SOLSTAD OFFSHORE ASA

ANNUAL REPORT 2005

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.

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FINANCIAL CALENDAR 2006

Preliminary result 2005	23.02.06
Ordinary general meeting	09.05.06
Result 1st quarter 2006	09.05.06
Result 2nd quarter 2006	15.08.06
Result 3rd quarter 2006	01.11.06
Preliminary result 2006	Ultimo February 2007

The dates may be subject to change.

The Solstad Offshore ASA Annual Report for 2005 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 acquired and operated 14 dry cargo vessels (liner type) and also took delivery of three semi-container new builds. These vessels varied in size from 8,000 dwt. to 14,000 dwt.

In 1973, the company's offshore activities began when four supply vessels were ordered from a Dutch shipyard and by 1976 the company operated nine supply vessels of various types. Most of them were co-owned with other Haugesund Shipping 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 had ordered several new builds. Two AHTS vessels and three AHT vessels were built in New Foundland, and four semi-container vessels were built in Rostock in East Germany. However, Solstad's last dry cargo vessel was sold in 1982, and in the following 8 years, the company only owned and operated offshore supply vessels.

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

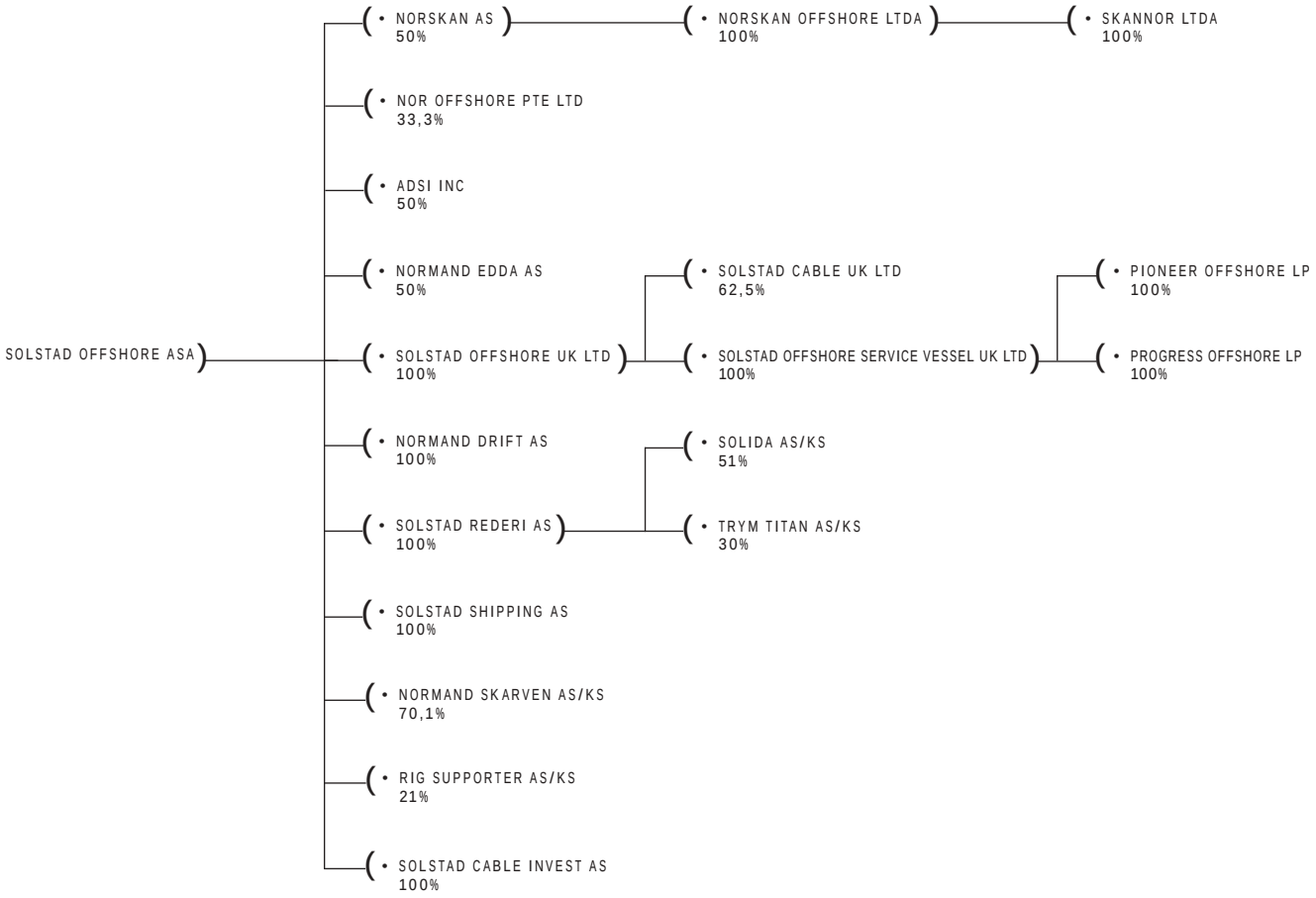
At the end of 2005, the company operated 29 offshore vessels, and in addition, 2 large CSV's and 1 large AHTS where under construction. The company also own 50% of the Brazilian company NorSkan Offshore Ltda, which owns 3 vessels and has 2 new builds on order. Nor Offshore Pte Ltd in Singapore, where the company holds 1/3 ownership, currently operates 3 smaller AHTS's, two of which are owned and 1 is on a bareboat lease. The company has also entered agreements to bare-boat a further 4 new build AHTS's.

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

Solstad Offshore ASA currently has over 750 employees, of which 621 are Norwegian seafarers. In addition to its head office in Skudesneshavn, Solstad has divisional offices in Aberdeen, Rio de Janeiro and Singapore.

The shipping company has its main offices at the charming Skudenes harbour, which is also its homeport.

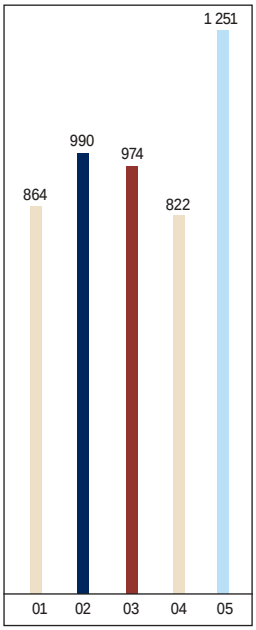
COMPANY STRUCTURE



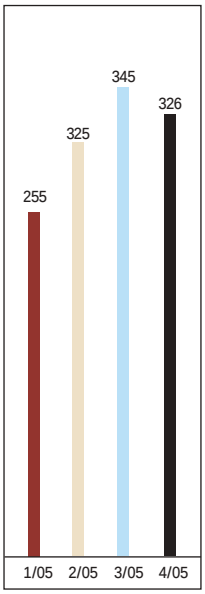
From the old steam ship quay at Skudenes harbour.

FINANCIAL HIGHLIGHTS

FREIGHT REVENUES OVER THE PAST FIVE YEARS (NOK mill)



FREIGHT REVENUES IN 2005 QUARTERLY (NOK mill)



PROFIT AND LOSS ACCOUNTS (NOK mill)	Ref	2005	2004	2003	2002	2001
Freight revenues		1251	822	974	990	864
Deferred income/Gain on fixed assets		122	38	20	20	4
Operating result bef. depreciation/write-downs		804	425	519	573	494
Operating result		486	152	278	290	357
Net finance		-185	-38	-98	-29	-12
Ordinary profit before tax		300	113	193	341	344
Net profit for the year		286	92	184	327	328
Hereof majority's share		261	64	163	284	328
BALANCE SHEETS						
Vessels and other assets		5 534	4 849	4 314	3 903	2 859
Current assets		1 065	708	684	695	647
Total assets		6 599	5 557	4 998	4 598	3 506
Equity		2 694	2 427	1 991	1 910	1 413
Deferred tax		19	55	46	38	4
Long-term liabilities		3 221	2 564	2 751	2 442	1 886
Current liabilities	1	529	408	210	209	203
Long-term interest bearing liabilities		3 221	2 564	2 661	2 337	1 761
Bank overdraft		120	84	57	-	-
Free and restricted bank deposits		971	674	674	657	599
Net interest-bearing liabilities		2 369	1 974	2 044	1 680	1 162
PROFITABILITY						
Operating margin	2	59%	49%	52%	57%	57%
Earning on equity	3, 7	11%	4%	9%	20%	25%
Earning on capital employeed	4	9%	4%	7%	9%	15%
LIQUIDITY						
Liquid assets		702	467	466	512	435
Working capital		536	300	474	487	444
EBITDA	5	687	403	436	491	493
Current ratio	6	2,0	1,7	3,3	3,3	3,2
ASSETS						
Total assets		6 599	5 557	4 998	4 598	3 506
Equity		2 694	2 427	1 991	1 910	1 413
Equity ratio	7	41%	44%	40%	42%	40%

KEY FIGURES

PER SHARE

KEYFIGURES PER SHARE	Ref	2004	2003	2002	2001	2000
Result of the year	8	6,91	1,69	4,63	8,06	9,25
EBITDA	5	18,20	10,73	12,39	13,93	13,88
Booked equity	9	71,27	64,27	56,46	54,23	40,12
Price/Earnings (P/E)		13,89	40,14	9,99	3,72	4,32
Price/EBITDA		5,27	6,34	3,74	2,15	2,88
Dividend		2,00	1,00	1,00	1,50	2,00
Share capital (NOK mill)		75,59	75,59	71,59	71,59	71,59
Quoted share price 31.12. (NOK)		96,00	68,00	46,30	30,00	40,00
Market capitalisation (NOK mill)		3 628	2 570	1 657	1 074	1 432
RISK amount per share (NOK)	10	-2,00	0,00	-0,62	-1,50	-0,72
Average no. of shares inclusive adj. for stock of treasury shares.		37 751 392	37 553 373	35 238 991	35 203 772	35 503 307
N. of shares per 31.12 incl. Adj. For stock of treasury shares		37 791 266	37 778 766	35 261 641	35 208 064	35 221 174

Where the Company has implemented new accounting principles and the figures from previous years are recalculated accordingly, and therefore comparable.

REFERENCES:

1. Includes current portion of long term debt for the years 2004 and 2005.
2. Operating result before depreciation in percentages of total operating income.
3. Result before extraordinary items, less payable/ordinary deferred tax, in percentage of average equity. Including minority interests.
4. Operating result plus interest income and result from associated company divided by average book shareholders' equity and interest-bearing debt.
5. Operating result before depreciation adjusted for gain/(loss) on sale of fixed asset and hedge effects.
6. Current assets divided by current liabilities.
7. Booked equity including minority interests in percentage of total assets.
8. Result of the year for the Group divided by average number of shares.
9. Shareholders' equity divided by outstanding number of shares per 31.12.
10. The last year is a preliminary estimation.

Facts about the "Soldrott" (1):
TDW: 8 700
Built by Bremen Vulkan, Vegesack, Germany in 1939
Purchased by Solstad Rederiet AS on 15 September 1964
Sold to Cyprus in 1971

The first ship was given the name "Soldrott"

The company's first ship was rechristened "Soldrott". This cargo ship was built in 1939 in Germany. Originally contracted by H.M. Wrangell and sold as a new construction ship to Jakob Odland s.s, it was then sold to Solstad in 1964. The acquisition price was NOK 2.3 million. "Soldrott" was often considered a lucky ship – a turning point in the shipping history of Skudenes harbour. The ship was eventually sold to Cyprus in 1971.

DIRECTORS REPORT

In 2005, Solstad Offshore ASA (the Group) achieved operating revenues of NOK 1,373 million (including gain on sale of assets of NOK 117 million) compared to operating revenue of NOK 860 million the previous year (including gain on sale of assets of NOK 22 million). Profit before tax was NOK 300 million which was a NOK 187 million increase on 2004. Booked equity at the turn of the year was NOK 2,694 million (41%) or NOK 71 per share.

In 2005, the Group achieved their best ever safety result.

At the turn of the year, the fleet consisted of 35 wholly owned/jointly owned or leased vessels, with six vessels under construction. This combination of vessels reflects the company's investment in modern construction service vessels (CSV's) and large anchor-handling vessels (AHTS's). In addition, the fleet consists of several large platform supply vessels (PSV's) and several smaller AHTS's.

In 2005, Solstad Offshore ASA has renewed the fleet by increasing their share to 100% in one large AHTS and one CSV and has taken delivery of two large PSV's. In addition, two new builds have been ordered, a large AHTS and one CSV, both with delivery first half of 2007. The expansion through the jointly owned companies in Brazil and Singapore has continued. At the same time, the Group has disposed of two smaller PSV's and reduced ownership in two older AHTS's.

The oil price has, in later years, altered from being controlled by production limitation to become influenced by market demand. The reason for this development is the strong growth in the world economy in later years, particularly in China and in the USA. The combination of high revenues in the industry, falling reserve replacement ratios and the expectation of a continued positive growth in the world economy is the main contributory factor for the increased activity in the off-shore sector in general.
This has led to increased focus on investment in exploring for new oil and gas deposits and development of fields. In 2005, the demand for modern offshore service vessels in the North Sea increased and the day rates for vessels on shorter contracts achieved both satisfactory utilization and good revenues. The new builds that has entered the marked has been absorbed through the international demand for modern tonnage in areas such as Brazil, West Africa, the Gulf of Mexico, the Far East and Australia.

