relevant and timely. This will be consistent throughout stock announcements, press releases, quarterly reports, dialogue with analysts and presentations to brokers or investors.

The auditors will annually present their plans for carrying out the audit to the Board. Furthermore, the auditors will produce a report on their findings based on accounting principles, risk areas, internal controls, etc. The audits will also produce written confirmation that the auditor satisfies the requirements for independence and objectivity. The auditors will participate in any board meetings that discuss annual accounts, as well as the ordinary general meeting.

If the auditors are to be involved in an advisory commission, the board must first approve this. The auditors' fees are included in the notes to the annual accounts.

6. FINANCIAL – THE GROUP

Total operating revenue for the Group in 2004 was NOK 868 million (994 million). Included in the operating income is profit on sales of NOK 22 million (0). The decrease in operating income can mainly be attributed to the weak summer season in 2004 in the North Sea. When compared to the previous year, the Group's fleet capacity decreased some – measured in the number of possible charter days the decrease was 6,5%. In 2004, utilization of the fleet was 89%.

The operating result after depreciation was NOK 145 million (278 million) after posting NOK 267 million (240 million) in depreciation of fixed assets.

The result before tax was NOK 112 million (184 million) after charging to income NOK 13 million (86 million) in net financial items. Other financial income of NOK 58 million is in its totality comprised of unrealized currency gain (NOK 10 million in realized currency gain in 2003). Other financial charges comprise mainly of a realized currency loss of NOK 28 million (NOK 22 million in unrealized currency loss in 2003).

After adjustment for minority interests, the earnings per share were NOK 1.95 (NOK 4.63). The total cash flow from operations (EBITDA) was NOK 371 million (436 million).

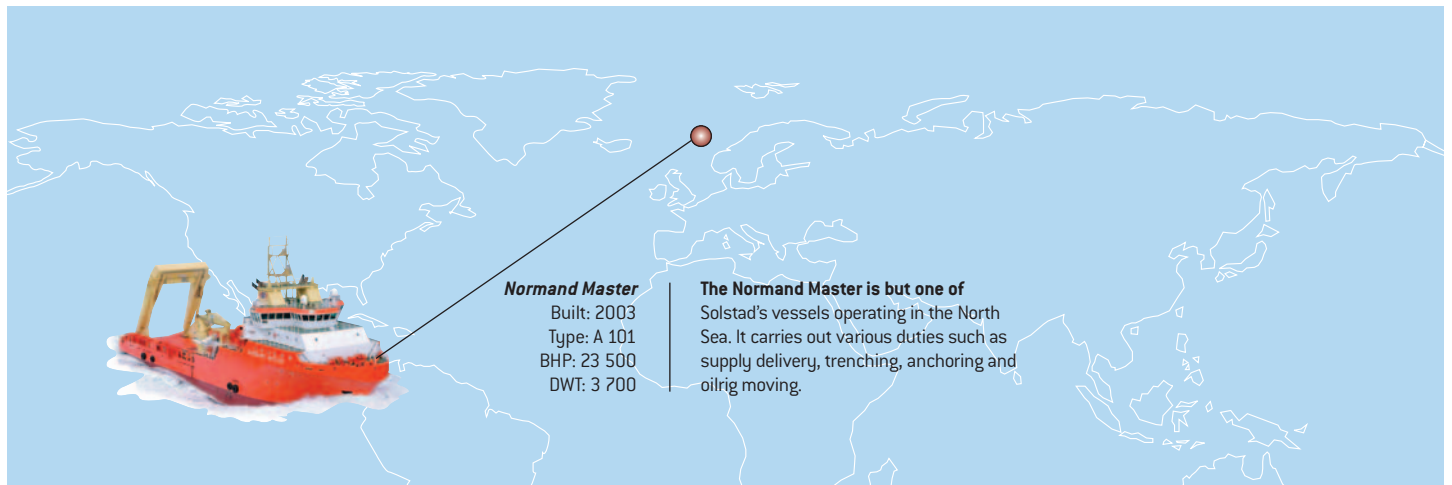
Apportioned by segments, the operating income reflects primarily the company's development of a larger and modern fleet of CSV's in later years as well as how the cable-laying industry (entered under the segment "Other") is on the way out. The weak spot market in most of 2004 is reflected in the operating result primarily for AHTS's but also for PSV's. On average, the operating result before depreciation (operating margin) accounted for 47% of the operating income.

The most significant change in the Group's balance sheet in 2004 relates to the investments and loan for the conversion of the Normand Cutter from a cable to an offshore vessel, the acquisition of two wholly owned and three partly owned vessels from TFDS together with payment of loan installments for the new build.



Skudeneshavn- Norway's summer getaway. Skudeneshavn is located on the southern tip of the island of Karmøy and the old town is made up of 130 preserved houses and seafarer's houses stemming from the 1800s. This region is one of Rogaland County's most visited tourist attractions, providing a rare view of various aspects of old building and coastal cultures and practices. There are very few places where old buildings are so well preserved. The picture shows Norway's best-preserved row of seaport houses.





"The Herold" – the last sailing vessel in Skudeneshavn. Built in Denmark in 1865, "The Herold" was purchased for the seaport of Skudeneshavn in 1915. After several years on the move, it was destroyed in the explosion in Bergen on 20 April 1944. This schooner was the last sailing vessel from Skudeneshavn. Powered by coal, it sailed mostly between England and Skudeneshavn. Today, Normand Master is but one of the many Solstad vessels sailing the North Sea.

The book value of the vessels at 31.12.04 was in total NOK 4,094 million (3,812 million) of which NOK 82 million (0 million) relates to payments of installments to yards on the new builds.

The book value of the vessels at 31.12.04 was in total NOK 4,094 million (3,812 million) of which NOK 82 million (0 million) relates to payment of installments on the new build. The Board has evaluated the book value of the vessels against the "Preliminary Norwegian Accounting Standards" (NRS) regarding the depreciation of fixed assets and has not found any reason for further depreciation.

The Group's long-term interest-bearing debt at 31.12.04 was NOK 2,744 million (2,661 million) apportioned by 33% GBP, 36% USD, 5% Euro and 26% NOK. At the end of the year, 2-5 year hedging agreements were entered into for approximately 16% of the debt.

Booked equity was NOK 2,229 million (1,910 million) of which minority interests accounted for NOK 291 million (246 million). Booked equity per share was NOK 59 (NOK 56). Based on the average of three broker evaluations at 31.12.04 (vessels without contracts), value adjusted equity before tax was approximately NOK 80 compared with NOK 81 the previous year.

At the turn of the year the working capital was positive by NOK 437 million (474 million). At the same time, net interest-bearing debt was NOK 2,154 million (NOK 2,044 million).

The Group is exposed to interest and currency risk, primarily through long-term financing and freight revenues. The interest risk is to a certain extent limited by interest hedging agreements. The Group is aiming to eliminate the currency risk by having loans and obligations in the same currency as the freight contracts.

The annual accounts for 2004 have been prepared in accordance with the same principles as the previous accounts.

In accordance with the reporting under IFRS from and including the first quarter of 2005, the Group will calculate a new opening balance at 01.01.2004. Adjustment of the booked value of financial fixed assets, vessels, deferred income and offset for dividend, will affect the posted equity. The net result of these adjustments will be a positive adjustment to equity of around NOK 300 million. In addition, the opening balance will include the reclassification of the first year's installment on the long-term loans and capitalized loan costs. The company will, during April, publish a complete review of the effects of the transition to IFRS in a "transition document".

Under "Key financial highlights" and "Key figures per share" there are definitions of the various economic terms used together with an overview of the highlights from Group accounts.

7. HEALTH, SAFETY AND ENVIRONMENT (HSE)

The Company's goals for HSE and Quality Assurance (QA) are:

- Zero injuries to personnel and equipment.
- All the company's activities are to be performed in a professional and knowledgeable manner and in accordance with the authorities and clients requirements

- All operations are to be planned and preventative action taken to avoid injury, material damage and pollution of the environment.
- All the company's employees shall undertake necessary training and instruction in compliance with the company's HSE and QA systems.
- All the company's operations are to be performed in accordance with national and international legislation and regulations as well as internal and external guidelines.
- An annual HSE and QA Plan stating the Company goals is to be distributed to all the company's vessels and departments.

The company's HSE system complies with international regulations and the ISM code (IMO is International Safety Management Code). All vessels and administration are ISM certified by Det Norske Veritas or the relevant flag state. In 2004, the "International Ship and Port Facility Security Code (ISPS Code) was established and implemented by the company. The crew on the vessels are given training in the ISM code and upgraded in accordance with the regulations in STCW-95 (Seafarers Training, Certification and Watch-keeping Code). During the course of the year internal audits have been performed on all vessels.

The company places focus on preventative action to prevent incidents and accidents. The number of RUH reports (reports of near misses) from the vessels increased in 2004 to over 2,000. These are handled by an integrated reporting system which forms a HSE knowledge base for all employees. Furthermore, this forms the basis for making improvements to avoid repetition of these accidents and incidents.

In total the company had five accidents which resulted in lost time. The "H-factor" (number of lost time incidents per 1,000,000 working hours) was 1.7 which is the lowest in the company's history. None of the injuries were of a lasting nature and the injured are now back in active service. The goal is still zero lost time incidents.

In 2004, the company had a total of five uncontrolled spillages, all minor (totaling 473 liters) which polluted the environment.

At the end of the year the company employed around 780 people, 740 of which were seafaring. The working environment on land as well as on the vessels is considered satisfactory. Sick leave amongst the companies within the Group was approximately 4.5% in 2004.

The division between the employees in the administration is 63% male and 37% female. Equal opportunity is an important criterion for recruitment of employees. The number of female sailors is limited both in Norway and internationally. The company has, for many years, trained cadets and worked actively to engage young Norwegians in a maritime education. Despite this focus, there has been little success in persuading females to commit to a maritime education or profession, either through the school authorities or through shipping organizations.

In future the company will establish and implement the regulations in IMO's Environmental Standard 14001 relating to global pollution. The job of plotting trends on RUH reports will continue to have the highest priority in order to achieve the most effective working conditions to prevent injuries and spillage.