In 2005, 44% of the company's income was generated by activities outside the North Sea market. In addition, the company has investments in jointly owned companies in Brazil and Singapore.

1. COMPANY PHILOSOPHY, OBJECTIVES AND STRATEGIES
The company philosophy is to run a profitable and integrated shipping company with high specification vessels in its market segment through owned or chartered vessels. 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 our aim is still 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 service activities.

The company continues to focus on health, safety and the environment and profitability and aims to meet the targets set in these areas. The most important target in health, safety and the 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 developing customer 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.

The company will evaluate where it is possible to operate cost effective operations with an optimal return on capital employed, in co-operation with new suppliers, particularly with a view to long-term strategic co-operation. This co-operation is important with regard to both risk and capital injection.

2. THE COMPANY'S ACTIVITIES
From its offices in Skudeneshavn and Aberdeen, the company operates a fleet of 29 vessels, 26 of which are owned by the Group and the remaining 3 are owned by associated companies. At the end of March 2006, 2 vessels operate on the Brazilian Continental Shelf, 2 in the Gulf of Mexico, 1 in the Mediterranean, 1 in West Africa, 4 in the Far East, with the remaining 19 being in the North Sea area.

In addition, the company has two large CSV's and one large AHTS under construction. The first CSV new build (Normand Installer) which is 50% owned, is anticipated to be delivered in March 2006. This new build is done in co-operation with SBM Offshore (Single Buoy Moorings) who will charter the vessel for a minimum of 200 days per year for eight years. The second CSV, which is 100% owned by the company, has an anticipated delivery date of May 2007 and will immediately go on contract with Subsea 7. The company's new build AHTS is expected to be delivered in March 2007 and is currently without any contract.

In addition, the company owns 50% of the Brazilian company NorSkan Offshore Ltda. The company, which has its own local administration and operations, has 5 vessels, of which 2 PSV's and 1 AHTS are under contract and two anchor-handling vessels (AHTS's) are currently under construction (delivery June 2006 and April 2007).

Nor Offshore Pte. Ltd in Singapore, in which the company has a 1/3 ownership share, are currently operating 3 new smaller anchor-handling vessels (AHTS's), two of which are owned (the latest was delivered in March 2006) and 1 is leased on a bareboat contract. In addition, the company has entered into contracts for the bare-boat of a further 4 new build AHTS's with respective delivery dates of April 2006, May 2007, October 2007 and December 2007. The bare-boat agreements for the latter three was entered into early 2006. The company has the

option to purchase the bare-boated vessels during their respective leasing periods. Nor Offshore Pte has its own administration and operations.

The company currently owns around 13% in DeepOcean ASA (DEEP). The company originally owned 1/3rd of DEEP, which was founded in 1999, and which performs underwater activities such as inspection, mapping, maintenance and repair (IMR). DEEP was listed on the Oslo Stock Exchange in December 2005, resulting in a large capital injection to the company. DEEP was valued at NOK 1.19 billion and its listing on the Stock Exchange resulted in an increased value for Solstad of around NOK 128 million in excess of the book value of the shares. The excess value was allocated to the relevant equipment and posted directly towards the Group's equity.

Solstad Offshore ASA's activities are aimed 100% at the offshore oil industry. Most of our vessels are equipped to perform activities over and above traditional supply and anchor-handling services. In addition to its focus on international growth, the company has concentrated lately on offering vessels for use in installation, survey and maintenance of equipment on sub sea installations. The company has also expanded and modernized its anchor-handling tonnage, particularly in the deep water end. The company's operating income in 2005 is divided as follows: 44% from AHTS's, 32% from CSV's and 24% from PSV's.

The Group's freight income was divided as follows: 56% from the North Sea, 7% from South America, 6% from West Africa, 5% from Middle and North America, 14% from the Mediterranean and 12% from Asia (excluding the jointly-owned operations in Brazil and Singapore).

3.THE OFFSHORE MARKET

Market forces influencing the demand for offshore service vessels are:

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

In the short-term, the increased oil price is primarily due to an increased demand for oil as a result of the strong world economy growth in addition to the unpredictable political conditions in major oil-producing countries. Production regulation by OPEC has had less impact the last two years. The effect of this development has been a solid cash flow to the oil industry, forming a solid basis for increasing activity and therefore the demand for the company's services. This development and increasing optimism has opened up the market for many new independent players.

In the long-term, there is a need to develop new oil reserves and production from these new reserves will be the most important driving force for the international offshore industry. Even with a cautious estimate of the increased use in oil in the coming years, the focus will be on the need to replace the current volumes of oil produced with new reserves and increased production capacity. West Africa, Brazil, North America (incl. Mexico), Russia and parts of Asia and Australasia are the regions with the greatest growth potential in the offshore sector.

It is estimated that future annual investment in the offshore exploration, development and operations activities will exceed USD 100 billion. The geographical allocation of these resources will be dictated by the potential for economic growth. Because of high operational costs and weakened constraints on the Norwegian/British Continental Shelf, there is an increased demand for large, advanced offshore service vessels outside the North Sea area. In addition, there is the need to replace old, outdated tonnage.

In the North Sea, the market for the offshore service industry is dominated by operational segments, i.e., supply and maintenance services for producing fields. This applies mainly to the British Sector. On the Norwegian Continental Shelf, the coming years will see increased activity linked to development of fields and laying of pipelines. In addition, Norway has the potential for further development, particularly in the Northern areas. The high oil prices assisted by a well developed infra-structure, has contributed to considerable interest for exploration in these areas. Any new viable fields will, in time, result in the develop of production and transport systems.

Historically, the main category of offshore service vessels has been the anchor-handling vessels (AHTS's) and the platform supply vessels (PSV's). Technological development has resulted in a demand for services which has led to the development of more advanced multi-purpose and specialist vessels such as the construction service vessels (CSV). The functional overlap between the vessel types has therefore increased. The world's fleet of AHTS's greater than 15,000 BHK was 100 vessels at the turn of the year and there were around 210 PSV's with carrying capabilities of over 3.000 dwt. There were approximately between 30 and 100 of these types of vessels operating in the North Sea. This is 20 more vessels as compared to the previous year.

110 vessels of this size were on order at the beginning of this year compared with 75 one year age. The number of AHTS and PSV new builds was 20 and 90 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. Of the Norwegian subsidiaries, Solstad Shipping AS is the management company, with Solstad Rederi AS, being the ship owning/chartering company subject to the Norwegian shipping tax regime. Normand Drift AS handles any activity not included under the Norwegian shipping tax regime. Solstad Offshore ASA owns 100% of Solstad Offshore UK Ltd in Aberdeen, 50% of NorSkan Offshore Ltda in Rio de Janeiro/Macaé and 33% of Nor Offshore Pte Ltd in Singapore. NorSkan Offshore Ltda is owned together with med DOF ASA whilst Nor Offshore Pte Ltd is owned together with DOF ASA and Nortrans Pte Ltd.

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.

The ownership share in DeepOcean ASA was reduced to 13% after the company was merged in the Autumn of 2005, the capital injection and the listing of the company on the Oslo Stock Exchange. These shares are treated in the accounts as financial assets.

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 2.098, which is 20 more than the previous year. Foreign shareholders own 11.7 %.

The Board will propose at the general meeting on 9th May, that a dividend of NOK 2 per share in share dividend for 2005. The payment will be made at the end of May 2006.

The price of the company's shares developed positively throughout the year. At the beginning of the year, the share price was NOK 68 compared to NOK 96 at the end of the year, an increase of 41%. The company paid NOK 1 per share in dividend in 2005 (based on the 2004 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.

The company's operations are "to operate a shipping company and related activities". The company's equal and open policy towards all its shareholders with unrestricted disposal of shares remains unchanged.

The aim is to make the company attractive in the long-term by reflecting its increased equity in the return on shares and dividends. The Board's aim, over several years, is that the share return 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. This power of attorney is rarely exercised. At 31.12.2005 the total number of treasury shares was 2,894.

At the general meeting in May 2005, the Board of Directors had their power of attorney extended to be able to increase the share capital by NOK 4 million. This power of attorney which extends until the next ordinary general meeting has not yet been exercised.

Based on previous experience, the Board of Directors will propose that the general meeting in May 2006 approve renewal of the power of attorney relating to the increase of share capital and acquisition of treasury shares.

There is no resolution that the company shall have an election committee. The work form is that the Chairman and Deputy Chairman form an election 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. 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 company 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 those referred to in 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 our 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 an 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 capacity, the board must first approve this. The auditors' fees, regardless of the amount, are included in the notes to the annual accounts.

6. FINANCIAL – THE GROUP
The annual accounts for 2005 have been prepared in accordance with IFRS (International Financial Reporing Standards). Similarly is the numbers for 2004 revised from Norwegian accounting principals to IFRS. In connection with the change-over to IFRS the company issued a IFRS Transition Document where the effects of the IFRS implementation was highlighted. This document is revised continuously and will be published prior to the 1st Quarter 2006 results.

Total operating revenue for the Group in 2005 was NOK 1,373 million (860 million). Included in the operating income is profit on sales of NOK 117 million (22 million). In addition to the gain on sales and a larger fleet, the increase in operating revenue is due to a far better spot market in the North Sea during 2005 as compared to 2004. When compared to the previous year, the Group's fleet capacity has improved – measured in possible charter days the increase is 18%. For 2005, the contract coverage for the company's fleet was around 90%.

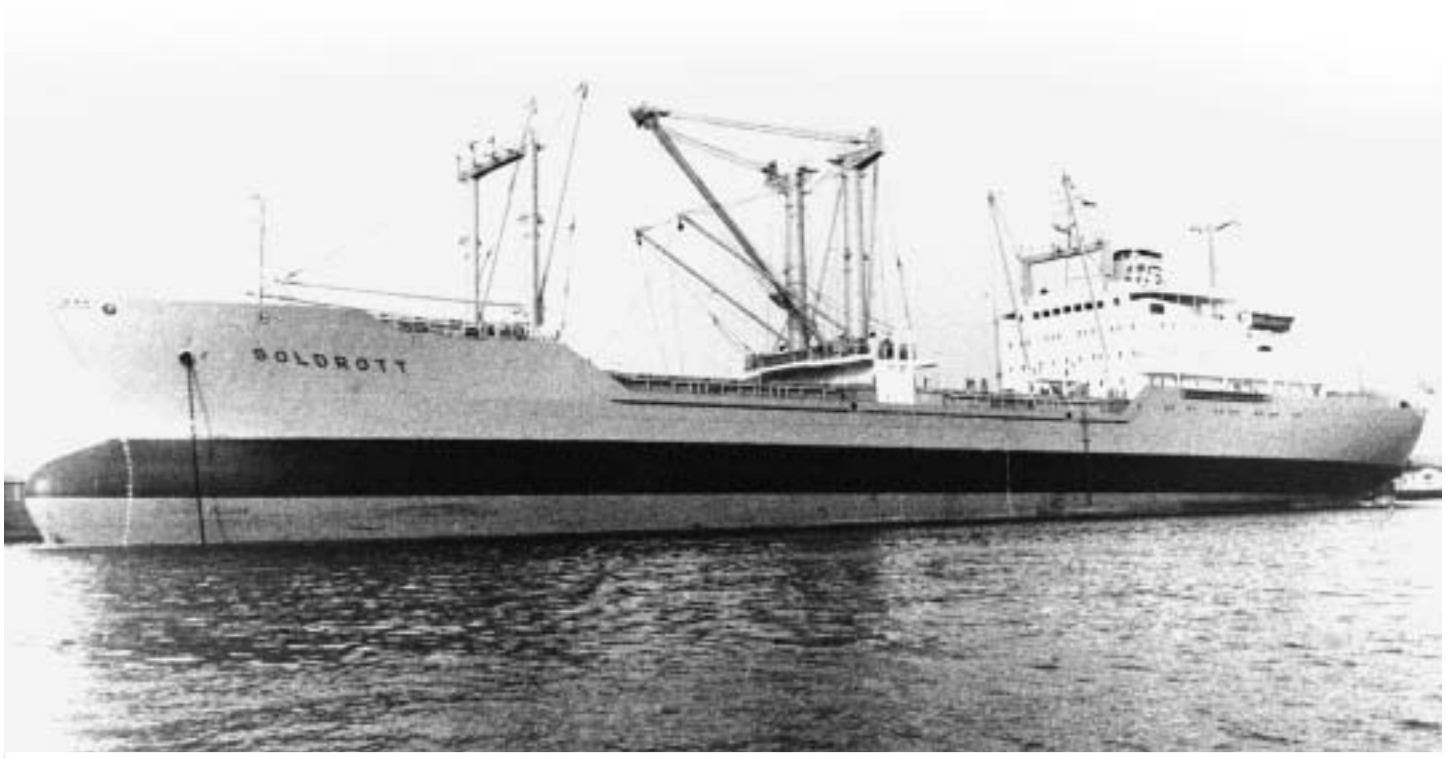
The operating result after depreciation was NOK 486 million (152 million) after posting NOK 319 million (274 million) in depreciation of fixed assets.

The result before tax was NOK 300 million (113 million) after charging to income NOK 185 million (38 million) in net financial items. Other financial income of NOK 86 million is comprised of unrealized currency gain (NOK 31 million in realized currency gain in 2004).