8. EXPECTATIONS IN 2005

Throughout 2004, the key factors to increase the demand for offshore services have improved. As in previous years, the revenues for the oil companies continued to be good. At the same time, most oil companies have increased their estimates of future oil prices, something that will have a positive effect on planning new exploration and development projects. If this is combined with the improvement in world economy, it indicates an increase in activity and expectations that offshore activity such as exploration drilling, development and production will also increase in the coming year.

Activities in the North Sea have lately increased considerably and there are high expectations for 2005 and 2006, especially in the summer seasons with large development projects on the Norwegian Sector (Ormen Lange, Langeled, Kristin, Snøhvit). Also exploration activity on the Norwegian Sector is expected to increase and it is anticipated that there will be twice as many rigs as in 2004. Increased global activity is expected particularly in Brazil, West Africa, the Gulf of Mexico, the Mediterranean, Russia and the Far East.

The tendency for increased geographic expansion in the industry, greater activity in deepwater projects, together with an improved demand for high quality tonnage will have a positive effect on the market. The Subseamarket has also improved and the activity for the next few years is expected to increase.

At 31.12.04 there were around 100 larger vessels on order (AHTS over 10,000 BHP and PSV over 2,000 dwt.) which is considerably more than last year. At the same time a significant number of the current fleet that are older than 20 years will have limited possibilities in the market.

The Board expects the demands for the company's services in the next two years to be good. This is primarily due to increased activity in the North Sea.

In the longer-term, the increased demand for oil and gas combined with limited discovered reserves, will ensure high activity offshore. The company anticipates continued and increasing focus on deepwater areas and sub sea activities. This will result in a greater need for installation, inspection and maintenance of sub sea installations. As many of the company's newer vessels are equipped for this type of operation, it is anticipated that this section of the fleet will have good utilization.

At the time of accounts submission, the contract coverage for 2005, based on the number of days, is 63% for vessels in the Group (the equivalent figure for last year was 51%). In 2006, the contract coverage is currently 31% (19%). Including contract options, the contract coverage for 2005 and 2006 is 71% and 54% respectively.

With effect from 1 July 2003, there is a net tax arrangement introduced for the offshore fleet registered under the Norwegian Ordinary Ships Register (NOR) that contributes significantly to improving framework conditions in Norway compared to nations within the EU. This tax arrangement is included in the Government's White Paper published in 2004. However there is still uncertainty as to how long this arrangement will be in force as it has not been made statute.

9. FINANCIAL – PARENT COMPANY

Solstad Offshore ASA achieved an annual loss of NOK 4 million (profit of 12 million in 2003). Net financial income was positive with NOK 2 million (21 million) including dividends from subsidiaries. NOK 9 million has been posted as currency loss associated with the company's deposits and other receivables. The annual loss from operations was NOK 5 million.

The company's assets are primarily associated with the value of the shares in its subsidiaries, jointly-owned companies and associated companies, plus deposits. Booked equity at the turn of the years was NOK 939 million, NOK 752 million of which can be paid as dividend in accordance with Norwegian corporation law. The debt at the same time was NOK 129 million, NOK 38 of which has been allocated to dividends for 2004.

The annual accounts have been prepared subject to continued operation in accordance with Norwegian accounting law, §3-3. Based on valuations of the subsidiaries vessels, the Board considers the market value of the company's assets to be considerably higher than book value.

The Board of Directors will propose that the general meeting approve directors' fees of a total of NOK 775,000. The auditors' fees for 2004 are proposed to be approved at NOK 290,000.

The Board of Directors proposes the following appropriations:

Allocated Dividends	NOK 37 794 160,-
Transferred from other equity	NOK 41 654 212,-
Net appropriated/transferred	NOK 3 860 052,-

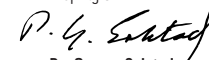
The Board of Directors Solstad Offshore ASA
Skudeneshavn, 29th March 2005


Harald Eikesdal
Chairman of the Board


Idar Ulstein
Board Member


Lars Peder Solstad
Managing Director


Johannes Solstad
Deputy Chairman


Per Gunnar Solstad
Board Member


Jakob Rugland
Board Member

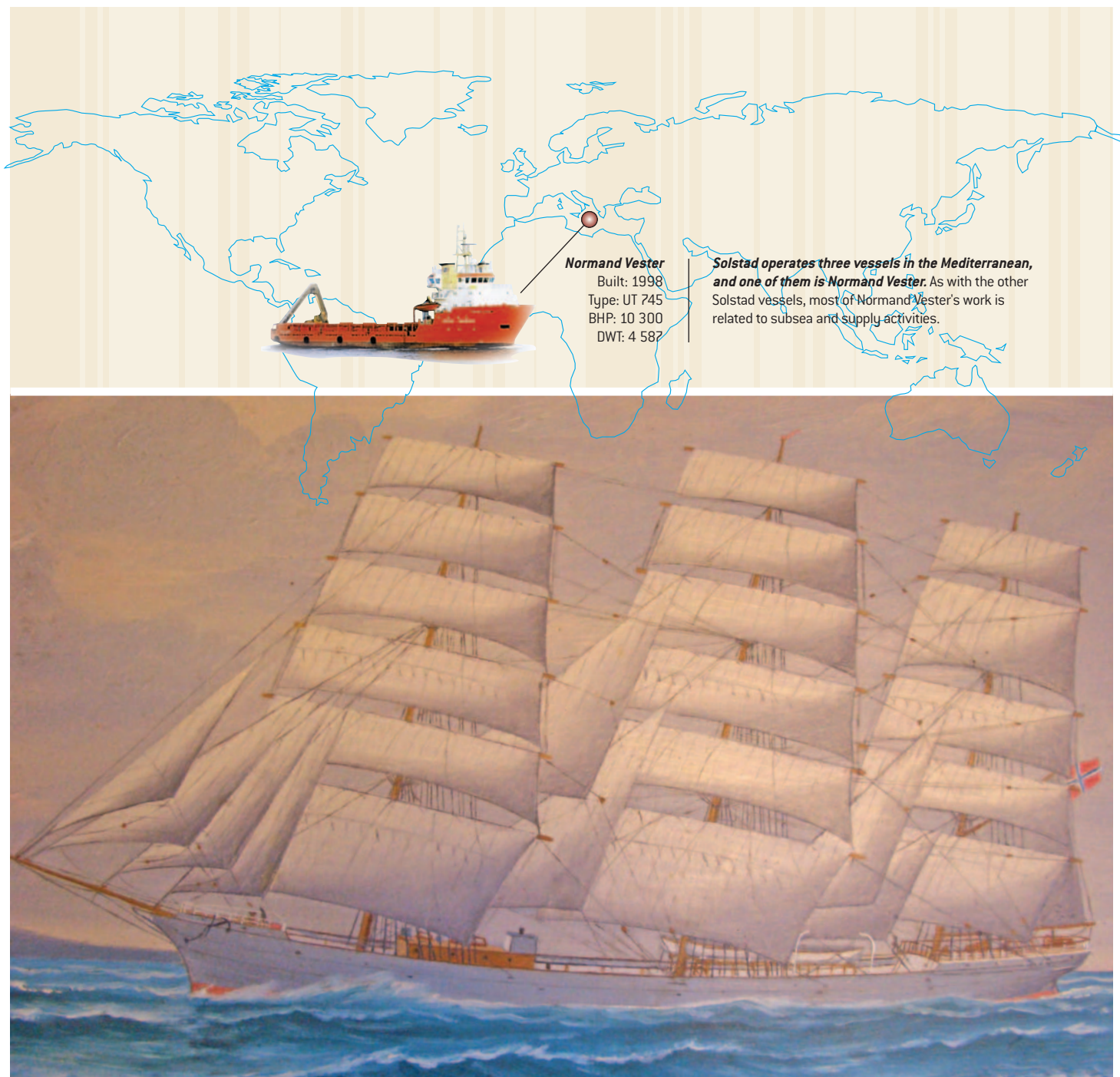

Arne Austreid
Board Member

SOLSTAD - WORLD WIDE

The map below illustrates all of the locations where Solstad has its ships. At least half of all of its vessels are engaged in assignments at locations other than the North Sea.



Skudeneshavn – true coastal culture. The peace and quiet offered by Skudeneshavn is one of a kind. Maybe this explains why Skudeneshavn has so many tourists. It also boasts to having Norway's highest average summer temperature along with the greatest number of sunny days per year. Every summer more than thirty thousand come to visit, and 600 boats anchor in the harbour for the annual summer festival – a truly “salty event” that simply needs to be experienced!



The last sailing vessel to round the Cape Horn. The fullrigger "Karmø" was delivered in 1885 by A. Stephens & Sons in Glasgow. The ship was bought by a Skudesneshavn company in 1903 and was at the time the largest of all vessels in the Skudesneshavn fleet. The "Karmø" was 249 feet long and its captain was Johan Fallnes. The vessel was the last sailing vessel to round the Cape Horn in ordinary scheduled traffic. Otherwise, the vessel also operated "world-wide" in the Mediterranean. And it is in the Mediterranean Solstad now has three vessels operating, and one of them is Normand Vester.