A101
NORMAND MARINER

Facts about the "Soldrott" (2):
TDW: 14 000
New build no. 1 – Built by Warnow Werft, DDR, in 1971
Sold to an East African shipping line in 1978

The company's first new build was launched on 4 October 1971



The company's first new build was launched on 4 October 1971. The semi-container ship of 14,000 TDW with machinery representing 12,000 HP, was christened "Soldrott" (2) in Hong Kong on 4 October 1971. Finally, the shipping company could operate a brand new, modern ship after a quick, four-month roundtrip of Europe. In the following year, the shipping company's new construction ship no. 2 was taken charge of from Neptun Verft, German Democratic Republic (DDR), and christened "Sol Michel".

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 shares, the earnings per share were NOK 6.92 (1.69). The total cash flow from operations (EBITDA) was NOK 687 million (NOK 403 million).

Apportioned by segments, the operating income reflects primarily, the company's development of a larger and modern fleet of CSV's and AHTS's in later years. Also highlighted in the operating results, mainly for PSV's but also AHTS's, is the company's exposure towards the good spot market during most of 2005. On average, the operating revenue (excluding gain on sale of assets) and before depreciation (operating margin) was 55% of the operating revenue.

The greatest impact on the Group balance in 2005 was the investment and loan in conjunction with the acquisition of two new PSV's, an increased share to 100% in one AHTS and one CSV and the conversion of the Norman Clipper from a cable laying vessel to a CSV. Furthermore there was the sale of two smaller PSV's, 2 older AHTS's and a CSV with reduction in ownership to zero. The shares of DeepOcean ASA are posted at market value (as equity capital) after the company was listed on the Oslo Stock Exchange in the autumn of 2005.

The book value of the vessels at 31.12.05 was in total NOK 4,807 million (4,278 million) of which NOK 99 million (82 million) relates to payment of loan installments on the new builds.
The Board has evaluated the book value of the vessels according to the regulations in IAS 36 regarding the depreciation of fixed assets and has not found any reason for further depreciation.

The Group's long-term interest-bearing debt at 31.12.05 was NOK 3,221 million (2,564 million) apportioned by 40% USD, 38% NOK, 18% GBP and 4% EURO. At the end of the year, 1-3 year hedging agreements were entered into for approximately 11% of the debt.

Booked equity was NOK 2,694 million (2,427 million) of which minority interests accounted for NOK 235 million (304 million). Booked equity per share was NOK 71 (NOK 64). Based on the average of three broker evaluations at 31.12.05 (vessels without contracts), value adjusted equity before tax was approximately NOK 113 compared with NOK 82 the previous year.

At the turn of the year the working capital was positive by NOK 536 million (300 million).
At the same time, interest-bearing debt was NOK 2,369 million (NOK 1,974 million).

The Group is exposed to different financial market risks. Financial market risk is the risk that changes in currency rates, interest rates and freight rates will influence the value of the Group's assets, liabilities and future cash flows. To reduce and control these risks, management periodically evaluate the Group's most important financial market risks. Identification of a certain risk factor leads to action to reduce this specific risk. The Group is exposed both towards interest- and currency risk, mainly through long term financing and freight income. The former risk is reduced partially through 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.

Under "Financial Key Figures" and "Key figures per share" are definitions of the different accounting principles used and a summary of the key figures in the Group accounts.

7. HEALTH, SAFETY AND ENVIRONMENT (HSE)

The Company's goals for HSE and Q.A. are:

- All the company's activities are to be performed in a professional and knowledgeable manner
- The company's management shall oversee that all the company's activities are performed in accordance with international laws and regulations together with internal and external 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 the necessary training and instruction in compliance with the current regulations (STCW-95) and internal requirements.
- The company shall have a "Planned Maintenance System" where all critical and vital engine and equipment components are reported and monitored.
- The company shall have an HSE reporting system established on all vessels and offices where experience transfer, personal injury, near misses, equipment damage, pollution and deviations and reported and monitored.

The company's HSE system complies with international regulations and the ISM code (IMO International Safety Management Code), ISO 14001, ISO 9001 and ISPS (International Ship and Port Facility Security Code). All vessels, together with the administration, are certified by Det Norske Veritas or the relevant flag state. Crew onboard are given training in the ISM code and any re-training in accordance with the regulations for STCW-95 (Seafarers Training, Certification and Watchkeeping 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 2005 to over 3,600. 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 two accidents which resulted in lost time. The "H-factor" (number of lost time incidents per 1,000,000 working hours) was 0,5 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 2005, the company had a total of 28 uncontrolled spillages, all minor (totaling 334 liters) which polluted the environment.

At the end of the year the company employed 752 people, 700 of which were seafarers. The working environment on land as well as on the vessels is considered good. Sick leave amongst the companies within the Group was approximately 4.3% in 2005.

The division between the employees in the administration is 65% male and 35% 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.

The work on collating the trends from the received RUH reports will continue to have the highest priority as it is an effective measure to prevent injury and spillage.

8. EXPECTATIONS TO 2006

Throughout 2005, the increased demand for offshore services improved considerably. Strong global economic growth and a high oil price have all contributed to good turnover for the oil companies. This, combined with the falling reserve replacement rates for oil, has strengthened the market expectations for a stable, long-term high oil price. In turn, this has resulted in increased activity in 2005, as compared to previous years and the expectation that increased offshore activity and investment in activities such as exploration drilling and production will be higher in the coming year.

The activity in the North Sea increased considerably in 2005 as a result of more exploration rigs in operation and the start up of several large development projects on the Norwegian Sector (Ormen Lange, Langeled, Kristin and Snøhvit). These projects will also increase the demand for maritime services in 2006, and it is anticipated that there will be an increase in demand for exploration drilling, particularly in the Northern areas. Increased global activity is expected particularly in Brazil, West Africa, the US Gulf, 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 sub sea construction market is also showing a clear improvement and activity in the coming year will be good.

At 31.12.05 there were around 110 larger vessels on order (AHTS's over 15,000 BHP and PSV's over 3,000 dwt.). This is considerably more than last year. The total number of vessels of this size in operation at the turn of the year was around 310 vessels.

The Board expects the demand for the company's services in the next two years to be good. This is primarily due to anticipated increased drilling activity and increasing sub sea activity.

In the longer-term, the increased demand for oil and gas combined with limited discovered reserves will ensure high offshore activity. The company anticipates continued and increasing focus on deepwater areas and sub sea activities. This will result in increased demand towards 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 segment of the fleet will secure good contract coverage.

At the time of accounts submission, the contract coverage for 2006, based on the number of days is 65% for vessels in the Group (the equivalent figure for last year was 63%). In 2007, the contract coverage is currently 34% (31%). Including contract options, the contract coverage for 2006 and 2007 is 71% and 52% respectively.

With effect from 1 July 2003, there was a net tax arrangement introduced for the offshore fleet registered under the Norwegian Ordinary Ships Register (NOR) that contributes significantly to improving framework agreements between seafaring nations within the EU. This tax arrangement will be presented to Parliament in the autumn of 2006. The net wage agreement, such as it is today, is vital in securing work places for our Norwegian seamen. The hope is that this law will be passed and therefore provide a secure, stable frame agreement for both employees and employers.

9. FINANCIAL – PARENT COMPANY

Solstad Offshore ASA achieved annual profits of NOK 302 million (compared to a deficit of 4 million in 2004). Net financial income increased by NOK 323 million (2 million) including dividends from subsidiaries. NOK 2 million has been posted as currency loss associated with the company's deposits and currency fluctuations. 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 year was NOK 1,174 million, NOK 1,046 million of which can be paid as dividend in accordance with Norwegian corporation law. The debt for the same period was NOK 217 million, of which NOK 75 has been allocated to dividends for 2005.

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 for 2005. The auditors' fees for 2005 are proposed as approved with NOK 265,000.

The Board of Directors proposes the following appropriations:

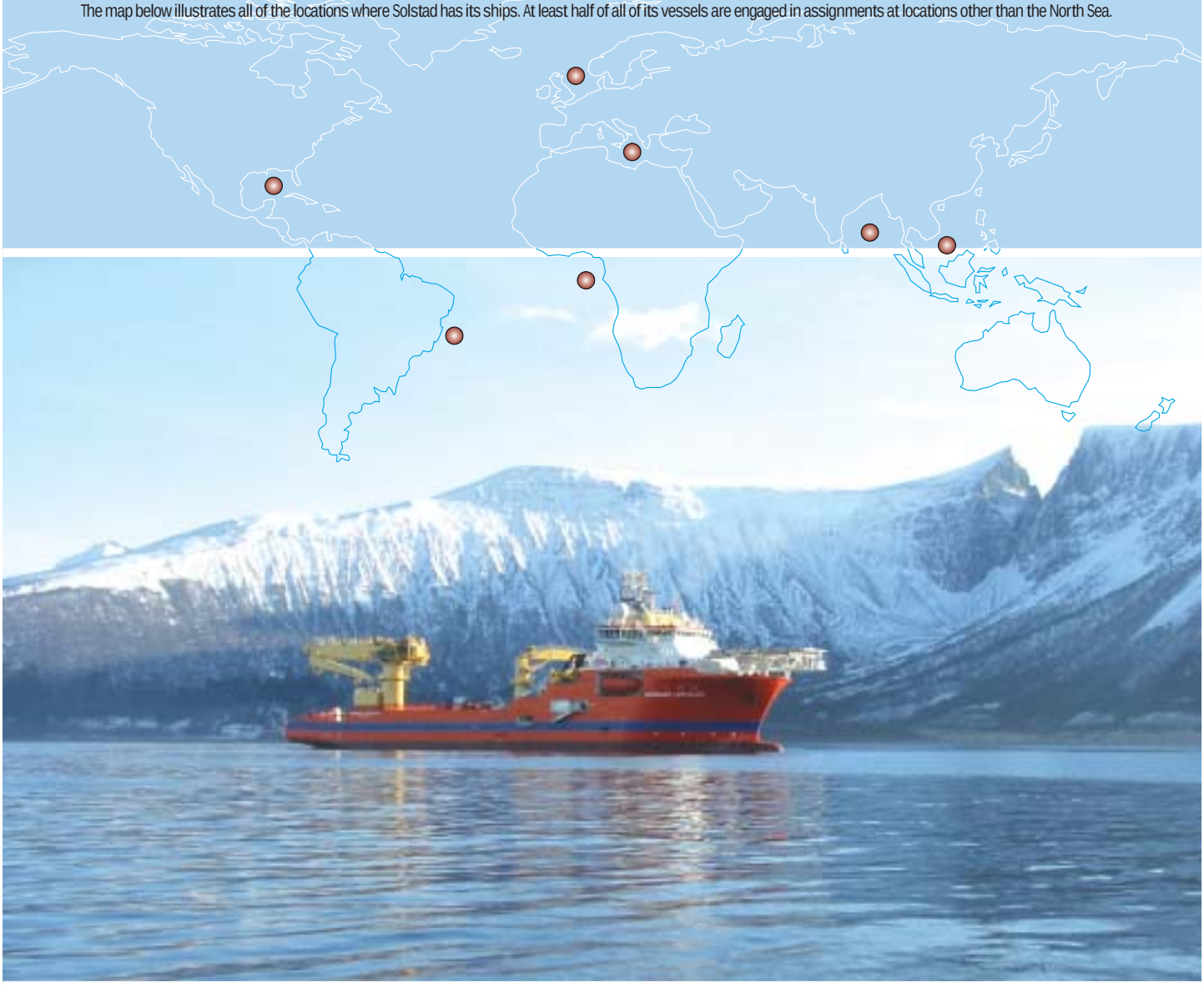
Allocated Dividends	NOK 75,588,320
Transferred from other equity	NOK 226,271,821
Net appropriated/transferred	NOK 301,860,141

The board of Directors Solstad Offshore ASA
Skudeneshavn, 24th March 2006

Harald Eikesdal Chairman	Johannes Solstad Deputy Chairman	Toril Eidesvik Board Member
Per Gunnar Solstad Board Member	Arne Austreid Board Member	Lars Peder Solstad Managing Director

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.



GROUP ACCOUNTS

FOR SOLSTAD OFFSHORE ASA

PROFIT AND LOSS ACCOUNT

1.1 - 31.12

GROUP			(NOK 1 000)
		IFRS	IFRS
	Notes	2005	2004
Freight income	4	1 250 659	822 071
Other operating income	2, 5	122 405	37 915
Total operating income		1 373 064	859 986
Crew costs	5, 6	-354 901	-280 133
Ordinary depreciation	8	-266 623	-227 814
Depreciation capitalised periodic maintenance	8	-52 142	-45 792
Other operating expenses	5	-211 238	-179 320
Income from investment in assocs. & jointly-owned co's	9	-2 590	24 642
Total operating costs		-887 495	-708 418
Operating profit/loss		485 569	151 568
Other interest income	7	29 968	24 897
Other financial income/ -expense	7, 11	-89 660	30 083
Other interest charges	7	-125 631	-93 260
Net financing		-185 323	-38 280
Ordinary profit before taxes		300 246	113 289
Tax on ordinary result	12	-14 246	-20 929
Net profit for year		286 000	92 359
Minority shares		24 992	28 735
Majority shares		261 007	63 625
Earnings per share	14	6,91	1,69

BALANCE SHEET

GROUP			(NOK 1 000)
		IFRS	IFRS
	Notes	31.12.05	31.12.04
ASSETS			
Long-term assets			
Long-term fixed assets			
Vessels and new build contracts	2, 8	4 806 719	4 278 598
Capitalized periodic maintenance	8	56 892	62 313
Other tanglible fixed assets	8	17 789	18 746
Total long-term fixed assets		4 881 400	4 359 657
Financial assets			
Investment in jointly-owned companies	9	49 669	80 884
Loan to jointly-owned companies	15	129 919	70 321
Investment in associated companies	9	18 146	110 589
Investments in stocks and shares	9	173 648	15 002
Tied bank deposits	11	268 717	206 610
Other long-term receivables	20	12 558	5 886
Total financial assets		652 657	489 292
Total long-term assets		5 534 057	4 848 949
Current assets			
Stock	25	26 400	14 799
Receivables			
Account receivables	21	227 602	167 642
Other short-term receiavbles	21	108 200	58 515
Total receivables		335 802	226 156
Bank deposits and cash equivalents	18	702 450	467 157
Total current assets		1 064 652	708 113
TOTAL ASSETS		6 598 709	5 557 061

BALANCE SHEET

GROUP			(NOK 1 000)
	Notes	31.12.05	31.12.04
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital (37.794.160 at NOK 2.00)	13	75 588	75 588
Treasury shares	13	-6	-31
Other paid-in capital		111 648	
Share premium reserve			111 648
Total restricted equity		187 231	187 206
Earned equity			
Other equity		2 270 717	1 936 274
Total earned equity		2 270 717	1 936 274
Minority interests		235 589	303 645
Total equity		2 693 537	2 427 126
Liabilities			
Provisions			
Deferred tax	12	19 398	54 695
Deferred income	26	25 915	3 068
Pension liabilities	6	10 520	9 530
Other provisions	10	100 000	90 400
Total provisions		155 832	157 693
Other long-term liabilities			
Other long-term loans		41 328	92 016
Debt to credit institutions/leasing obligations	11	3 179 328	2 471 822
Total long-term liabilities		3 220 656	2 563 838
Current liabilities			
Accounts payable		31 616	51 009
Bank overdraft		119 925	83 940
Taxes payable	12	40 460	15 407
Accrued salaries and related taxes		27 726	21 163
Other current liabilities	11	308 957	236 886
Total current liabilities		528 683	408 405
Total liabilities		3 905 172	3 129 936
TOTAL EQUITY AND LIABILITIES		6 598 709	5 557 061
Mortgages	11		
Guarantees etc.	3, 7, 11		

Skudeneshavn, 24th March 2006

Harald Eikesdal Chairman of the board	Johannes Solstad Deputy Chairman	Toril Eidesvik Board Member
Per Gunnar Solstad Board Member	Arne Austreid Board Member	Lars Peder Solstad Managing Director

CHANGES IN EQUITY

GROUP (NOK 1.000)

	Share capital	Treasury shares	Premium fund	Other paid-in capital	Translation adjustments	Other equity	Total majority-shares	Minority shares	Total equity
Equity 01.01.2004	71 588	-1 065	11 601			1 858 001	1 940 125	268 538	2 208 663
Share capital (2.000.000)	4 000		100 048				104 048		104 048
Sale treasury shares (517.125)		1 034				26 119	27 153		27 153
Annual result						63 625	63 625	28 735	92 359
Dividend						-37 794	-37 794		-37 794
Unallocated dividend on treasury shares						33	33		33
Minority shares								6 372	6 372
Translation adjustments					1 755		1 755		1 755
Hedging of income						24 535	24 535		24 535
Other adjustments						2	2		2
Equity 31.12.2004	75 588	-31	111 648		1 755	1 934 519	2 123 480	303 645	2 427 126
Equity 01.01.2005	75 588	-31	111 648		1 755	1 934 519	2 123 480	303 645	2 427 126
Implementation of IAS 32 and IAS 39						-17 530	-17 530		-17 530
Purchase treasury shares (5.000)		-10				-466	-476		-476
Sale treasury shares (17.500)		35				1 608	1 643		1 643
Annual result						261 007	261 007	24 992	286 000
Dividend						-37 794	-37 794		-37 794
Unallocated dividend on treasury shares						15	15		15
Reduction of premium fund			-111 648	111 648					
Minority shares, paid out liquidation								-81 304	-81 304
Net gain on available for sale financial assets						139 678	139 678		139 678
Translation adjustments					-23 026		-23 026		-23 026
Other adjustments						10 951	10 951	-11 744	-793
Equity 31.12.2005	75 588	-6		111 648	-21 271	2 291 988	2 457 948	235 589	2 693 537

The company's first supply vessels were the "Normand Produce" and the "Normand Carrier"

Facts about the "Normand Produce"
TDW: 780
New build no. 3 – Built in Groningen, the Netherlands, in 1974
Sold to K/S A/S Seabas, Fosnavåg, Norway, in 1984

Facts about the "Normand Carrier"
TDW: 590
New build no. 4 - Built in Groningen, the Netherlands, in 1974. Rebuilt by Larsens Mek. Verksted, Norway, in 1984
Sold to Nomis, UK, in 2004

The company's first supply vessels were "Normand Produce" and "Normand Carrier" – built for what is perhaps the world's roughest navigation. The ships were launched in the Dutch manner – sideways out into the canal – and christened on 15 June 1974 in Groningen in the Netherlands within only an hour's interval. The "Normand Produce" lay out on its maiden voyage to the Ekofisk Field – followed by the "Normand Carrier" three weeks later. The company's sights were now firmly set on the oil adventure in the North Sea.

STATEMENT OF CASH FLOW

1.1 - 31.12

GROUP		(NOK 1 000)	
		IFRS	IFRS
		2005	2004
CASH FLOW FROM OPERATIONS			
Result before taxes		300 246	113 289
Taxes payable		-20 242	-4 912
Ordinary depreciation/write downs and deprec. capitalized periodic maintenance		318 765	273 606
Loss/ gain long-term assets		-117 170	-14 096
Hedging effects on future income in foreign currency			24 535
Effect of change in pension assets		-989	4 473
Unrealised currency gain/loss		79 060	-124 611
Change in short-term receivables/payables		-90 955	1 273
Change in other accruals		51 337	-927
Net cash flow from operations	(A)	520 052	272 629
CASH FLOW FROM INVESTMENTS			
Investment in tangible fixed assets (vessels)		-1 057 467	-495 497
Payment of capitalized periodic maintenance		-46 721	-62 717
Sale of fixed assets (vessels)		382 487	25 006
Write-down financial assets		7 156	
Investments in other shares		-17 318	-29 137
Realized shares and interests		79 653	
Net cash flow from investments	(B)	-652 210	-562 345
CASH FLOW FROM FINANCING			
Share emissions			104 048
Payment to/from minority interests		-81 304	6 375
Payment of dividends		-37 779	-37 762
Paid-in interests		29 968	24 897
Paid-out interests		-127 510	-94 642
Sale treasury shares		1 167	27 153
Change in restricted bank deposits		-62 107	1 617
Repayment of long-term receivables		-66 270	-54 600
Bank overdraft		35 985	27 027
Long-term debt		1 537 864	429 526
Repayment of long-term debt		-862 564	-142 833
Net cash flow from financing	(C)	367 451	290 806
Net change in cash and cash equivalents	(A+B+C)	235 293	1 090
Cash and cash equivalents at 01.01		467 157	466 067
Cash and cash equivalents at 31.12	(Note 18)	702 450	467 157

The world's largest, most advanced ship of its kind in 1984

Facts about the "Normand Drott"
TDW: 2 900
New build no. 23 – built by Ulstein Hatlø, Ulstenvik, Norway, in 1984

The world's largest, most advanced ship of its kind in 1984 was the "Normand Drott". The offshore ship appeared at the time as way ahead of its time – and even today, over 20 years later, the "Normand Drott" is still a modern ship. The ship was built by Ulstein Verft AS in Ulsteinsvik, Norway as new build no. 188 and was otherwise the first of many Solstad "Ulstein ships".

NOTES

NOTE 1 ACCOUNTING PRINCIPLES

(Unless otherwise stated, figures are given in NOK 1000)

The Group Solstad Offshore ASA operates from it's head office in Skudeneshavn, Norway. The Group runs a shipping business and it's main activities are operation of offshore service- and construction vessels. The Group is listed on Oslo Stock Exchange. The financial statement was approved by the Board of Directors on 24th of March 2006.

STATEMENT OF COMPLIANCE

The consolidated financial statements of SOFF have been prepared in accordance with International Financial Reporting Standards (IFRS).

SOFF has applied the following voluntary exemption in IFRS 1:

- both IAS 32 and IAS 39 will be adopted from January 1, 2005 with no comparative figures for 2004
- recognition of all actuarial gains and losses at the date of transition

BASIS FOR PREPARATION

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value.

The consolidated financial statements have, until December 31, 2004, been presented according to the Norwegian Accounting Act of 1998 and Norwegian Generally Accepted Accounting Principles (NGAAP). NGAAP is, on certain areas, different from IFRS.

First time adoption to IFRS is performed in the 2005 financial statements, with transition as per January 1, 2004. IFRS 1 – First time adoption of International Financial Reporting Standards has been used for implementation of IFRS. The standards have been followed consistently for both 2004 and 2005, except for certain cases where IFRS 1 explicitly allows different. Comparative figures for 2004 are therefore translated according to IFRS.

Disclosures according to IFRS 1 regarding the transition from NGAAP to IFRS are given in Note 24 and in the statement of changes in equity.

RECENTLY APPROVED STANDARDS

In August 2005 IFRS 7 Financial instruments: Disclosures was publicized. This standard is applicable for financial statements from January 1, 2007. The standard demands a higher level of disclosure of financial items. The Group is analyzing the effects of the standard with a view on additional disclosure to be implemented from 2007.

In June 2005 changes were made in IAS 39 Financial instruments: Recognition and measurement related to method for measuring of fair value of financial instruments. The option to choose fair value for any financial items is now limited to apply only to assets fulfilling certain criteria. This change is implemented with the transition. The Group has not used the now limited option; hence the change has not affected the financial statement.

In 2005 the IFRIC-interpretation "IFRIC Intrepretation 4 Determination whether an arrangement contains a lease" was publicized. This interpretation is applicable for financial statements from January 1, 2006, and provides guidance how to identify leasing agreements and how cash flows in combined agreements should be separated to isolate the leasing part of the agreement. The Group has evaluated this interpretation and found no agreements that is affected of this interpretation.

CONSOLIDATION

The consolidated financial statements comprise the financial statements of Solstad Offshore ASA and its subsidiaries as at 31 December each year. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The group accounts show the total profit / loss and financial position of Solstad Offshore ASA and its controlling interest as a whole. The consolidated accounts include companies where Solstad Offshore ASA has direct or indirect ownership of more than 50% of the voting shares, or otherwise has direct control. Share options, convertibles and other equity instruments are considered when assessing whether control exist. Subsidiaries are consolidated 100% line by line in the group accounts.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Acquisitions of subsidiaries are accounted for using the purchase method of accounting. The cost of an acquisition is measured as the fair value of assets acquired, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. Any excess cost of acquisition over the fair value of the net assets of the subsidiary acquired measured at the date of change of control, will be recorded as goodwill.

All intercompany transactions, receivables, liabilities and unrealized profits, as well as intra-group profit distributions, are eliminated.

The minority interest in equity as well as net income is reported separately in the consolidated financial statements.

INVESTMENT IN ASSOCIATE/JOINT VENTURE

The Group's investment in its associates/joint ventures is accounted for under the equity method of accounting. Associate is an entity in which the Group has significant influence and which is not a subsidiary. Joint venture is an entity in which the Group has significant influence and where strategic decisions has to be unanimous The reporting dates of the associates/joint ventures and the Group are identical and both use consistent accounting policies.

The investment in an associate/joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate/joint venture, less any impairment in value. The income statement reflects the share of the results of operations of the associate/joint venture as financial income. Where there has been a change recognized directly in the associates/joint ventures equity, the Group recognizes its share of any changes and discloses this, when applicable in the statement of changes in equity.

NOTES

OTHER INVESTMENTS

Other investments, such as shares, loans, receivables and others are classified in one of the following categories according to IAS 39:

- Financial assets at fair value through profit and loss
- Available for sale assets
- Held to maturity investments
- Loans and receivables

Investments in the first two categories are booked at fair value. Changes in fair value are booked through profit and loss or directly to equity respectively. Other investments are book at amortized cost, and any reduction in value is booked as a write-down through profit and loss.

FOREIGN CURRENCY TRANSLATION

The functional and presentation currency of Solstad Offshore ASA is Norwegian Kroner (NOK). Transactions in foreign currencies are initially recorded in the functional currency rulling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognized in the consolidated income statement. Non-monetary items, e.g. vessels, that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as the date of initial transaction. Non-monetary items measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.