PROFIT AND LOSS ACCOUNTS

1.1 - 31.12

PARENT COMPANY		(NOK 1 000)		GROUP		
2003	2004		Note	2004	2003	2002
0	0	Freight income	4	822 071	974 081	990 329
2 819	2 819	Other operating income	2,4	45 952	19 845	19 845
2 819	2 819	Total operating income		868 023	993 926	1 010 173
-3 405	-3 662	Crew costs	5,6	-277 263	-301 098	-290 605
0	0	Ordinary depreciation	8	-220 950	-203 431	-165 849
0	0	Write downs	8	0	0	-80 000
0	0	Depreciation of capitalised periodic maintenance	8	-45 792	-36 928	-36 984
-3 269	-4 219	Other operating expenses	5	-179 320	-174 081	-146 883
-6 675	-7 881	Total operating costs		-723 325	-715 537	-720 321
-3 855	-5 062	Operating profit/loss		144 698	278 389	289 852
0	0	Income from investment in assoc/jointly owned co's	10	25 367	12 208	21 832
4 288	2 935	Interest income from companies in the Group		0	0	0
2 801	5 550	Other interest income		24 897	17 598	20 151
17 613	6 778	Other financial income	7	58 327	9 583	192 035
-1 495	-2 230	Other interest charges		-93 260	-103 087	-80 987
-2 136	-11 411	Other financial charges	7,12	-28 244	-21 898	-101 971
21 070	1 621	Net financing		-12 913	-85 596	51 060
17 215	-3 441	Ordinary profit before taxes		131 785	192 793	340 912
-5 002	-419	Tax on ordinary result	13	-19 677	-9 185	-14 412
12 213	-3 860	Net annual profit		112 108	183 608	326 500
		Minority shares		38 502	20 301	42 837
		Majority shares		73 606	163 307	283 663
		Earnings per share	15	1,96	4,63	8,06
		Transfers and disposable income				
37 794	37 794	Dividends				
-25 581	-41 654	Transfer from other equity				
12 213	-3 860	Total transfers and disposable income				

BALANCE SHEET

PARENT COMPANY		(NOK 1 000)		GROUP	
31.12.03	31.12.04		Note	31.12.04	31.12.03
ASSETS					
Fixed assets					
Intangible fixed assets					
823	262	Deferred tax	13	0	0
0	0	Goodwill	8	0	6 454
823	262	Total intangible fixed assets		0	6 454
Tangible fixed assets					
0	0	Vessels and new build contracts	2,8	4 094 569	3 812 107
0	0	Capitalized periodic maintenance	8	62 313	45 388
0	0	Other tangible fixed assets	8	18 746	20 601
0	0	Total tangible fixed assets		4 175 628	3 878 096
Financial fixed assets					
711 711	747 581	Investment in subsidiaries	9	0	0
55 288	56 760	Loan to companies in the Group	11	0	0
67 574	68 911	Investment in jointly-owned companies	10	83 793	80 930
24 094	70 321	Loan to jointly-owned companies		70 321	24 094
10 125	24 412	Investment in associated companies	10	113 127	86 298
11 779	11 779	Investment in stocks and shares	10	15 002	14 831
68 807	69 471	Tied bank deposits	12	206 610	208 227
3 746	3 890	Other long-term receivables	11	10 799	11 751
0	0	Over financing of pension fund	6	1 524	3 126
953 125	1 053 126	Total financial fixed assets		501 175	429 258
953 947	1 053 387	Total fixed assets		4 676 803	4 313 809
Current assets					
0	0	Stock		14 799	14 481
Receivables					
0	0	Account receivables		167 642	164 829
21 701	3 472	Other short-term receivables		58 515	38 977
21 701	3 472	Total receivables		226 156	203 806
1 763	11 408	Bank deposits and cash equivalents	17	467 157	466 067
23 464	14 880	Total current assets		708 113	684 354
977 412	1 068 267	TOTAL ASSETS		5 384 915	4 998 162

BALANCE SHEET

PARENT COMPANY		(NOK 1 000)		GROUP	
31.12.03	31.12.04		Note	31.12.04	31.12.03
EQUITY AND LIABILITIES					
EQUITY					
Restricted equity					
71 588	75 588	Share capital [37,794,160 at NOK 2.00]	2	75 588	71 588
-465	-31	Treasury shares		-31	-1 065
11 601	111 648	Share premium reserve		111 648	11 601
82 724	187 206	Total restricted equity		187 206	82 124
Earned equity					
782 420	752 273	Other equity		1 750 589	1 662 334
782 420	752 273	Total earned equity		1 750 589	1 662 334
0	0	Minority interests		291 384	246 510
865 144	939 478	Total equity	14	2 229 179	1 990 968
Liabilities					
Provisions					
0	0	Deferred tax	13	51 151	46 247
0	0	Deferred income	4	89 636	89 763
0	0	Total provisions		140 787	136 010
Other long-term liabilities					
18 081	18 145	Debt Group companies	11	0	0
0	0	Other long-term debt		92 016	85 167
0	0	Debt to credit institutions/leasing companies	12	2 652 210	2 576 048
18 081	18 145	Total long-term liabilities		2 744 226	2 661 215
Current liabilities					
10 628	0	Accounts payable		51 009	46 605
44 851	72 016	Bank overdraft		83 940	56 912
0	0	Taxes payable	13	15 407	5 351
0	0	Accrued salary and related taxes		21 163	19 882
37 794	37 794	Dividends	14	37 794	37 794
914	833	Other current liabilities		61 410	43 425
94 187	110 643	Total current liabilities		270 723	209 969
112 268	128 789	Total liabilities		3 155 736	3 007 195
977 412	1 068 267	TOTAL EQUITY AND LIABILITIES		5 384 915	4 998 162
Mortgages					
Guarantees etc.					

Skudeneshavn, 29th March 2005

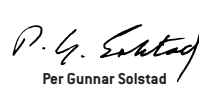

Harald Eikesdal
Chairman of the Board


Johannes Solstad
Deputy Chairman


Jakob Rugland
Board Member


Arne Austreid
Board Member


Idar Ulstein
Board Member

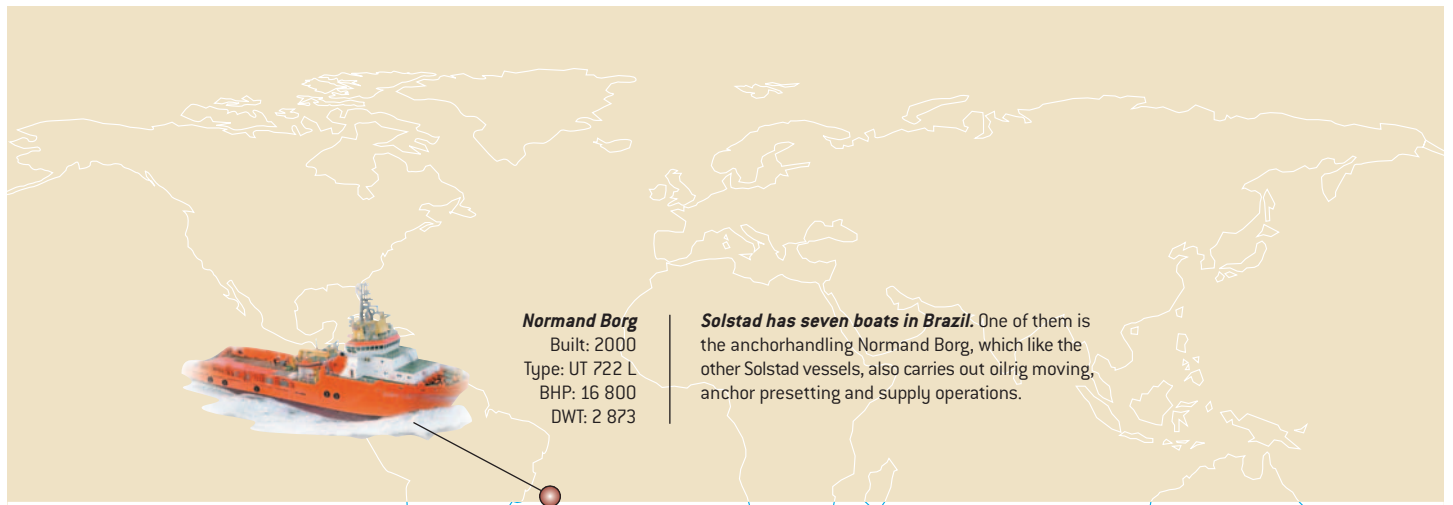

Per Gunnar Solstad
Board Member


Lars Peder Solstad
Managing Director

STATEMENT OF CASH FLOW

1.1 - 31.12

PARENT COMPANY		(NOK 1 000)		GROUP	
2003	2004		2004	2003	2002
CASH FLOW FROM OPERATIONS					
17 215	-3 441	Result before taxes	131 785	192 793	340 912
0	0	Taxes payable	-4 912	-3 319	-12 884
0	0	Ordinary depreciation/write downs and depr. capitalized per. maintenance	266 742	240 359	282 833
0	0	Loss/gain fixed assets	-22 133	0	0
0	0	Hedging effects on future income in foreign currency	24 535	-74 820	116 839
0	0	Effect of change in pension assets	1 602	1 223	4 690
-1 649	9 326	Unrealised currency gain/loss	-124 611	20 677	-192 035
4 840	-10 628	Change in short-term receivables/payables	1 273	-6 896	-533
-20 815	18 655	Change in other accruals	-927	-80 745	40 080
-409	13 912	Net cash flow from operations	273 354	289 272	579 904
CASH FLOW FROM INVESTMENTS					
0	0	Invested in tangible fixed assets (vessels)	-495 497	-460 112	-1 285 606
0	0	Payment of capitalized periodic maintenance	-62 717	-50 016	-39 681
0	0	Sale of fixed assets	25 006	1 550	772
13 795	-51 494	Investment in other shares	-29 862	-53 688	-19 849
13 795	-51 494	Net cash flow from investments	-563 070	-562 266	-1 344 364
CASH FLOW FROM FINANCING					
0	104 048	Share emissions	104 048	0	0
0	0	Payment to/from minority interests	6 375	8 644	129 652
-52 847	-37 762	Payment of dividends	-37 762	-52 847	-70 405
12 925	11 544	Sale of treasury shares	27 153	926	1 365
-6 787	-664	Change in restricted bank deposits	1 617	-62 975	18 647
9 185	0	Payment of long-term receivables	0	0	0
-25 483	-57 169	Repayment of long-term receivables	-54 600	-27 308	-5 520
44 851	27 165	Bank overdraft	27 027	56 912	0
4 020	65	Long-term debt	359 781	554 794	1 069 030
0	0	Repayment of long-term debt	-142 833	-251 227	-300 769
-14 137	47 227	Net cash flow from financing	290 806	226 919	842 002
-751	9 645	Net change in cash and cash equivalents	1 090	-46 075	77 541
2 513	1 763	Cash and cash equivalents at 01.01.	466 067	512 142	434 600
1 763	11 408	Cash and cash equivalents at 31.12	467 157	466 067	512 142



The schooner the "Lars Riisdahl". This ship was built in Rosendal in 1903 as a triple mast schooner. The Lars Riisdahl was 103 feet in length and weighed 142 brt. It ploughed the waters around Newfoundland for many years and was also commissioned to transport salt to Brazil. Currently Solstad has seven vessels in Brazil.