The following exchange rates have been used in the accounts:

	GBP	USD	Euro	BRL
Pr 31.12.03	11,907	6,6929	8,4369	2,335
Pr 31.12.04	11,641	6,0386	8,2385	2,309
Pr 31.12.05	11,652	6,7687	7,9850	2,909

USE OF ESTIMATES

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Accounting estimates are employed in the financial statements to determine reported amounts, including the realisability of certain assets, the useful lives of tangible and intangible assets, income taxes and others. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

SEGMENT INFORMATION

The Group's primary reporting format is business segment and its secondary format is geographical segment. The three main business activities are anchor-handling vessels (AHTS), platform supply vessels (PSV) and construction service vessels (CSV). In addition, other activities are inserted in a separate segment. Overhead costs are apportioned between these segments in the same way as other operating expenses.

The Group's geographical segment are determined by the location of the Group's vessels and operations.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment acquired by Group companies are stated at historical cost, except the assets of acquired subsidiaries that were stated at the fair values at the date of acquisition. Depreciation are calculated on a straight-line basis and adjusted for residual value and impairment charges, if any. Residual value is the estimated amount that currently would be obtained from disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful lifetime. The carrying value of the property, plant and equipment on the balance sheet represents the cost less accumulated depreciation and any impairment charges

Each part of a fixed asset that is significant to the total cost of the item are separately identified and depreciated over that component's useful lifetime. Components with similar useful lives will be included in one component. SOFF has identified 4-5 significant components relating to their different types of vessels.

The residual value and expected useful lifetime assumptions of long-lived assets are reviewed at each balance sheet date, and where they differ significantly from previous estimates, depreciation charges are changed accordingly.

Ordinary repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. The cost of major renovations and periodic maintenance of vessels is capitalised and depreciated over the useful lifetime of the parts replaced. The useful lifetime of the regular vessels docking expenses will normally be the period until next docking.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indications exist and where the carrying value exceeds the estimated recoverable amount, the asset or cash-generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. A previously recognised impairment loss is reversed if their has been a change in the estimates used to determine the recoverable amount. Reversal of previously recognised impairment is limited to the amount the carrying value of the asset would have been had the initial impairment charge not taken place.

Vessels in the same business segments are treated as one cash-generating unit when determining the recoverable amount.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in operating profit.

NOTES

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. When a new build is delivered it is transferred to depreciable assets. Depreciation starts when the vessel is brought to use.

BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition of an asset is capitalized as part of the cost of that asset. Subsequent measurement is made to amortized cost to the effective interest method.

FINANCIAL INVESTMENTS

All investments are initially recognized at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition, over the year to maturity. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognised or impaired, as well as through the amortization process.

For investments that are actively traded in organized financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

LEASES

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term interest-bearing liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful lifetime of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases net of any incentives received from the lessor are charged to the income statement on a straight-line basis over the period of the lease.

TRADE AND OTHER RECEIVABLES

Trade receivables are carried at their anticipated realizable value, which is the original invoice amount less an estimated valuation allowance for impairment of these receivables. A valuation allowance for impairment of trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

TREASURY SHARES

The nominal value of treasury shares held is deducted from registered share capital. Any differences between the nominal value and the acquisition price of treasury shares, together with any gains or losses on transactions therein, are recorded directly to reserves.

INTEREST-BEARING LOAN AND BORROWINGS

All loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recognized on the income statement over the period of the interest bearing liabilities. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognized in net profit or loss when the liabilities are derecognised or impaired, as well as through the amortization process.

PROVISIONS

Provisions are recognized when the Group as present legal or constructive obligation as a result of past events, it is probable that that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

INCOME TAXES

Companies taxed under The Norwegian Shipping Tax Regime will not be taxed on its net operating profit prior to distribution of these undistributed profits to its shareholders. Taxation under the shipping tax regime requires compliance to stringent requirements, and voluntary or forced exit of the regime will result in taxation of undistributed untaxed profits. Net financial income is taxed on current basis (28%).

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax

losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Expected utilization of tax losses are not discounted when calculating the deferred tax asset.

For companies in the group taxed in accordance with the shipping tax regime no provision for deferred taxes has been made. Income tax rate for undistributed profits is zero and hence deferred taxes are to be calculated based on this zero tax rate. The income tax consequences of dividends are recognized when a liability to pay the dividend is recognized.

Based on a newly publicized discussion document regarding changes in the shipping tax regime, uncertainty whether there will be changes in the legislation has arose.

Tonnage tax paid under the tonnage tax regime is classified as operational expenses.

PENSION OBLIGATIONS

The Group has a defined benefit plans for seamen and administrative personnel. The liability of the defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets, together with adjustments for actuarial gains/ losses and past service cost. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method and is measured as the present value of the estimated future cash outflows using interest rates of government securities that have terms to maturity approximating the terms of the related liability. The cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of the employees. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous reporting year exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining service lives of the employees participating in the plans.

REVENUE RECOGNITION

Revenue and expenses 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.

DIVIDENDS

Dividends are recognized when the shareholder's right to receive the payment is established (General meeting).

GOVERNMENT GRANTS

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

FINANCIAL DEVIATES

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to reduce its risk associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value. Gains and losses on derivates are taken directly to profit

RELATED PARTY TRANSACTIONS

All transactions, agreements and business activities with related parties are set on arm's length basis in a manner similar to transactions with third parties.

STOCK

Stock cosist mainly of bunker onboard the vessels. Stock is valuated to the lower of cost price and fair value. First-in-first-out method is used.

EARNING PER SHARE

The calculation of basic earnings per share is based on the majority's share of result using the weighted average number of shares outstanding during the year after deduction of the average number of treasury shares held over the period.

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 / events in 2005:

During 2005, the Group contracted 2 new ships. One anchor-handling ship (AHTS) and one construction service vessel (CSV) with scheduled delivery in February and July 2007. Estimated cost price is NOK 440 mill and NOK 663 mill respectively.

From June 2005 Normand Clipper operated as a CSV after a convertion, totalling NOK 200 mill.

Two new platform supply ships (PSV) were delivered in April and September 2005. The cost of the ships was NOK 260 mill and Euro 24,5 mill respectively.

During 2005 the Group has sold two PSV's and two AHTS's at total price of NOK 380 mill.

Major transactions / events in 2004:

On 29 January 2004, Solstad Offshore ASA made a share emission of 2,000,000 shares at NOK 53.50 per share. The emission increased the company's share capital by around 5.5% and the new share capital is NOK 75,588,320, divided into 37,794,160 shares. At the same the company sold 500,000 treasury shares (300,000 were owned by subsidiaries) at a NOK 53.50.

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 construction service vessel (CSV)
The conversion cost approximately NOK 200 million.

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 a contract for a new build of an AHTS with delivery scheduled in July 2006.

In August, the Group entered 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%.

NOTE 3 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

GENERAL The Group is exposed to different financial market risks. Financial market risk is the risk that changes in currency rates, interest rates and freight rates will influence the value of the Group's assets, liabilities and future cash flows.

To reduce and control these risks, management periodically evaluate the Group's most important financial market risks. Identification of a certain risk factor leads to action to reduce this specific risk. The main strategy to reduce the financial market risk is the use of financial derivatives, both for specific exposure and for the net exposure of the Group. If financial derivatives are suitable, only conventional derivatives are used. The Group only use recognized financial institutions.

Derivates are exclusively used to manage the risk of changes in interests and currency rates. The Group does not use financial derivates to achieve financial income if no underlaying exposure exists.

Management has performed a consecutive evaluation of the financial instruments effect on the accounts with a view to hedge accounting. Based on the evaluation hadge accounting is not used.

Use of financial instruments are significant based on the Group's level of activity, compared with revenues and equity.

CREDIT RISK The Group is exposed to possible losses on trade accounts receivables. However, no material losses are expected. As at December 31, 2005, accounts receivables was NOK 227,6 mill.

The Group is also exposed to losses if a counter party in a financial derivate contract fail to fulfil their payment obligations on settlement date. Non-fulfilment of such contracts is not expected as the Group uses well known conventional derivates with recognized financial institutions.

NOTES

INTEREST RISK As at December 31, 2005 the Group has entered 4 fixed interest rate contracts, with 1-3 years maturity, for approximately 11% of total debt. The remaining 89% of the debt has floating interest. As at December 31, 2005 the interest swaps have a net positive value of NOK 0,1 mill. The Group has entered interest and currency swap agreements with approximately 2 years maturity.
At December 31, 2005 these agreements have a net positive value of NOK 0,8 mill.

FOREIGN CURRENCY RISK The Group's future freight revenues are partly hedged using foreign currency loans. Furthermore, parts of revenues are sold on forwards. This hedging reduces the effect on the result from any change in currency rates. The Group's long-term debt has the following allocation as at December 31, 2005; USD 40%, NOK 38%, GBP 18% and Euro 4%.

LIQUIDITY RISK The Group's objective is to maintain balance between external and equity financing. Use of loans, bank overdraft and financial leasing are instruments to keep this balance. Further, the Group has an objective that, at all times, unrestricted equity shall exceed 12 months obligations of interests and instalments. This objective was met both at the end of 2004 and 2005.

FAIR VALUE Estimated market values on financial intruments are determined using suitable market information and evaluation methods. Nominal value of cash and loan obligations is a likely estmate of the items market value. The estimated fair value of the Group's long-term loan obligations is based on the interest level at year end. These estimates are based on judgement and do not necessarily reflect the items present value. Fair value of shares of not listed companies is estimated based on the companies last financial reporting. Assumed market values

INTEREST RATE RISK

The following table shows the book value and maturity of the Group's financial instruments exposed to changes in interest rates.

Fixed rate	Nominal value	Yearly regulation	Currency	Interest rate	Maturity	Value as at 31-12-05
Contract 1	67 000	8 000	NOK	3,70%	03-09-09	-149
Contract 2	10 000	-	USD	*	07-09-06	41
Contract 3	19 000	800	USD	4,75%	14-01-08	-115
Contract 4	20 650	1 350	USD	4,60%	11-01-08	257

* Interest settled on arrears every 6 months based on USD LIBOR -0,57%

Rente- og valutabytteavtaler	Nominal value	Yearly regulation	Currency	Maturity	Value as at 31-12-05
Interest- and currency swaps GBP/USD	21 383	899	USD	04-01-08	-257
Interest- and currency swaps GBP/USD	25 298	1 371	USD	04-01-08	-338
Interest- and currency swaps GBP/USD	26 864	2 210	USD	04-01-08	-345
Interest- and currency swaps GBP/USD	17 352	1 287	GBP	04-01-08	245

Net value as at December 31, 2005 is classified as current liabilities.

FINANCING RISK

The following table shows the total mortgage loan based on existing financing and their maturity dates.

	Mortgage loan	Maturity	Duration
Loan 1 Floating interest - NOK	166 667	03-09-07	20 mnd
Loan 2 Floating interest - NOK	354 167	05-03-10	51 mnd
Loan 3 Floating interest - NOK	118 750	14-02-13	85 mnd
Loan 4 Floating interest - NOK	420 500	13-05-13	88 mnd
Loan 5 Floating interest - NOK	575 000	23-08-10	56 mnd
Loan 6 Floating interest - NOK	8 333	30-05-08	17 mnd
Loan 7 Floating interest - NOK	425 717	16-09-13	92 mnd
Loan 8 Floating interest - USD	35 243	14-01-14	96 mnd
Loan 9 Floating interest - GBP	18 051	14-01-14	96 mnd
Loan 10 Floating interest - NOK	7 200	26-10-11	71 mnd
Total mortgage loan in NOK	2 525 210		
Leasing obligations	979 641	14-01-08	24 mnd

FOREIGN CURRENCY RISK

The following table shows the booked value of forward contracts as at December 31, 2005. All forward contracts are entered after January 1, 2005.

	Value based on forward contract	Value as at 31.12.05	Value as at 31.12.04
Currency contracts	204 893	7 410	-8 478

Net value is classified as current asset.

FAIR VALUE

The following table shows the booked value compared to the fair value of financial assets and obligations.

		2005		2004	
Financial assets	Note	Book value	Fair value	Book value	Fair value
Cash at bank	11, 18	971 167	971 167	673 767	673 767
Investments in shares (long-term)	9	173 648	173 648	15 002	15 002
Other long term financial investments	15, 20	142 477	142 477	76 207	76 207
		1 287 292	1 287 292	764 976	764 976

		2005		2004	
Financial obligations	Note	Book value	Fair value	Book value	Fair value
Short-term part of long-term debt	11	257 991	257 991	180 388	180 388
Mortgage loan with floating interest	11	1 807 009	1 807 009	1 011 534	1 011 534
Mortgage loan with fixed interest	11	134 687	134 687	183 695	183 695
Leasing obligation with floating interest	11	711 262	711 262	1 023 516	1 023 516
Leasing obligation with fixed interest	11	268 379	268 379	253 078	253 078
		3 179 328	3 179 328	2 652 210	2 652 210

NOTE 4 REPORTING BY SEGMENTS AND GEOGRAPHICAL MARKETS

The Group's main activity is to offer ships and maritime personnel in all geographical regions. The business is divided into 3 parts based on the different types of vessels; Anchor-Handling Vessels (AHTS) delivering services related to rig moves and anchoring of rigs and other devices at sea. Platform Supply Vessels (PSV) delivering services relating to transportation of material to offshore installations and Construction Service Vessels (CSV) delivering services relating to development of installations at sea.

Results from associated companies (TS) and joint ventures (JV) are allocated to the segments based on number of ships per segment. Allocation of investments are based on book value of each ship in current segment.