NOTES

NOTE 1 ACCOUNTING PRINCIPLES

[Unless otherwise stated, figures are given in NOK 1000]

GENERAL The annual accounts have been prepared in accordance with the Accounting Act and best practice accounting principles in Norway. The most important accounting principles are described below.

CONSOLIDATION The Group includes the parent company Solstad Offshore ASA and companies where the parent company has, either directly or indirectly, the majority of the voting share capital.

The Group accounts have been prepared using consistency principles. The purchase price of shares in subsidiaries is eliminated against the equity in the subsidiary at the time of acquisition.

Intercompany profit from sales within the Group is eliminated in the Group accounts. Foreign subsidiaries are consolidated by converting the profit and loss accounts at transaction rate, the vessels and ordinary depreciation at historic rates and other balance sheet items at the exchange rate at the balance sheet date. Currency conversion variance is classified as a financial item in the profit and loss accounts as the subsidiaries are integrated.

Acquired subsidiaries are posted in the Group accounts based on the parent company's acquisition cost. The acquisition cost is based on identifiable assets and liability in the subsidiary and is posted in the Group accounts as the actual value at the acquisition date. Any surplus value or deficit value in excess of that identifiable as equity and liability is posted in the balance sheet as goodwill. The surplus value in the Group accounts is posted with linear depreciation over the acquired assets anticipated lifetime.

SEGMENT REPORTING The Group has three main business activities; anchor-handling vessels (AHTS), supply vessels (PSV) and construction service vessels (CSV). In addition, other activities are inserted in a separate segment. The overhead costs are apportioned between these segments in the same way as other operating expenses.

USE OF ESTIMATES In connection with the preparation of the accounts, estimates and assumptions which influence the accounts are used. Actual figures may differ slightly from the estimates.

FOREIGN CURRENCY Monetary items in foreign currency are converted at the exchange rate at the balance sheet date.

The following exchange rates have been used in the accounts:

	GBP	USD	Euro	BRL
At 31.12.02	11,162	6,9559	7,2910	1,990
At 31.12.03	11,907	6,6929	8,4369	2,335
At 31.12.04	11,641	6,0386	8,2385	2,309

The Company secures future charter income in foreign currency by having the corresponding loan in the same currency. This is posted as cash flow

hedging in accordance with a discussion paper regarding financial instruments from "Norsk RegnskapsStiftelse". This means that exchange rates on loans fulfilling the requirements for cash flow hedging are temporarily posted against equity until the freight revenue is realized. The loan in foreign currency is calculated at the rate of the balance sheet date. Freight revenue is posted at the hedging rate.

COST OF BORROWING The cost of borrowing is capitalized at the time of borrowing and the cost is charged over the maturity period of the loan.

RECOGNITION AND PRESENTATION OF CURRENT ASSETS Stocks are valued as the lowest of either the acquisition or the estimated sales value. Receivables are posted at face value with deduction for anticipated loss.

NEW BUILD CONTRACTS Installments on new build contracts are posted in the balance sheet as fixed assets. Costs related to the on-site supervision and other pre-delivery construction costs including construction loan interest are capitalized per vessel.

FIXED ASSETS, DEPRECIATION AND WRITE DOWN Fixed assets are posted in the balance sheet at acquisition cost with deduction for accumulated depreciation and write down. Depreciation is linear and determined by an assessment of the economic lifetime of each of the fixed assets. Depreciation of the vessels is based on a twenty-five year economic lifetime. Profit from the sale of vessels and new builds is posted as operating income as the sale is considered a part of the company's ordinary business activities.

If there are indications of any decrease in value of the fixed assets, this value will be calculated and depreciated to the highest value of the net sales value or the net current value.

INCOME POSTING Income and costs related to vessel contracts are apportioned according to the number of days for each contract occurring before and after the end of the accounting period.

POSTING LEASED ASSETS The company differentiates between financial and operational leases. For any operational leases, the annual leasing cost is posted as an ongoing operating cost. Financial leases are posted as assets and loans and the total annual leasing cost is posted as interest and installments.

CAPITALIZED PERIODIC MAINTENANCE (DOCKING) The criteria used as the basis for determining the extent of the repairs during docking is regarded as investment decisions. The cost is capitalized and depreciated over the period until the next docking, normally 24-30 months. On purchase of a vessel, the acquisition cost of the vessel and capitalized docking cost is separated. Ordinary maintenance costs are charged to the operating cost at the time of the maintenance.

TAXES The Norwegian Shipping Tax Regulations stipulate that if the shipping company meets certain conditions, it will not be taxed on its current income but taxed if and when this income is paid as dividend or if the company no

NOTES

longer satisfies the conditions for taxation under these regulations. On the other hand the company pays tonnage tax. Net financial income is taxed on a current basis.

Deferred tax/deferred tax assets are calculated, using the liability method, at 28% based on temporary differences between the accounting and tax-related values existing at the end of the financial year and any tax deficits are carried forward.

Temporary tax increasing and decreasing differences are recorded in the balance sheet as net figures. Deferred tax on additional values due to the acquisition of subsidiaries, jointly owned and associated companies are not offset. The current value of the deferred tax associated with temporary tax increasing differences transferred to the company subject to taxation from and including 1996 and 1997 and subsequent profits is considered insignificant as the company does not anticipate that a significant amount of these funds will be paid in dividend in the foreseeable future. Any dividend is paid out of taxed current equity or from the current year's profit. Deferred tax assets are posted when it is likely that the asset can be realized.

CLASSIFICATION OF ITEMS IN THE ACCOUNTS Assets determined for long-term ownership or use and receivables which are due more than one year after the expiry of the financial year are posted as current assets. Any remaining assets are classified as current assets.

Liability which is due more than one year after the expiry of the financial year is posted as long-term liability. With the exception of the first year's installment on mortgages and leasing, the remaining liability is classified as short-term liability.

FINANCIAL INSTRUMENTS Financial contracts are defined as either hedging or trading transactions. Hedging transactions are apportioned and classified in the same way as associated hedging deals or future transactions. Hedging instruments have linear capitalization of the installments/allowances over the hedging period. Trading transactions are calculated at market value.

CONTINGENCIES Contingent losses that are probable and quantifiable are posted to the accounts, whilst contingent gain/income is not,

PENSIONS Pensions and pension obligations are included in the profit and loss accounts and in the balance sheet in accordance with the Norwegian accounting standard for benefit plans. Net pension cost includes the pension accrued during the period including future wage growth and estimated interest, less the estimated return on the pension funds and any impact of changes in estimates and plans. The over-funding is capitalized to the extent it can be used for future pension obligations.

SHARES AND HOLDINGS IN OTHER COMPANIES Short-term investments related to shares are valued at the lowest of cost price and market value.

Shares in subsidiaries, associated and jointly-owned companies are posted

in the parent company accounts at cost and written down to the extent that there is a significant deficit value which is not considered temporary. The same write-down criteria are used in the Group accounts. In the Group accounts, the equity method (net) is used for strategic investments in other companies where the holding is 20-50% (associated and jointly owned companies). Foreign jointly owned companies are treated as integrated units.

GRANTS Grants related to the net tax agreement (NOR vessels from 01.07.03) and crew subsidiaries are posted as a reduction in cost.

TREASURY SHARES Treasury shares are posted as a nominal value under the item "share capital". The difference between nominal and acquisition cost is entered as "other equity".

CASH FLOW The Group applies the indirect method. Investment in shares and other liquid assets with maturity over three months are not included under cash equivalents.

NOTES

NOTE 2 MAJOR TRANSACTIONS/EVENTS

Major transactions in 2004:

On 29 January 2004, Solstad Offshore ASA made a private placement of 2,000,000 shares at a quotation of NOK 53,50 per share. The placement increased the company's share capital with approx. 5.5% and the new share capital is NOK 75,588,320, divided into 37,794,160 shares. At the same time the company sold 500,000 own shares (300,000 were owned by subsidiaries) at NOK 53,50.

In February, NorSkan Offshore Ltda (a jointly owned company within the Group) took delivery of NorSkan Leblon (PSV), at a cost price of USD 17,5 million. In addition, the company entered into a contract for building of an AHTS with delivery scheduled in July 2006.

In March, Solstad Offshore UK Ltd, a wholly owned subsidiary of Solstad Offshore ASA, sold three standby vessels for NOK 25 million. In May 2004, the Group took delivery of the Normand Cutter from the shipyard after conversion to a construction service vessel (CSV) The conversion cost approximately NOK 200 million.

In August the company entered into a contract for new build of a construction service vessel at a total project cost of around USA 104 million, through a 50/50 joint venture with Single Buoy Moorings Inc. Foreign funding of this project is arranged.

In 2004, the Group contracted two larger PSV's at a cost price of approximately NOK 465 million.

At the end of the year the Group bought 5 offshore vessels from TFDS for a total purchase price of NOK 218 million. Two of the vessels are wholly owned and shares in the other ship owning companies are 19%, 21% and 70.1%.

Major Events/transactions in 2003

The Group took delivery of two vessels. In February, the Normand Flipper (Solstad Rederi AS) was delivered at a cost price of NOK 215 million. In March, the Normand Master (Solida KS) was delivered at a cost price of NOK 335 million. In addition, in June, a jointly owned company in the Group (NorSkan Offshore Ltda) took delivery of the NorSkan Flamengo at a cost price of USD 17 million. In November, the Group entered into a contract for conversion of the Normand Cutter from cable to offshore construction service vessel, with delivery May 2004.

Major transactions/events in 2002

The Group took delivery of four vessels. In March, the Normand Ivan (Solstad Rederi AS) was delivered at a cost price of NOK 275 million. In May and August the Normand Mermaid and Normand Mariner (Solida KS) were delivered at a cost price of NOK 325 million and NOK 320 million respectively. In addition, Normand Flower (Island Offshore IV) was delivered in September at a cost price of NOK 330 million. In December, the Group Island increased its share in Island Offshore IV to 52.5%, effectively consolidating the company as a subsidiary.

NOTE 3 FINANCIAL MARKET RISK AND FINANCIAL INSTRUMENTS

The Group is exposed to interest risk due to loan and currency risks due to investments abroad, and loan in foreign currencies and freight income in other currency than NOK. The currency risk is increasing in time with the Group's increasing internationalisation.

The interest risk is to a certain degree hedged by using financial instruments. The Group have entered 2-5 years interest hedging agreements for around 15% of the debt and 85% of the debt has floating interest.

The currency risk is associated with freight contracts in foreign currencies and has partially been secured by having loans in the same currency. In addition some of the revenues are sold periodically. As of 31. December 2004, the debt are split between 36% USD, 33% GBP, 5% Euro and 26% NOK.

The total negative value of the financial instruments which are not accrued for in the accounts, were around 16 million at the end of 2004. The use of financial instruments are not material considered the company's activity measured in the Groups equity.

With the exception of treasury shares, the Group has not invested in any listed shares.

NOTES

NOTE 4 REPORTING BY SEGMENTS AND GEOGRAPHICAL MARKETS

The Group has 3 main area of activity; anchor-handling vessels (AHTS), supply vessels (PSV's) and construction service vessels (CSV's). Any other activity is reported in its own segment.

	AHTS			PSV			CSV		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
Net operating income	340 307	416 886	422 609	89 217	94 705	91 091	330 937	263 398	230 102
Deferred income from assets	0	0	0	0	0	0	13 326	0	0
Total Operating Income	340 307	416 886	422 609	89 217	94 705	91 091	344 263	263 398	230 102
Operating costs	230 284	244 581	210 631	47 398	49 137	33 357	159 054	129 047	104 668
Operating result pre depreciation	110 023	172 305	211 978	41 819	45 568	57 733	185 209	134 351	125 434
Depreciation/write down (1)	122 251	105 024	83 807	25 815	23 798	14 427	99 922	75 036	59 347
Operating result before adm. costs	-12 227	67 281	128 170	16 004	21 770	43 306	85 287	59 315	66 087
Total assets	1 391 985	1 383 218	1 165 990	623 890	437 739	289 438	1 791 195	1 300 299	1 367 732
Current year's investments	130 771	323 276	638 357	210 769	171 771	42 717	216 189	13 218	643 068

	Andre			Total		
	2004	2003	2002	2004	2003	2002
Net operating income	61 609	199 092	246 527	822 071	974 081	990 329
Deferred income from assets	32 626	19 845	19 845	45 952	19 845	19 845
Total Operating Income	94 235	218 937	266 372	868 023	993 926	1 010 173
Operating costs	19 846	52 413	88 832	456 583	475 178	437 488
Operating result pre depreciation	74 388	166 524	177 540	411 440	518 748	572 685
Depreciation/write down (1)	18 754	36 501	125 252	266 742	240 359	282 833
Operating result before adm. costs	55 634	130 023	52 288	144 698	278 389	289 852
Total assets	368 584	756 840	784 566	4 175 654	3 878 096	3 607 726
Current year's investments	484	1 862	1 145	558 214	510 128	1 325 286

(1) Depreciation includes both ordinary depreciation and depreciation of periodic maintenance. For a breakdown of income and expenses between the different segments, refer to Note 1.

Freight revenues geographically apportioned as follows:

		2004	2003
2002			
North Sea	53 %	437 752	414 689
North and Central America	8 %	65 519	292 647
Mediterranean/Remainder of Europe	20 %	167 374	100 958
West Africa	9 %	72 507	98 730
South America	7 %	53 435	67 057
Asia	3 %	25 484	0
Total	100 %	822 071	974 081

NOTES

NOTE 5 OTHER EXPENSES, WAGES, EMPLOYEES AND DISTINCTIVE CONTRIBUTIONS

PARENT COMPANY			GROUP		
2003	2004		2004	2003	2002
0	0	Employees, vessels	249 425	273 032	265 133
3 405	3 662	Employees, administration	27 838	28 065	25 472
3 405	3 662	Total employee expenses	277 263	301 098	290 605
			2004	2003	2002
Wages			191 308	205 837	202 666
Employers tax			15 475	21 652	28 829
Pension costs			6 494	5 360	4 110
Other contributions			17 090	15 205	12 281
Travelling costs, courses and other personnel costs			46 895	53 045	42 718
Total employee cost			277 263	301 098	290 605
Average number of employees:			607	570	515

The Group has received grants in terms of crew subsidies and net wages agreements which have been booked as a reduction of crew costs at a total of NOK 54 million (2003 NOK 35 million, 2002 NOK 13 million)

REMUNERATION TO DIRECTORS, MANAGING DIRECTOR AND AUDITOR

The following amounts have been charged to income:	2004	2003	2002
Board of Directors	884	628	752
Managing Director	1 198	1 103	1 049
Auditor, auditing	918	800	907
Auditor, consulting	525	132	401
Total	3 525	2 662	3 108

In 2004, NOK 775,000 has been charged to Directors' fees for the Parent Company and NOK 290,000 and NOK 78,500 in fees to the auditor, relating to auditing and consultancy services respectively. There are no distinctive agreements regarding remuneration for the Chairman of the Board and neither are there any distinctive bonus or option programmes for any Board Member or Group management. No loans have been given to the company management. The Managing Director has an agreement securing 12 months salary.

Other operating costs of NOK 179 million (2003 NOK 174 million, 2002 NOK 147 million) are primarily technical operating expenses.

NOTE 6 PENSIONS

The arrangement is insurance based. There are 538 members at 31.12.2004. The scheme has the following assumptions: discount rate 5%, expected return 6%, regulation of salaries 3% and regulation of pensions 2%.

	GROUP		
	2004	2003	2002
Estimated commitments	50 738	42 646	34 222
Value of pension fund assets	41 061	37 588	34 697
Changes in assumptions not booked	11 201	8 183	3 873
Over financing	1 524	3 126	4 349
Pension cost breakdown:			
Current value of annual pension earnings	6 096	5 236	4 403
Interest payable on accrued commitments	2 222	2 143	1 714
Expected return on pension fund assets	-2 308	-2 357	-2 309
Changes in assumptions charged to income	485	339	303
Booked payroll tax	669	509	173
Pension cost	7 163	5 869	4 282

The effect of changes of estimates between actual and return is charged over a 13 year amortisation period. Balance booking of the net assets is based on the funds being available for future pension premium payments.

NOTES

NOTE 7 FINANCIAL ITEMS

Parent company: Other financial income amounts to NOK 6,8 mill (NOK 17,6 million unrealized) in realized currency gain. Other financial items NOK 11,4 million (NOK 2,1 million) include unrealized currency gain of NOK 9,3 million and the remaining NOK 2,1 million relates to bank and guarantee costs

Group: Other financial income of NOK 58,3 million (NOK 9,6 million realized) is in its entirety unrealized currency gain. Other financial charges of NOK 28,2 million are primarily realized currency loss (NOK 21,9 million unrealized).

NOTE 8 TANGIBLE FIXED ASSETS/INTANGIBLE FIXED ASSETS				Acc. Depr./	Book	Depr./write
	Cost price	Additions	Disposals	write downs	value	downs
Group:	01.01.2004	this year	this year	31.12.2004	31.12.2004	this period
Vessels and construction contracts	4 988 727	495 013	-41 884	-1 347 287	4 094 569	212 550
Goodwill	21 518	0	0	-21 518	0	6 454
Machinery, equipment etc	28 097	484	-394	-9 442	18 746	1 946
Total Group	5 038 342	495 497	-42 278	-1 378 247	4 113 315	220 950
Capitalized periodic maintenance:				2004	2003	2002
Capitalized periodic maintenance at 01.01				45 388	32 300	29 604
Additions this period				62 717	50 016	39 681
Depreciation of planned periodic maintenance this year				-45 792	-36 928	-36 984
Capitalized periodic maintenance at 01.01				62 313	45 388	32 300

Depreciation of vessels is based on an estimated economic lifetime of 25 years. Goodwill is associated with the acquisition of the management company. The depreciation plan has been changed in 2004, but this has not had any material effect on the Group's result.

Long-term leasing agreements have been entered in to with British owners for 4 of the Group's vessels (Normand Pioneer, Normand Progress, Normand Cutter og Normand Clipper) The two first vessels are on firm leasing contracts until the beginning of 2005 and the two other vessels have equivalent contracts until the beginning of 2008. At the expiry of the firm leasing period the agreements are either to be extended or the Group will take ownership by transferring the shares of owning company at agreed prices. For Normand Pioneer and Normand Progress, the price is around GBP 45 million and the total for Normand Cutter and Normand Clipper is approximately GBP 51 million.

The vessels have been carried forward in the Group's balance sheets as the combination of the lease and option agreements is considered a financial lease according to generally accepted Norwegian accounting standards (ref note 12).

NEW BUILD CONTRACTS

At 31.12.2004 the following five vessels were under construction (overview at 100%)

New build contracts	Delivery	Owner	Solstad share	Contract price	Paid Instalments	Remaining 31.12.2004	Due date 2005
Normand Skipper	April 2005	Solstad Rederi AS	100 %	250 000	47 500	202 500	202 500
Normand TBN 1	Sept. 2005	Solstad Rederi AS	100 %	€ 24 500	€ 4 284	€ 20 216	€ 20 216
Normand TBN 2	Jan. 2006	ADSI Inc.	50 %	\$93 500	\$0	\$93 500	\$0
NorSkan Copacabana	April 2005	NorSkan Offshore	50 %	\$41 000	\$40 000	\$1 000	\$1 000
NorSkan TBN	July 2006	NorSkan Offshore	50 %	\$44 000	\$5 500	\$38 500	\$6 000

The company has the option to change some of the equipment on the vessels and therefore there may be some variation in the prices above.

Financing of new builds is finalised with the exception of the Normand TBN 1 and NorSkan TBN, which is under negotiation.

In addition, the Group has one vessel under conversion (Normand Clipper). This vessel will be delivered in May 2005, at a conversion cost of approximately NOK 206 million, which falls due on delivery. The financing of the conversion is finalised.