	AHTS		PSV		CSV	
Revenues	2005	2004	2005	2004	2005	2004
Net reveneus	547 144	340 278	286 244	89 209	422 507	346 761
Deferred income from assets	59 233		40 702		17 234	
Total operating income	606 377	340 278	326 946	89 209	439 741	346 761
Results						
Operating result	190 033	-8 073	184 817	16 441	114 314	78 046
Result from TS/ JV	17	2 994	-5 315	13 211		5 264
Assets and liabilities						
Fixed assets	1 630 994	1 393 055	847 087	536 441	2 283 707	1 776 474
Investments in TS/ JV		37 131		87 798		44 952
Unallocated assets						
Total assets	1 630 994	1 430 186	847 087	624 239	2 283 707	1 821 426
Segment liabilities	1 047 649	588 238	610 236	272 873	1 608 269	1 271 882
Unallocated liabilities						
Total liabilities	1 047 649	588 238	610 236	272 873	1 608 269	1 271 882
Other segment information						
Annual investment	307 931	129 809	437 460	123 677	233 405	216 189
Depreciations and write-downs (1)	135 154	117 922	44 679	26 749	137 928	110 109

NOTES

	Other		Discontinued operation		Total	
Revenues	2005	2004	2005	2004	2005	2004
Net reveneus		61 605			1 255 894	837 853
Deferred income from assets		22 133			117 170	22 133
Total operating income		83 737			1 373 064	859 986
Results						
Operating result	-1 004	41 765			488 159	128 179
Result from TS/ JV	-1 712	3 173	4 420		-2 590	24 642
Assets and liabilities						
Fixed assets	116 870	447 033			4 878 658	4 153 002
Investments in TS/ JV		27 039				196 919
Unallocated assets					1 720 051	1 207 140
Total assets	116 870	474 071			6 598 709	5 557 061
Segment liabilities	7 200	386 039			3 273 355	2 519 033
Unallocated liabilities					631 817	610 903
Total liabilities	7 200	386 039			3 905 172	3 129 936
Other segment information						
Annual investment	125 391	88 539			1 104 187	558 214
Depreciations and write-downs (1)	1 004	21 961			318 765	276 741

(1) Depreciations includes both ordinary depreciation and depreciation of periodic maintenance. For allocation of revenues and cost on different segments see note 1.

The Group's vessels will operate in several geographical areas during a year. Allocation of different areas is based on earned revenues. In 2005, PSV revenue is mainly from activity in the North Sea, while revenues for AHTS and CSV activity are allocated in all areas.H3 I2 C232 I90 A228

Freight revenues are allocated to the following areas:		2005	2004	
North Sea	56%	699 224	437 752	52%
North- and Central America	5%	65 307	65 519	8%
Mediterranean/remainder of Europe	14%	174 127	167 374	20%
West Africa	6%	78 751	88 290	11%
South America	7%	83 118	53 435	6%
Asia	12%	155 368	25 484	3%
Total	100%	1 255 894	837 853	100%

The Group's current reporting system does not handle additional reporting based on geographical segments.

NOTES

NOTE 5 OTHER INCOME, OTHER EXPENSES, WAGES, EMPLOYEES AND DISTINCTIVE CONTRIBUTIONS

Other operating income	2005	2004
Gain on sale of vessels	117 170	22 133
Other income	5 236	15 783
Total other operating income	122 405	37 915

Other operating expenses	2005	2004
Technical cost	146 093	122 371
Bunker and lube oil	4 311	5 691
Administration expenses - vessels	2 295	1 272
Insurance	21 799	18 134
IT, communications and other costs	36 740	31 852
Total other operating expense	211 238	179 320

Wages and employee cost	2005	2004
Employees, vessels	324 602	252 295
Employees, administration	30 299	27 838
Total employee cost	354 901	280 133

Wages and employee cost	2005	2004
Wages	250 389	191 308
Social security	17 572	15 475
Pension costs	6 779	9 107
Other benefits	22 041	17 090
Travelling costs, courses and other personnel costs	58 119	47 153
Total employee cost	354 901	280 133

Average number of employees	683	607

The Group has received grants in respect of crew subsidiaries and net wages agreements which have been booked as a reduction of crew costs totalling NOK 73 mill (2004: 54 mill).

REMUNERATION TO DIRECTORS, MANAGING DIRECTOR AND AUDITORS

	2005		2004	
The following amounts have been charged to income:	Management (*)	Board	Management (*)	Board
Wages	3 554	941	2 105	884
Pension cost	336		100	
Other benefits	347		240	

(*) Based on the organization chart, the Management Group consisted of 4 persons in 2005 and 2 in 2004.

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.

	2005	2004
Auditor, audit fees	1 201	918
Auditor, tax counselling	590	
Auditor, other consulancy	334	525
Total	2 125	1 443

NOTE 6 PENSION

The Group has one defined benefit pension plan both for administative and seafaring personnel. The pension plan is insurance based. As at December 31, 2005 there are 555 members of the pension plan. The scheme has the following assumptions: discounted interest 4,25% (2004: 5%), expected return 5,25 (2004: 6%), regulation of salaries 3% (2004 :3%) and regulation of pensions 2,5% (2004: 2,50%).

Changes in pension obligation	2005	2004
Estimated obligation at beginning of the year	55 029	44 958
Interest expense	2 312	2 222
Annual pension earnings	6 535	8 967
Benefits paid	-1 257	-1 038
Actuarial (gain)/ loss on the obligation	-3 391	-1 499
Estimated obligation at the end of the year	59 227	53 609

Changes in plan assets		
Opening value of plan assets	41 690	36 545
Expected return	2 312	2 308
Contributions by employer	6 209	5 119
Benefits paid	-1 257	-1 038
Administration expense	-245	-227
Actuarial gain/ (loss)	-485	-1 646
Estimated plan assets at the end of the year	48 224	41 061

Expected contribution by employer in 2006 is NOK 7 mill.

Net plan asset/ (obligations)		
Pension obligations	59 227	50 738
Plan assets	48 224	41 061
Unrecognized changes in assumptions	483	147
Net plan assets/ (obligations)	-10 520	-9 530

Pension cost		
Present value of pension obligation	6 535	8 967
Interest expense on obligation	2 312	2 222
Expected return on plan assets	-2 312	-2 308
Administration expense	245	227
Social security	832	669
Pension cost	7 611	9 776

Actual return on plan assets	1 827	542

Plan assets are invested in a wide spread portfolio by an external insurance company. The insurance company has total administration of the pension plan. Expected returns on plan assets are based on market prices at year end and expected development during the remaining period of the pension plan. The rate of return has been adjusted from 6% to 5,25% in 2005. The discounting rate has been adjusted accordingly.

The effect of changes of estimates between actual and return is charged over a 12 year amortisation period, when the changes exceed 10% of the higher of the pension obligation or fair value of the plan assets.

NOTES

NOTE 7 FINANCIAL ITEMS

Financial items	2005	2004
Interest expense	-125 631	-93 260
Interest income	29 968	24 897
Currency loss	-347 767	-292 876
Currency gain	248 927	329 753
Gain financial derivatives	15 246	
Loss financial derivatives	-2 601	-4 982
Other financial income	6 626	
Other financial expense	-10 091	-1 812
Net financial items	-185 323	-38 280

NOTE 8 TANGIBLE FIXED ASSETS/INTANGIBLE FIXED ASSETS

	Vessels	Construction	Machine/ equip	Total
Cost price 01.01.2004	4 988 727		27 703	5 016 430
Acc depreciations/ write downs 01.01.2004	-979 274		-7 496	-986 769
Book value 01.01.2004	4 009 454		20 207	4 029 661
Additions	407 920	87 092	484	495 497
Transfer				
Disposals				
Cost price 31.12.2004	5 396 648	87 092	28 187	5 511 927
Acc depreciations/ write downs 31.12.2004	-1 205 142		-9 442	-1 214 584
Book value 31.12.2004	4 191 506	87 092	18 746	4 297 344
Cost price 01.01.2005	5 396 648	87 092	28 187	5 511 927
Acc depreciations/ write downs 01.01.2005	-1 205 142		-9 442	-1 214 584
Book value 01.01.2005	4 191 506	87 092	18 746	4 297 344
Additions	932 010	123 981	1 475	1 057 467
Transfer	109 258	-109 258		
Disposals	-263 236		-443	-263 679
Cost price 31.12.2005	6 174 680	101 816	29 220	6 305 715
Acc depreciations/ write downs 31.12.2005	-1 469 777		-11 430	-1 481 207
Book value 31.12.2005	4 704 903	101 816	17 789	4 824 508
Depreciation/ write down current period	264 634		1 989	266 623

Capitalized periodic maintenance	2005	2004
Capitalized periodic maintenance at 01.01	62 313	45 388
Additions this year	46 721	62 717
Depreciation of planned periodic maintenance this year	-52 142	-45 792
Capitalized periodic maintenance at 01.01	56 892	62 313

The vessels are divided into the following categories with different depreciation profiles:	Useful life
Hull	30 year
Anchor-handling-, loading- and unloading equipment	20 year
Main/auxiliary engine	20 year
Thruster, DP and lifting equipment	15 year
Other equipment	15 year

Periodic maintenance is depreciated over the period until the next planned docking takes place. The normal interval for docking is 24-36 months.

The vessels' residual value at the end of their useful lives is calculated based on the weight of the ship and estimated steel price on the reporting date. Any cost related to the disposal is deducted in the residual value.

The depreciation rate for other equipment is 15-25%.

Long-term leasing agreements have been entered in to with the British owners for 2 of the Group's vessels (Normand Cutter and Normand Clipper). These vessels have a leasing agreement 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 over by transferring the British owning company at agreed prices. For Normand Pioneer and Normand Progress, the price is around GBP 80 mill. 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 IFRS. Book value of the vessels is NOK 1.104 mill (2004: NOK 950 mill).

Vessels with a book value of NOK 4.286 mill are placed as guarantee for the Group's loans, see Note 11.

Included in these additions is capitalized interest of NOK 1.9 mill. Interest rate is 2,65%.

NEW BUILD CONTRACTS

As at 31.12.2005 the following 5 ships are under construction (100%):

New build contracts	Delivery	Owner	Solstad Share	Contract Price	Paid Instalments	Remaining 31.12.2005	Due in 2006
Normand Installer	March 2006	ADSI Inc.	50%	$93 859	$14 081	$79 778	$79 778
NorSkan Botafogo	Juliy2006	NorSkan Offshore	50%	$45 600	$11 300	$34 300	$34 300
NorSkan TBN 2	April 2007	NorSkan Offshore	50%	$51 800	$2 400	$49 400	$7 300
Normand TBN 1	March 2007	Solstad Rederi AS	100%	440 000	66 000	374 000	22 000
Normand TBN 2	August 2007	Solstad Rederi AS	100%	663 000	33 150	629 850	66 300

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. The financing of new builds to be delivered in 2006 is completed. The others are under negotiation.

NOTES

NOTE 9 SHARES IN JOINTLY OWNED AND ASSOCIATED COMPANIES

The Group has the following shares in jointly owned (JV) and associated companies (TS):

	Place of Business	Owner-ship	Date of Financial statement
NorSkan AS/NorSkan Offshore Ltda (JV)	Rio de Janeiro/Skudeneshavn	50% (1)	31-12-05
Nor Offshore PTE LTD (JV)	Singapore	33%	31-12-05
ADSI Inc. (JV)	Marly (Sveits)	50%	31-12-05
Normand Edda AS (JV)	Haugesund	50%	31-12-05
Rig Supporter AS/KS (TS)	Skudeneshavn	21%	31-12-05
Trym-Titan AS/KS (TS)	Skudeneshavn	30%	31-12-05

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

	Jointly owned companies				
Book value of shares comprises of:	Norskan AS	ADSI Inc	Normand Edda AS	Nor Offshore PTE	Total
Cost price	67 499	1 337	75		68 911
Acc result and adjustments	11 928		45		11 973
Book value 01.01.2005	79 427	1 337	120		80 884
Share of result 2005	-7 972	-6 369		3 020	-11 321
Other adjustments 2005	-23 191	-245		3 542	-19 893
Book value 31.12.2005	48 264	-5 278	120	6 563	49 669
Share of balance sheet:					
Current assets	65 463	83 747	76	7 191	156 477
Long-term assets	410 544	6 194		35 104	451 842
Short-term liablilities	-8 789	-5 407		-8 885	-23 081
Long-term liabilities	-418 953	-89 813		-26 846	-535 612
Net assets	48 264	-5 278	77	6 563	49 625
Share of revenues and profit:					
Revenues	64 652			5 461	70 113
Operating expense	-61 288	-263		-2 234	-63 785
Financial expense	-9 621	-6 106		-204	-15 930
Result before tax	-6 257	-6 369		3 023	-9 603
Taxes	-1 716		-	-3	-1 719
Result	-7 972	-6 369		3 020	-11 321

NOTES

			Associated companies			Normand	
	Rig Supporter KS	Trym-Titan KS	DeepOcean ASA	IOF 1 KS	IOF 3 KS	Vibran KS	Total
Cost price			14 067	23 812	16 357	5 461	59 698
Acc result and adjustments	9 222		7 975	5 044	28 651		50 892
Book value 01.01.2005	9 222		22 042	28 856	45 009	5 461	110 589
Share of result 2005	-1 493	1 147	4 657	4 537	-118		8 731
Other adjustments 2005	-3 150	12 420	-26 699	-33 393	-44 891	-5 461	-101 174
Book value 31.12.2005	4 579	13 567					18 146
Share of balance sheet:							
Current assets	1 325	11 764					13 089
Long-term assets	29 561	44 237					73 798
Short-term liablilities	-277	-6 735					-7 012
Long-term liabilities	-23 347	-35 700					-59 047
Net assets	7 262	13 567					20 829
Share of revenues and profit:							
Revenues	3 147	13 618	44 737	23 342	3 411	6 861	95 117
Operating expense	-1 220	-11 704	-37 899	-2 326	-3 731	-977	-57 857
Financial expense	-3 420	-767	-370	-192	202	-213	-4 761
Elimination (*)				-16 287		-5 670	-21 957
Result before tax	-1 493	1 147	6 468	4 537	-118		10 542
Taxes			-1 811				-1 811
Result	-1 493	1 147	4 657	4 537	-118		8 731

(*) Internal gain relating to sale of vessel and transition from associated company to subsidiary.