NOTES

NOTE 9 SHARES IN SUBSIDIARIES

	Place of Business	Owner ship	Number of Shares	Nominal Value	Share Capital	Cost price/ Book value
Solstad Shipping AS	Skudeneshavn	100 %	10 000	1 000	10 000	10 000
Solstad Rederi AS	Skudeneshavn	100 %	60 150	100	6 015	673 486
Normand Drift AS	Skudeneshavn	100 %	150	1 000	150	150
Solstad Offshore UK Ltd	Aberdeen	100 %	100	GBP 1	GBP 0,1	18 075
Solstad Cable Invest AS	Skudeneshavn	100 %	2 000	1 000	2 000	10 000
Normand Skarven AS	Skudeneshavn	100 %	1	950 000	950	1 250
Rig Supporter AS	Skudeneshavn	100 %	480	1 000	480	820
Normand Skarven KS	Skudeneshavn	70 % (*)				33 800
Total						747 581

Shares in jointly owned and associated companies owned by the Group

	Place of Business	Owner ship	Number of Shares	Nominal Value	Share Capital
Owned by Solstad Rederi AS::					
Solida AS	Skudeneshavn	51 %	6 120	1 000	12 000
Solida KS	Skudeneshavn	51 % (*)			
Island Offshore IV AS	Ulsteinvik	52,5 %	36 750	100	7 000
Island Offshore IV KS	Ulsteinvik	52,5 % (*)			
Owned by Solstad Offshore UK LTD:					
Solstad Cable UK LTD	Aberdeen	62,5 %	312 500	GBP 1	GBP 313

(*) Total share by general partner and direct ownership in limited company

Solstad's share of uncalled limited partnership capital in subsidiaries at 31.12.04 was NOK 21 mill.

NOTE 10 SHARES IN JOINTLY OWNED AND ASSOCIATED COMPANIES

Shares in jointly owned and associated companies owned by Parent Company

	Place of Business	Owner ship	Number of Shares	Nominal value	Equity 31.12.2004	Result 2004 (100%)
NorSkan AS (JV) [1]	Skudeneshavn	50 %	67 250	67 499	164 673	34 411
ADSI Inc. (JV)	Marly (Sveits)	50 %	250 050	1 337	2 668	-
Normand Edda AS (JV)	Haugesund	50 %	75	75	152	1
DeepOcean AS (AC)	Haugesund	33,50 %	36 000	14 067	54 284	8 620
Normand Vibran KS (AC) [2]	Skudeneshavn	19 %		5 461	35 069	3 725
Rig Supporter AS/KS (AC) [2]	Skudeneshavn	11 %		4 884	57 988	14 622
Total				93 323	314 834	61 378

[1] Includes NOK 244.393 or 0,2% directly owned share in NorSkan Offshore Ltda.

[2] Solstad Offshore ASA has the option to take over the remaining 81% by the end of September 2005.

Shares in jointly owned and associated companies owned by the Group

	Place of Business	Owner ship	Cost price	Equity Share 01.01.2004	Share of result 2004	Other adjust. 2004	Equity Share 31.12.2004
NorSkan AS/N. Offshore Ltda (JV)	Skudeneshavn	50% [1]	67 499	80 778	17 205	-15 647	82 336
ADSI Inc. (JV)	Marly (Sveits)	50 %	1 337	-	-	1 337	1 337
Normand Edda AS (JV)	Haugesund	50 %	75	119	1	-	120
DeepOcean AS (AC)	Haugesund	33,5 %	14 067	14 872	3 228	3 942	22 042
Nordman Vibran KS (AC)	Skudeneshavn	19% [2]	5 461	-	-	5 461	5 461
Rig Supporter AS/KS (AC)	Skudeneshavn	21 %	9 222	-	-	9 222	9 222
Island Offshore I AS (AC)	Ulsteinvik	27,33 %	2 131	2 009	-10		1 999
Island Offshore III AS (AC)	Ulsteinvik	26,88 %	1 745	1 587	-45		1 541
Island Offshore I KS (AC)	Ulsteinvik	24,6 %	21 681	28 175	-266		27 909
Island Offshore III KS (AC)	Ulsteinvik	24,19 %	14 613	39 689	5 263		44 952
Total			137 830	167 228	25 376	4 315	196 919

[1] Solstad Offshore ASA owns 0,2% i NorSkan Offshore Ltda and 50% in NorSkan AS which owns 99,6% in NorSkan Offshore Ltda.

[2] Solstad Offshore ASA has the option to take over the remaining 81% by the end of September 2005.

Other adjustments include capital injection, dividend, currency conversion variances and surplus value.

Solstad's share of uncalled limited partnership capital in associated companies was NOK 20 million at 31.12.04.

NOTES

Investments in shares owned by the Parent Company	Owner	Booked
Owned by Solstad Offshore ASA:	ship	Value
Seabed Geophysical AS	11,84 %	11 779

Solstad Offshore ASA has given a convertible subordinated loan of NOK 4,0 million to Seabed Geophysical AS at 6% interest.

Investments in shares owned by Group	Owner	Booked
Owned by Solstad Shipping AS:	ship	Value
ResQ AS (not AC)	22,35 %	2 750

NOTE 11 INTER COMPANY GROUP (PARENT COMPANY)

Solstad Offshore ASA had the following receivables/debt from companies in the Group:	31.12.2004	31.12.2003	Rentesats
Solstad Cable UK	50 587	51 692	5,95 %
Normand Drift AS	2 554	3 595	4,00 %
Solstad Cable Invest AS	-18 145	-18 081	4,00 %
Rig Supporter AS	3 620	0	4,00 %
Solstad Shipping AS (accounts payable)	348	-10 628	-
	38 963	26 579	

Group receivables due more than one year after expiry of the financial year is approx. NOK 55 million.

NOTES

NOTE 12 MORTGAGE DEBT AND OTHER LONG-TERM LIABILITIES

PARENT COMPANY			GROUP	
2003	2004		2004	2003
0	0	Mortgages	1 375 617	1 370 070
0	0	Leasing obligations	1 276 593	1 205 978
0	0	Total long-term debt	2 652 210	2 576 048

Booked value pledged assets:

PARENT COMPANY			GROUP	
2003	2004		2004	2003
62 021	69 471	Bank deposits	206 610	208 227
0	0	Account receivables	167 642	164 829
0	0	Vessels	3 613 632	3 579 574
62 021	69 471	Total booked value	3 987 883	3 952 630

Some of the vessels have been placed as security for the mortgages. In addition, accounts receivables and bank deposits are tied.

As security for completion of the lease agreements, guarantees from the Parent Company and subsidiary have been secured. In addition the leased vessels and a cash deposit of GBP 18 million has been placed as security. Solstad Offshore ASA have placed guarantees for Solstad Offshore UK Ltd of NOK 170 million. Normand Drift for NOK 12 million and around USD 16 million in association with NorSkan Offshore Ltda.

Solstad Rederi AS have given a guarantee for Solida KS of NOK 51 million. Approximately NOK 2 million has been posted to financial items in the

Parent Company accounts for 2004. The Group's long-term debt was apportioned : 36% USD, 33% GBP, 5% Euro and 26% NOK.

The loan agreements are subject to the owners working capital being positive at all times and that the market value of the vessel amounts to at least 125-135% of the outstanding loans. The first year's loan installments is exempt from calculation of working capital. The company satisfies all the conditions of the loan agreements at 31.12.04. In addition to the tied assets/negative security clauses the agreements include re-assignment of factoring agreements and insurance terms.

Installments for mortgage debt and leasing obligations at 31.12.2004 (NOK millions):

2005	2006	2007	2008	2009	After 2009
177	271	271	274	286	1 373

In 2004, the Group's average interest rate on vessel debt was approximately 3,6%.

At the end of fixed leasing periods for any leased vessels (in 2005 and 2008 respectively), the lease agreements are either extended or the Group takes ownership by transferring the shares of the owning company at agreed rates. For further information see Note 8.

NOTES

NOTE 13 TAX

PARENT COMPANY			GROUP	
2003	2004		2004	2003
0	0	Tax payable	14 946	653
5 002	419	Ordinary changes in deferred tax/deferred tax assets	4 731	8 532
5 002	419	Tax	19 677	9 185
Appropriation of tax on ordinary result				
5 002	419	Norwegian	13 380	6 102
0	0	Foreign	6 296	3 083
5 002	419	Total tax	19 677	9 185
Outside Shipping Tax Regime				
		Tax effect		
0	-870	Shares/ownership (current assets)	418	0
0	0	Over funding of pension	1 524	3 126
0	0	Fixed assets/provisions	51 312	183 505
-2 231	-65	Unrecovered loss carried forward	-1 006	-7 401
-2 231	-935	Total temporary differences	51 151	165 414
0	0	Deferred tax, net	51 151	46 247
Applied tax rate, Norway			28 %	28 %
Within the Shipping Tax Regime				
		Negative balance for taxed income	177 037	177 037
		Accumulated, untaxed income (*)	1 708 098	1 659 313
		Unrecovered loss carried forward (financial item)	39 472	34 696
		Deferred tax	0	0
Total deferred tax (Group)			51 151	46 247
Explanation why taxes do not balance:				
4 820	-963	28% of pre-tax result	36 900	53 982
-612	173	Dividend UK/remuneration	-11	-14
794	1 210	Permanent differences/Shipping Tax Regime	-17 212	-44 783
5 002	419	Estimated tax	19 677	9 185

Deferred tax related to shares in subsidiaries, associated or jointly owned companies has not been booked. The current value of the deferred tax related to the tax increasing temporary differences transferred to the company which is subject to shipping tax from and including 1996 and 1997 and any subsequent profits, are deemed insignificant as the company does not plan to pay these funds as dividend in the foreseeable future. Deferred tax on deviating values in associated companies with foreign partnership has been calculated in the Group accounts.

If the company liable to shipping tax fails to meet the conditions for shipping tax or leaves the arrangement, tax will be imposed. This tax imposition will be based on market values. Furthermore, tax is payable on dividends from companies liable to shipping tax if the shareholders are outside the arrangement.

A separate calculation of deferred tax in the UK has been undertaken (30% tax rate).

Tonnage tax is classified as operating cost.

NOTES

NOTE 14 EQUITY, SHAREHOLDERS AND TREASURY SHARES	Share	Premium	Other	Total
Parent Company	Capital	Fund	Equity	Equity
Equity 31.12.2003	71 123	11 601	782 420	865 144
Sale of treasury shares (217.125)	434		11 110	11 544
Private placement (2.000.000)	4 000	100 048		104 048
Not paid dividend on treasury shares			33	33
Result of the year			-3 860	-3 860
Group contribution (net)			365	365
Allocated dividend			-37 794	-37 794
Equity 31.12.2004	75 558	111 648	752 273	939 478

	Share	Premium	Other	Minority	Total
Group	Capital	Fund	Equity	Interest	Equity
Equity 31.12.2003	70 523	11 601	1 662 334	246 510	1 990 968
Sale of treasury shares(517.125)	1 034		26 119		27 153
Private placement (2.000.000)	4 000	100 048			104 048
Not paid dividend on treasury shares			33		33
Hedging of income			24 535		24 535
Result of the year			73 606	38 502	112 108
Allocated dividend			-37 794		-37 794
Minority interests				6 375	6 375
Other adjustments			1 757	-2	1 755
Equity 31.12.2004	75 558	111 648	1 750 589	291 384	2 229 179

At 31.12.04, the Parent Company's share capital represents 37,794.160 shares at NOK 2. The number of shareholders at 31.12.04 was 2,075. The Board of Directors has exercised its power of attorney to increase the share capital by 2 million shares at NOK 2 in 2004. In addition, the Board have the power of attorney to implement a capital appreciation of up to 140,000 shares at NOK 2 for employees of the Group. Furthermore the Board has the power of attorney to acquire treasury shares in line with current legislation (10%). Of the, original restricted equity, NOK 282 million was earlier transferred to unrestricted equity (now earned equity)

SHAREHOLDERS WITH MORE THAN 1% HOLDING AT 31.12.2004:

Solstad Invest AS	7 103 813	18,79 %
Solstad Trading AS	6 802 693	17,99 %
Solhav Invest II AS	2 504 701	6,62 %
Odin Norden	2 502 600	6,62 %
Skagen Vekst	1 656 000	4,38 %
Johannes Solstad	1 622 976	4,29 %
Brown Brothers Harriman & Co	1 310 300	3,46 %
Storebrand Livsforsikring AS	874 150	2,31 %
Verdipapirfond Pareto Aksje Norge	866 500	2,29 %
Bakkely Invest AS	619 100	1,63 %
Borgstein Verdi AS	539 300	1,42 %
MP Pensjon	460 000	1,21 %
	26 862 133	71,07 %

BOARD OF DIRECTORS AND MANAGING DIRECTORS SHARE INTEREST IN THE COMPANY

In accordance with the definition in the corporation law, the Directors had the following holdings at 31.12.04:

Harald Eikesdal	0	Shares
Johannes Solstad	18 034 183	Shares
Per Gunnar Solstad	264 399	Shares
Jakob Rugland	21 200	Shares
Idar Ulstein	0	Shares
Arne Austreid	0	Shares

The Managing Director Lars Peder Solstad owns 74.403 shares and the Deputy Managing Director Sven Stakkestad owns 2.325 shares at 31.12.2004.

The company's auditor does not own shares in the company. At 31.12.2004 the company acquired 15,394 treasury shares at a cost price of NOK 0,5 million. During 2004, the company sold 500,000 shares relating to the private placement and a further 17,125 were sold to employees.

NOTES

NOTE 15 EARNING PER SHARE

In 2004, earnings per share was NOK 1,95. The equivalent value in 2002 and 2001 was NOK 4,63 and NOK 8,06 respectively. Earnings per share is calculated by dividing the majorities share of result by the average number of shares, adjusted for the stock of treasury shares. There are no instruments that give any possibility for dilution.

NOTE 16 TRANSACTIONS WITH RELATED PARTIES

Related parties are considered to be Board Members (including associated companies) and the company management. The Chairman of the Board has in addition to ordinary Board Member fee received NOK 136.400 for legal consultancy.

There are no management agreements with related parties outside the Group charging the company management fees. The Group leases offices and workshop premises at market value from a company where the main shareholder controls 100% at a total of NOK 1 million. Furthermore, the Group also uses a shipyard for repairs and conversions of the Group's vessels where the main shareholder controls 100% (NOK 3.2 million). For several years the Group has used Ulstein Verft for supply of vessels. Board member Idar Ulstein is the Chairman and indirect shareholder for the shipyard. Inter-company debt/receivables is interest bearing.

NOTE 17 BANK DEPOSITS

The Group's deposits constitutes restricted deposits of NOK 14,3 million (NOK 13,4 million). Furthermore, some bank deposits are pledged. Refer to Note 12.

NOTE 18 TRANSACTIONS AFTER THE BALANCE SHEET DATE

An associated company of Solstad Offshore ASA has, after the end of the leasing period (14. januar 2005) acquired ownership of the companies that owned the Normand Pioneer and Normand Progress. The cost of this acquisition was around GBP 45 million.

NOTE 19 ENVIRONMENTAL CONDITIONS

All of the company's vessels comply with current environmental requirements. In 2004, none of the company's vessels have imposed conditions for upgrading or improvement of technical equipment or any other measures necessary to satisfy current environmental requirements. The company's HSE and ISPS system complies with international regulations (IMO's International Safety Management Code). All vessels and our administration hold ISM certification from Det Norske Veritas. The company's Quality Assurance system is certified in accordance to NS-EN ISO 9001:2000.

NOTE 20 ADDITIONAL INFORMATION RELATING TO CASH FLOW

The Group utilizes the indirect method. Investment in stocks and shares with a maturity of more than three months are not included in the cash equivalents. Included in cash and cash equivalents at 31.12.2004 are tied bank deposits of NOK 14.3 million relating to withheld taxes.

NOTE 21 IFRS

In accordance with the transfer to reporting under IFRS from and including the first quarter of 2005, the Group will calculate a new opening balance at 01.01.2004. Adjustment of the booked value of financial fixed assets, vessels, deferred income and income offset for dividend will affect the booked treasury equity. The net result of these adjustments will be a positive adjustment to booked equity of around NOK 300 million. In addition, the opening balance will include reclassification of the first year's installment on long-term debt and capitalized loan costs. During April, the company will publish a report on the effects of the transition to IFRS in a "transition document".



KEELHAULING. At regular intervals, all sailing vessels were keelhauled. The picture in the background was taken at Korneliusholmen in Skudeneshavn and shows how the ballast in the schooners was removed and winched over the side of the vessels. With the masts and the keel in the water, all fouling and growth was then removed, the sealing mass replaced and new ship pitch was applied between the strakes. The picture in the foreground shows the area as it appears today.

To the Annual Shareholders' Meeting of
Solstad Offshore ASA

Auditor's report for 2004

We have audited the annual financial statements of Solstad Offshore ASA as of 31 December 2004, showing a loss of NOK 3.860 million for the parent company and a profit of NOK 112.108 million for the Group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the consolidated accounts. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards, an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements have been prepared in accordance with law and regulations and present the financial position of the Company and of the Group as of 31 December 2004, and the results of the operations and cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Company's management has fulfilled its duty to properly register and document the accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and complies with law and regulations.

Oslo, 29 March 2005
ERNST & YOUNG AS

Asbjørn Rødal
State Authorised Public Accountant (Norway)

Note: The translation to English has been prepared for information purposes only.

A BRIEF LOOK AT 2004

IMPORTANT EVENTS

JANUARY:

Solstad Offshore ASA carried out a private placement of 2 million shares at NOK 53.50 per share. This represented a 5,5% expansion of the company's share capital and the new share capital increased to NOK 75,588,320 distributed among 37,794,160 shares. The company also sold 500,000 of its own shares (of which 300,000 were owned by its subsidiary) at a share price of NOK 53.50.

FEBRUARY:

Solstad Offshore ASA signed a PSV construction contract with Flekkefjord Slipp and Maskinfabrikk for a VS 4420. The vessel is scheduled for delivery in April 2005, has a purchase price of NOK 255 million.

NorSkan Offshore Ltda (a joint company within the Group) took delivery of NorSkan Leblon (PSV) at a purchase price of USD 17.5 million. In addition, the company signed another construction contract for a AHTS with delivery scheduled for July 2006.

MARCH:

Solstad Offshore UK Ltd., a fully owned subsidiary of Solstad ASA, sold three standby vessels for NOK 25 million.

MAY:

Solstad Offshore ASA signed a contract with Statoil ASA for the rental of a Platform Supply vessel currently under construction at Flekkefjord Slipp & Maskinfabrikk. This is a five-year contract beginning 1 April 2005. Statoil ASA also has been granted the option to keep the boat 1 + 1 more year. The value of this contract for the firm period is approximately NOK 215 million.

The Group also received the Normand Cutter back from the shipyard where it had been converted to a construction service vessel (CSV). Reconstruction costs amounted to approximately NOK 200 million.

AUGUST:

The Group entered into a "50/50" joint venture agreement with Single Buoy Moorings Inc. concerning the building of a CSV. The project is valued at approximately USD 104 million.

Further Solstad Offshore ASA signed a contract with Merwede Shipyard to build a PSV P105. The vessel is scheduled for delivery in September 2005. Total investment cost at approximately Euro 25.5 million.

SEPTEMBER:

Solstad Offshore ASA signed an agreement with Murphy Oil for delivery of two large anchor-handling vessels (Normand Ivan and Normand Atlantic). These vessels will be used for deepwater drilling operations in Malaysia and the contract duration is approximately one year, starting December 2004. This contract is considered as being strategically important for the Group as regards activity in the Far East.

DECEMBER:

Solstad Offshore ASA and DOF ASA together with Nortrans Pte. Ltd., established a joint company with 1/3 ownership each. The company is called NOR Offshore PTE. LTD.

Towards the end of the year, the Group purchased five offshore vessels from TFDS for a total purchase price of NOK 218 million. Two of these vessels are fully owned, whereas the ownershare of the remaining vessels are to 19%, 21% and 70.1%.