Other adjustments include capital injection, dividend, change in calculation basis, translation adjustments, sales and liquidations.

Solstad's share of uncalled limited partnership capital in associated companies was NOK 19,5 million at 31.12.05.

Investments available for sale	Share	Book value
ResQ AS (not TS)	22,35%	2 750
Skudenes Næringsutvikling AS	33,34%	302
Karm-Med AS	23,40%	171
Seabed Geophysical AS	11,84%	4 623
DeepOcean ASA	12,80%	165 802
		173 648

In 2005 the shares in Seabed Geophysical are written down by NOK 7 mill.
Solstad Offshore ASA has given a convertible subordinated loan of NOK 5,4 million to Seabed Geophysical AS at 6% interest.

DeepOcean ASA was listed on the stock market in 2005. The investment is classified as an available for sale asset, and is valuated to quotation at year end. This lead to a gain of NOK 139 mill which has been booked directly to equity as a transition effect in 2005.

Investments available for sale consists of shares which have no fixed maturity or return.

Shares in listed companies is valuated to quotation at year end. Fair value of shares in unlisted companies is estimated based on the companies last economical reporting.

NOTE 10 PROVISIONS

Long-term leasing agreements have been entered in to with the British owners for 2 of the Group's vessels (Normand Cutter and Normand Clipper). The vessels have a leasing agreement 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 over by transferring the British owning company at agreed prices. For Normand Pioneer and Normand Progress, the price is around GBP 80 mill.

In 2005, there has been a proposal for change in UK tax legislation relating to long-term leasing agreements. These changes are negative for British investors. Based on the conditions in the lease agreements and remaining period, there is a risk that changes in legislation that may affect the agreed price and a provision has therefore been made in the financial statements. As the changes in UK are still proposals, and the Group is working on the issue with their lawyers, the provision accrued is the expected extra cost of the put option. The provision is consecutively evaluated and during 2005 it has been increased by NOK 9,6 mill to NOK 100 mill.

NOTE 11 MORTGAGE DEBT AND OTHER LONG-TERM LIABILITIES

	2005	2004
Mortgages	2 199 687	1 375 617
Leasing obligations	979 641	1 276 593
Total long-term debt	3 179 328	2 652 210
Short-term part of long-term debt (1st year installment)	257 991	180 388

Book value of assets	2005	2004
Bank deposits	268 717	206 610
Account receivables	227 602	167 642
Vessels	4 286 309	3 613 632
Total booked value	4 782 628	3 987 883

Some of the vessels have been placed as security for the mortgages. In addition, accounts receivables and bank deposits are tied. As security for completeion 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 23 million have been placed as security

The Group's long-term debt was apportioned 40% USD, 38% NOK, 18% GBP and 4% Euro.

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 satisfys all the conditions of the loan agreements at 31.12.05. 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 31.12.2005 (NOK millions)

	2006	2007	2008	2009	2010	After 2010
Mortgage loans	235	229	253	251	251	1 239
Leasing obligations	23	25	931			

In 2005, the Group's average interest rate on vessel debt was approximately 4,3%, and average rate on leasing obligations was 3,6%.

Borrowing cost	2005	2004
Capitalized borrowing cost	1 891	4 912

Borrowing cost is presented net with the loans and is amortizised until maturity of the loan.

Financial lease

Long-term leasing agreements have been entered in to with the British owners for 2 of the Group's vessels (Normand Cutter and Normand Clipper). The vessels have a leasing agreement 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 over by transferring the British owning company at agreed prices. For Normand Pioneer and Normand Progress, the price is GBP 80 mill. For additional information see notes 8 and 10.

	2005		2004	
	Minimum payment	Present value minimum payment	Minimum payment	Present value minimum payment
During next year	23 116	22 553	539 168	526 017
Next 2-5 years	956 525	921 814	737 426	710 666
Total minimum lease payment	979 641	944 367	1 276 593	1 236 683

Solstad Offshore ASA has furnished the following guarantees (NOK mill):	
Solstad Offshore UK Ltd	213
Solstad Offshore Service Vessel UK Ltd	448
Solstad Cable UK Ltd	578
Norskan Offshore Ltda	350
Nor Offshore Pte Ltd	7
Normand Drift AS	15
ADSI Inc	389
Solstad Rederi AS	440
Deep Well AS	8

Solstad Rederi AS has furnished the following guarantees (NOK mill):	
Solida KS	51
Trym-Titan KS	3

NOTES

NOTE 12 TAXES

	2005	2004
Taxes payable (incl. correction tax)	34 915	14 946
Too low payable tax accrual 2004 (*)	14 628	
Change in deferred taxes	-35 297	5 983
Tax on ordinary result	**14 246**	**20 929**
Approtionment of tax on ordinary result		
Norwegian	1 432	14 633
Foreign	12 814	6 296
Total tax	**14 246**	**20 929**
Outside Shipping Tax Regime		
Shares/ownership (current assets)	37 352	1 491
Over funding of pension	10 520	9 530
Fixed assets/provisions	34 033	183 505
Unrecovered loss carried forward	-12 628	-3 592
Total temporary differences	**69 277**	**190 935**
Deferred tax, net	19 398	54 695
Negative balance for taxed income	177 165	177 037
Accumulated, untaxed income (*)	2 054 989	1 708 098
Unrecovered loss carried forward (financial item)		39 472
Deferred tax		
Total deferred tax (Group)	**19 398**	**54 695**
Explanation why taxes do not balance:		
28% of pre-tax result	84 069	31 721
Dividend UK	-39 510	-11
Permanent differences/Shipping Tax Regime	-30 312	-10 781
Estimated tax	**14 246**	**20 929**

Deferred taxes are not recognized for Group companies inside the shipping tax regime. The tax rate for undistributed profit is zero and deferred taxes are therefore based on a zero-tax rate. Tax based on distributed dividends is recognized when there is a legal obligation to pay the dividend.

Deferred tax on deviating values in associated companies with foreign partnerships 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.

NOTE 13 SHARE CAPITAL, SHAREHOLDERS AND TREASURY SHARES

	Share capital	Treasury shares
31-12-04	75 588	-31
Purchase treasury shares (5.000)		-10
Sale treasury shares (17.500)		35
31-12-05	75 588	-6

At 31.12.05, the Parent Company's share capital represents 37.794.160 shares at NOK 2. The number of shareholders at 31.12.05 was 2.098.
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 have the power of attorney to acquire treasury shares in line with current legislation (10%).

As at 31.12.2005 the Group had 2.894 treasury shares with cost price of NOK 0,3 mill.

NOTES

NOTE 14 EARNINGS PER SHARE

Earnings per share is calculated by dividing the Group result by the average number of shares, adjusted for the stock of treasury shares. There are no instruments that allow the possibility of watering.

	2005	2004
Majority's result from ordinary operation	249 698	53 236
Majority's result for discontinued operation	11 310	10 389
Majority's net result	261 007	63 625
Average number of shares	37 754	37 659
Treasury shares	3	15
Average number of shares attributable for earnings per share	37 751	37 643
Earnings per share	6,91	1,69

NOTE 15 TRANSACTIONS WITH RELATED PARTIES

The Group accounts consists of the financial statements of Solstad Offshore ASA and the following subsidiaries:

		Solstad Offshore ASA share	
Name	Country	2005	2004
Solstad Offshore UK LTD	UK	100%	100%
Solstad Cable UK LTD	UK	63%	63%
Solstad Offshore Service Vessel UK LTD	UK	100%	
Pioneer Offshore LP	UK	100%	
Progress Offshore LP	UK	100%	
Solstad Cable Invest AS	Norway	100%	100%
Normand Drift AS	Norway	100%	100%
Solstad Rederi AS	Norway	100%	100%
Solida AS/KS	Norway	51%	51%
Trym Titan AS	Norway	100%	
Solstad Shipping AS	Norway	100%	100%
Normand Skarven AS/KS	Norway	100%	100%
Rig Supporter AS	Norway	100%	100%

Solstad Offshore UK LTD is parent company for Solstad Cable UK LTD and Solstad Offshore Service Vessel UK LTD. Solstad Rederi AS is parent company for Solida AS og Trym Titan AS. Solstad Offshore ASA ultimately controls all companies.

The Group has performed the following transactions with related parties:

	Sale (-) / purchase (+)		Receivables		Payables	
Associated company	2005	2004	2005	2004	2005	2004
Trym-Titan KS	-25 234		19 267			
Island Offshore 1 AS/KS	-13 180	-47 889		5 368		
Island Offshore 3 AS/KS	-39 721	-25 050	4 151	4 007		
Jointly owned comapny						
ADSI INC	-11 718		26 063			
Nor Offshore PTE LTD	-3 789		2 554			
Norskan AS (konsern)	62 695	52 976	90 894	56 149	-2 107	-283
Management and Board of Directors						
Managing Director						
Chairman of the Board	34	136				
Other related parties						
Owner of office premises	531	1 035				
Owner of shipyard for repairs	585	3 192			-19	-22

NOTES

The Groups affiliation with related parties:
Nor Offshore PTE LTD is a jointly owned company where the Group controls 1/3 of the company.
Norskan AS is a jointly owned company where the Group controls 50% of the company.
ADSI INC is jointly owned company where the Group controls 50% of the company.
Trym-Titan KS is an associated company where the Group has a 30% interest. The company's operation is administrated by the Group.
The Chairman of the Board is a legal adviser for the Group.
The Group rents offices and warehouse at market price from a company controlled 100% by main shareholder.
The Group also uses a shipyard for repairs and conversions of the Group's vessels where the main shareholder controls 100%.

Related parties are considered to be Board Members (including associated companies) and the company management.
There are no management agreements with related parties outside the Group that charge management fees.

Transactions with related parties are completed at normal market prices. Interest is not calculated on outstanding balances at year end that are normal accounts receivable or accounts payable. Current assets are included in the ordinary evaluation of bad debt.

NOTE 16 BANK DEPOSITS

The Group's tied deposits total NOK 18,3 million (NOK 14,3 million) on which tax is withheld.
Furthermore, some bank deposits are secured. Refer to Note 11.

As at December 31, 2005 the balance of cash and cash equivalents in the cash flow statement consists of the following:	
Cash and bank deposits	702 450
Short-term deposits	
	702 450

NOTE 17 ENVIRONMENTAL CONDITIONS

All of the company's vessels comply with current environmental requirements. In 2005, none of the company's vessels have conditions imposed 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 18 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 31.12.2005 are tied bank deposits of NOK 18.3 million relating to withheld taxes.

NOTE 19 PAID OUT AND PROPOSED DIVIDEND

Approved and paid out during the year:	2005	2004
Ordinary dividend	37 794	37 794
Additional dividend		
	37 794	37 794

Proposed dividend to General Assembly:	2005	2004
Ordinary dividend	75 588	37 794
Per share	2,00	1,00

NOTE 20 OTHER LONG-TERM ASSETS

	2005	2004
Loan to other companies	7 419	3 890
	7 419	3 890

The loans are secured convertible loans. Interest rates follow the Norwegian market, which during 2005 has been about 6%.

NOTE 21 ACCOUNTS RECEIVABLE AND OTHER SHORT-TERM RECEIVABLES

	2005	2004
Accounts receivable	213 798	162 795
Other receivables TS/ JV	8 452	4 845
Receivables on other related parties	5 353	1
Total Accounts receivable	227 602	167 642
Prepaid expense	78 463	18 583
VAT raceivable	998	830
Other short-term receivables	28 738	39 101
Total short-term receivables	108 200	58 515

NOTE 22 BUSINESS AQUISITIONS

On January 14th, 2005 the Group aquired 98,998% of the interest in the two UK companies Pioneer Offshore LP and Progress Offshore LP.
Both companies are un-listed, Limited Partnerships leasing two construction service vessels to the Group.

Fair value of identified assets and liabilities of the companies on the aqusition date was:

Pioneer Offshore LP	Aquired value	Book value
Fixed assets	287 788	287 788
Cash and bank deposits	7	7
Accounts receivables		
Other receivables		
Accounts payable		
Long-term debt		
Other short-term debt		
Fair value of net assets	287 795	

Total cost of the aquisition was NOK 1 mill.
After the aquisition the company's contribution to group net result before tax is NOK 0.