Skudeneshavn was born from the fishing industry. Already in the 1800s, owing to lobster fishing, herring fishing and herring export to Riga, Skudeneshavn had 77 sailing vessels that travelled abroad with their rich bounties. Around 1860, there were at the most 10 - 20,000 fishermen in Skudeneshavn. Today, the town boasts a modern shipyard industry – Solstad Offshore and one of the world's most advanced offshore fleets.














THE FLEET

FOR SHIPDETAILS, WWW.SOLSTAD.COM

OFFSHORE CONSTRUCTION VESSEL (OCV)	
1	Normand tbn 2
2	Normand Flower
3	Normand Mermaid
4	Normand Rover
5	Normand Clipper
6	Normand Cutter
7	Normand Pioneer
8	Normand Progress
9	Normand Tonjer
LARGE ANCHORHANDLING VESSEL (AHTS)	
10	Normand Master
11	Normand Mariner
12	Normand Ivan
13	Normand Borg
14	Normand Atlantic
15	Normand Neptun
SMALLER ANCHORHANDLING VESSEL (AHTS)	
16	Seabulk South Atlantic
17	Normand Mjolne
18	Normand Draupne
19	Normand Jarl
20	Normand Skarven
21	Normand Titan
22	Normand Drott
23	Normand Trym
24	Normand Prosper
25	Normand Hunter
26	Normand Ranger

THE FLEET

FOR SHIPDETAILS, WWW.SOLSTAD.COM

PLATFORM SUPPLY VESSEL (PSV)	
27	Normand tbn 1 
28	Normand Skipper 
29	Normand Flipper 
30	Normand Produce 
31	Normand Vibran 
32	Normand Vester 
33	Normand Carrier 
VESSELS OWNED BY NORSKAN OFFSHORE LTDA.	
34	NorSkan tbn 
35	NorSkan Copacabana 
36	NorSkan Leblon 
37	NorSkan Flamengo 
VESSELS ON BARE BOAT - TO NOR OFFSHORE PTE. LTD.	
38	Nor tbn 2 
39	Nor tbn 1 

THE FLEET

PER 15. APRIL 2005

		Built year	Design	Reg.	HP	DWT	Deck areal m²	Wich power	Bollard pull	Dry bulk	Standby rescue	Oil skimming equip.	Fi-Fi	DP class
OFFSHORE CONSTRUCTION VESSEL (OCV)														
1	Normand tbn 2	2006	VS 4204	NIS	31 200	8 600	2 500	500	275					2
2	Normand Flower	2002	UT 737	IOM	9 860	4 000	960					x		3
3	Normand Mermaid	2002	P 103	IOM	13 000	4 100	800					x		3
4	Normand Rover	2001	UT 745 E	NIS	7 500	4 000	960					x		2
5	Normand Clipper	2001	VS 4125	NIS	10 600	10 000	1 300	140	140					2
6	Normand Cutter	2001	VS 4125	NIS	10 600	10 000	1 300	140	140					2
7	Normand Pioneer	1999	UT 742	IOM	27 800	5 292	1 000	500	286					2
8	Normand Progress	1999	UT 742	IOM	27 800	5 292	1 000	500	304					2
9	Normand Tonjer	1983	UT 705	NOR	6 000	3 191	600							2
LARGE ANCHORHANDLING VESSEL (AHTS)														
10	Normand Master	2003	A 101	NOR	23 500	3 700	600	500	282			x		2
11	Normand Mariner	2002	A 101	NOR	23 500	3 700	600	500	282			x		2
12	Normand Ivan	2002	VS 480	NOR	20 000	4 138	600	500	240	x		x		2
13	Normand Borg	2000	UT 722 L	NIS	16 800	2 873	570	500	202	x		x		1
14	Normand Atlantic	1997	UT 740	NOR	19 400	4 200	560	500	220	x	x	x	x	2
15	Normand Neptun	1996	UT 740	NIS	19 400	4 200	560	500	222	x	x	x	x	1
SMALLER ANCHORHANDLING VESSEL (AHTS)														
16	Seabulk South Atlantic	2003	UT 710	GIB	10 800	1 500	500	300	135	x			x	1
17	Normand Mjolne	1985	UT 718	NOR	18 000	2 500	590	300	170	x	x	x	x	2
18	Normand Draupne	1985	UT 718	NOR	18 000	2 500	590	300	170	x	x	x	x	2
19	Normand Jarl	1985	UT 712	NOR	12 000	2 000	536	300	150	x	x	x	x	1
20	Normand Skarven	1985	UT 716	NOR	13 000	2 500	570	250	156	x	x	x		2
21	Normand Titan	1985	Sats 140	NOR	12 000	2 320	515	300	145	x		x		1
22	Normand Drott	1984	UT 712	NOR	12 000	2 000	536	300	148	x	x	x	x	-
23	Normand Trym	1984	ME 303	NOR	12 728	2 200	473	250	146	x	x	x	x	1
24	Normand Prosper	1983	UT 704	NOR	9 200	1 875	495	250	90	x	x		x	-
25	Normand Hunter	1982	Hommelvik	REB	9 800	1 370	418	150	115	x				-
26	Normand Ranger	1982	UT 704	NOR	9 200	1 820	418	250	90	x	x	x	x	-
PLATFORM SUPPLY VESSEL (PSV)														
27	Normand tbn 1	2005	P 105	NOR	3 900	4 800	960			x				2
28	Normand Skipper	2005	VS 4420	NOR	9 500	6 400	1 220			x	x	x		2
29	Normand Flipper	2002	UT 745 E	NOR	9 600	4 400	960			x				2
30	Normand Produce	2001	UT 755 L	NOR	5 500	3 000	685			x				
31	Normand Vibran	2000	UT 755	NOR	5 500	3 000	620			x				
32	Normand Vester	1998	UT 745	NOR	10 300	4 587	956			x	x	x		2
33	Normand Carrier	1996	UT 745	NOR	10 300	4 560	956			x		x		2
VESSELS OWNED BY NORSKAN OFFSHORE LTDA.														
34	NorSkan tbn	2005	UT 722L	REB	16 800	3 000	400	350	180	x		x	x	2
35	NorSkan Copacabana	2004	UT 722 L	REB	16 800	2 873	400	350	180	x		x	x	1
36	NorSkan Leblon	2004	UT 755 L	REB	5 500	3 000	621			x				1
37	NorSkan Flamengo	2003	UT 755 L	REB	5 500	3 000	621			x				1
VESSELS ON BARE BOAT - TO NOR OFFSHORE PTE. LTD.														
38	Nor tbn 2	2005	KHAM CHUAN	SIN	5 500	1 800	500	150	70	x			x	2
39	Nor tbn 1	2005	KHAM CHUAN	SIN	5 500	1 800	500	150	70	x			x	2

CONTRACT COVERAGE

PER 15. APRIL 2005

			2005	2006	2007	2008	2009
OFFSHORE CONSTRUCTION VESSEL (CSV)							
1	Normand tbn 2	Del. Jan. 06/200 d/8 år + option					
2	Normand Flower	12/2005					
3	Normand Mermaid	08/2005 + option					
4	Normand Rover	12/2005					
5	Normand Clipper	05/2007 + option					
6	Normand Cutter	05/2006 + option					
7	Normand Pioneer	180 days/year + option					
8	Normand Progress	6/2005					
9	Normand Tonjer	300 days/year + option					
LARGE ANCHORHANDLING VESSEL (AHTS)							
10	Normand Master	Spot					
11	Normand Mariner	Spot					
12	Normand Ivan	12/2005 + option					
13	Normand Borg	07/2005 + option					
14	Normand Atlantic	12/2005 + option					
15	Normand Neptun	10/2005					
SMALLER ANCHORHANDLING VESSEL (AHTS)							
16	Seabulk South Atlantic	09/2008 [1]					
17	Normand Mjolne	11/2005					
18	Normand Draupne	06/2006 + option					
19	Normand Jarl	12/2005					
20	Normand Skarven	05/2008					
21	Normand Titan	Spot					
22	Normand Drott	12/2005					
23	Normand Trym	08/2005 + option					
24	Normand Prosper	Spot					
25	Normand Hunter	11/2006					
26	Normand Ranger	07/2007 + option					
PLATFORM SUPPLY VESSEL (PSV)							
27	Normand tbn 1	Delivery September 2005					
28	Normand Skipper	04/2010 + option					
29	Normand Flipper	09/2005 + option					
30	Normand Produce	02/2006 + option					
31	Normand Vibran	Spot / 06/2005					
32	Normand Vester	05/2005					
33	Normand Carrier	05/2005					
VESSELS OWNED BY NORSKAN OFFSHORE LTDA.							
34	NorSkan tbn	Delivery 07/2006					
35	NorSkan Copacabana	Delivery April 2005 / 05/2013					
36	NorSkan Leblon	05/2006					
37	NorSkan Flamengo	09/2007					
VESSELS ON BARE BOAT - TO NOR OFFSHORE PTE. LTD.							
38	Nor tbn 2	Delivery November 2005					
39	Nor tbn 1	Delivery May 2005. 08/2005					

[1] Bare Boat

Some of the charterparties include clauses which under certain conditions gives the charter the right to cancel.

■ Contract
 Charters Option



SOLSTAD OFFSHORE ASA

Head Office:

N-4297 SKUDENESHAVN
Telephone +47 52 85 65 00
Telefax +47 52 85 65 01
E-mail: firmapost@solstad.no

Branch Office:

Solstad Offshore (UK) Ltd.
ABERDEEN, SCOTLAND
Telephone +44 1224 560280
Telefax +44 1224 560281
E-mail: office@solstad.co.uk

Associated companies:

NorSkan Offshore Ltda.
RIO de JANEIRO, BRASIL
Telephone +55 21 2103 5700
Telefax +55 21 2103 5707
E-mail: all@rio.norskan.com.br

Associated companies:

NOR Offshore Pte. Ltd.
SINGAPORE 609923
Telephone +65 6319 8799
Telefax +65 6567 7005
E-mail: trond@nortrans.com

www.solstad.com