Progress Offshore LP	Aquired value	Book value
Fixed assets	310 902	310 902
Cash and bank deposits	8	8
Accounts receivables		
Other receivables		
Accounts payable		
Long-term debt		
Other short-term debt		
Fair value of net assets	310 910	

Total cost of the aquisition was NOK 1 mill.
After the aquisition the company's contribution to group net result before tax is NOK 0.

If the aquisitions had taken place on January 1st, 2005 the Groups revenue and net result before tax would have increased by NOK 0.
The aquisitions have only lead to a marginal change in the Group's long-term assets as the vessels was already recognized as a financial lease.

Net cash effect of the transactions was a cost of NOK 2.1 mill

NOTE 23 LIQUIDATED SUBSIDIARIES

In 2005 the Group decided to liquidate Island Offshore IV AS and Island Offshore IV KS. The Group's share, direct and indirect, was 52,5%, and both are included in the consolidated accounts.
Island Offshore IV KS owned a construction service vessel where Island Offshore IV AS was the general partner.
The vessel was, with effect from April 1st, 2005, sold to another company in the Group.

The results for Island Offshore IV AS/KS was:

	2005	2004
Revenues	40 808	55 474
Expenses	6 573	24 284
Depreciation	3 513	14 158
Operating result	30 721	17 031
Financial items	-7 129	2 757
Taxes	2 050	
Result from liquidated subsidiaries	21 542	19 788

NOTE 24 TRANSITION FROM NGAAP TO IFRS

Main differences between NGAAP and IFRS affecting the Group

Fixed assets

Each of the Group's vessels was according to NGAAP depreciated as one unit with an economic lifetime of 25 years. The vessels were depreciated to zero. According to IFRS the ships main components are identified and depreciated separately according to each components expected useful life. Total depreciation base is the cost price of the vessels less the anticipated residual value. The ships are divided into 4-5 different components. For further information regarding the division and calculation of residual value, refer to Note 8.

Liabilities

According to IFRS, accumulated actuarial gains and losses on pension plans shall be recognized. These gains and losses are recognized, however the Group has made use of the "corridor-solution", where only gains and losses exceeding 10% are booked through Profit & Loss.

First years instalments of long-term debt is classified as short-term debt according to IFRS. In NGGAP there is no such reclassification.

The Group has, in connection with lessors put-option on leased vessels, booked a provision according to IAS 37.

Borrowing costs are presented net with the loans and are amortized during the repayment of the loans. In NGAAP borrowing costs was booked as an asset.

Proposed dividend is according to IFRS not classified as short-term debt until it is approved by the General Assembly. Until this time proposed dividend ramains as a part of equity.

Revenues

According to NGAAP gain of sale-lease-back transaction was booked as deferred income and amortized over the leasing period. In IFRS such gains are recognized at transaction date. Deferred income has been booked directly to equity.

Reconciliation of result according to NGAAP and IFRS	2004
Result according to NGGAP	112 108
Deferred income sale of vessels	-8 036
Change in estimated pension cost	-2 871
Depreciations	-6 864
Income on investments in TS and JV	-725
Change in deferred tax	-1 252
Result according to IFRS	**92 359**

Reconciliation of equity accoring to NGAAP and IFRS	31-12-04	01-01-04
Equity according to NGAAP	2 229 179	1 990 968
Change in estimated pension cost		-8 183
Depreciations		190 893
Income on investments in TS and JV		-4 722
Provisions		-81 200
Deferred income		85 405
Proposed dividend		37 794
Change in deferred tax		-2 291
Effect of transition to IFRS at 01.01.2004	217 695	
Deferred income sale of vessels	-8 036	
Change in estimated pension cost	-2 871	
Depreciations	-6 864	
Income on investments in TS and JV	-725	
Change in deferred tax	-1 252	
Equity according to IFRS	**2 427 126**	**2 208 663**

Changes according to previously published transition document

According to the previously published transition document, there have been the following changes in transition effects:

The Group no longer uses hedge accounting (cash flow hedge). Deferred income related to UK-lease is reversed and replaced by a provision according to IAS 37.

NOTE 25 STOCKS

Stocks consist of provision, bunker and lube oil on the Group's vessels:

	2005	2004
Provison	4 214	3 530
Bunker	15 915	7 025
Lube oil	6 271	4 244
Total stocks	26 400	14 799

NOTE 26 DEFERRED INCOME

Deferred income consists of:

	2005	2004
Interest on Normand Clipper (lease)	2 411	3 068
Internal gain on the sale of Normand Trym and Normand Titan	23 504	
Total deferred income	**25 915**	**3 068**

Normand Trym and Normand Titan were sold to an associated company. The share of the gain corresponding to the Group's share of the associated company is recognized in line with increased depreciation in the associated company.

NOTES

NOTE 27 COMPARATIVE FIGURES

As additional information to the financial statement the Profit & Loss accouts for 2003 and 2004 according to NGAAP are repeated below:

	2004	2003
Freight income	822 071	974 081
Other operating income	45 952	19 845
Total operating income	868 023	993 926
Crew costs	-277 263	-301 098
Ordinary depreciation	-220 950	-203 431
Depreciation capitalised periodic maintenance	-45 792	-36 928
Other operating expenses	-179 320	-174 081
Total operating costs	-723 325	-715 537
Operating result	144 698	278 389
Income from investment in assoc/jointly-owned co's	25 367	12 208
Other interest revenues	24 897	17 598
Other financial revenues	58 327	9 583
Other interest expense	-93 260	-103 087
Other financial expense	-28 244	-21 898
Net financing	-12 913	-85 596
Ordinary profit before taxes	131 785	192 793
Tax on ordinary result	-19 677	-9 185
Net profit for year	112 108	183 608
Minority shares	38 502	20 301
Majority shares	73 606	163 307
Result per share	1,96	4,63

The big contract everyone wanted

Facts about the "Normand Draupne"
TDW: 2 500
New build no. 27 – built by Ulstein Hatlø, Ulstenvik, Norway, in 1985

Facts about the "Normand Mjolne"
TDW: 2 500
New build no. 28 – built by Ulstein Hatlø, Ulstenvik, Norway, in 1985

The big contract that everyone wanted was publicised on 4 April 1984 at 15.00 hrs when the Statfjord group's tender committee announced that the operator of the Statfjord Field, Mobil Exploration Norway, Inc., had awarded history's largest individual contract for operation of two special vessels to Solstad. It was a huge contract, valued at NOK 600 million over 10 years time. Of course, all the flags were out at Skudenes harbour.

PARENT COMPANY ACCOUNTS

FOR SOLSTAD OFFSHORE ASA

PROFIT AND LOSS ACCOUNT

1.1 - 31.12

PARENT COMPANY		(NOK 1 000)	
	Note	2005	2004
Other operating income		3 402	2 819
Total operating income		3 402	2 819
Crew costs	4	-3 609	-3 662
Other operating expenses	4	-4 513	-4 219
Total operating costs		-8 122	-7 881
Operating loss		-4 720	-5 062
Interest income from companies in the Group		2 935	2 935
Other interest income		7 412	5 550
Other financial income	5	336 327	6 778
Other interest charges		-5 907	-2 230
Other financial charges	5, 7	-17 599	-11 411
Net financing		323 168	1 621
Ordinary profit before taxes		318 449	-3 441
Tax on ordinary result	9	-16 589	-419
Net profit for year		301 860	-3 860
Transfers and disposable income			
Dividends	10	75 588	37 794
Transfer from other equity	10	233 839	-41 290
Received group contribution (net)	10	-7 567	-365
Total transfers and disposable income		301 860	-3 860

BALANCE SHEET

PARENT COMPANY		(NOK 1 000)	
	Note	31.12.05	31.12.04
ASSETS			
Fixed Assets			
Intangible fixed assets			
Deferred tax	10		262
Total intangible fixed assets			262
Financial fixed assets			
Investments in subsidiaries	6	874 790	747 581
Loan to companies in the Group	8	98 325	56 760
Investment in jointly-owned companies	7	72 044	68 911
Loan to jointly-owned companies		90 894	70 321
Investment in associated companies	7	3 938	24 412
Investments in stocks and shares	7	4 623	11 779
Tied bank deposits			69 471
Other long-term receivables	10	28 051	3 890
Total financial fixed assets		1 172 666	1 053 126
Total fixed assets		1 172 666	1 053 387
Current assets			
Receivables			
Other short-term receiavbles		12 916	3 472
Total receivables		12 916	3 472
Bank deposits and cash equivalents	14	206 449	11 408
Total current assets		219 365	14 880
TOTAL ASSETS		1 392 031	1 068 267

BALANCE SHEET

PARENT COMPANY			(NOK 1 000)
	Note	31.12.05	31.12.04
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital (37.794.160 at NOK 2.00)		75 588	75 588
Treasury shares		-6	-31
Share premium reserve			111 648
Total restricted equity	10	75 583	187 206
Earned equity			
Other equity	10	1 098 917	752 273
Total earned equity		1 098 917	752 273
Total equity	10	1 174 499	939 478
Liabilities			
Provisions			
Deferred taxes	9	4 572	
Total provisions		4 572	
Other long-term liabilities			
Debt Group companies	8	14 966	18 145
Total long-term liabilities		14 966	18 145
Current liabilities			
Accounts payable	8	1 650	
Bank overdraft		119 925	72 016
Taxes payable	9		
Dividends	10	75 588	37 794
Other current liabilities		831	833
Total current liabilities		197 994	110 643
Total liabilities		217 532	128 789
TOTAL EQUITY AND LIABILITIES		1 392 031	1 068 267
Guarantees etc.	13		

Skudeneshavn, 24th March 2006

Harald Eikesdal
Chairman of the board

Johannes Solstad
Deputy Chairman

Toril Eidesvik
Board Member

Per Gunnar Solstad
Board Member

Arne Austreid
Board Member

Lars Peder Solstad
Managing Director

STATEMENT OF CASH FLOW

1.1 - 31.12

PARENT COMPANY		(NOK 1000)	
		2005	2004
CASH FLOW FROM OPERATIONS			
Result before taxes		318 449	-3 441
Taxes payable		-14 698	
Ordinary depreciation/write downs and deprec. capitalized periodic maintenance			7 156
Loss/gain fixed assets		-150 611	
Unrealised currency gain/loss		-8 488	9 326
Change in short-term receivables/payables		1 650	-10 628
Change in other accruals		-24 840	18 655
Net cash flow from operations	(A)	128 618	13 912
CASH FLOW FROM INVESTMENTS			
Investment in other shares		-157 715	-51 494
Sale of other shares		223 901	
Net cash flow from investments	(B)	66 186	-51 494
CASH FLOW FROM FINANCING			
Share emissions			104 048
Payment of dividends		-37 794	-37 762
Sale of treasury shares		1 643	11 544
Change in restricted bank deposits		69 471	-664
Payment of long-term receivables		-77 812	-57 169
Bank overdraft		47 909	27 165
Long-term debt			65
Repayment of long-term debt		-3 180	
Net cash flow from financing	(C)	237	47 227
Net change in cash and cash equivalents	(A+B+C)	195 041	9 645
Cash and cash equivalents at 01.01		11 408	1 763
Cash and cash equivalents at 31.12	(Note 14)	206 449	11 408

The last "Soldrott"

Facts about the "Soldrott" (4)
TDW: 34 850
Built in Japan in 1973
Purchased from Greece in 1989
Sold to the Greek company, Aurora Shipping in 1998

The first "Soldrott" and the last "Soldrott". The company's first ship was "Soldrott" – the cargo vessel that was purchased in 1964. "Soldrott" was sold to Cyprus in 1971, but in that same year, the company's first new construction ship was christened "Soldrott" (2). This ship remained under the company's ownership for seven years before it was sold to an East African shipping line in 1978. In 1979, the shipping company's new construction ship no. 15, "Soldrott" (3) was built in the German Democratic Republic (DDR). This ship was sold to France in 1982. In 1989, "Soldrott" (4) was purchased from Cyprus, a magnificent ship of 34,850 TDW. This is currently the shipping company's last "Soldrott". The ship was sold nine years later to Aurora Shipping.

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.

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.

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 31.12.03	11,907	6,6929	8,4369	2,335
At 31.12.04	11,641	6,0386	8,2385	2,309
At 31.12.05	11,652	6,7687	7,9850	2,909

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.

EVALUATION 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.

FINANCIAL FIXED ASSETS
Long-term investment in shares and other investments are valued at the lowest of either the acquisition cost or the estimated sales value if the reduction in the sales value is not considered temporary.

TAXES/DEFERRED TAX
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 increases and decreases are recorded in the balance sheet as net figures.

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 fixed 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.

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

SHARES AND HOLDINGS IN OTHER COMPANIES
Short-term investments related to shares are not treated as a trading portfolio and are valued at the lowest of cost price and market value.

SHARES IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY-OWNED COMPANIES
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.

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 2005:

Solstad Offshore ASA sold their share in the listed company DeepOcean AS, to Solstad Rederi AS (a wholly-owned subsidiary).
The transaction was completed at stock market value, resulting in a gain of NOK 150 mill.

Major transactions in 2004:

On 29 January 2004, Solstad Offshore ASA issued a share emission of 2,000,000 shares at NOK 53.50 per share. The emission increased the company's share capital by around 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 treasury shares (300,000 were owned by subsidiaries) at a NOK 53.50.

NOTE 3 FINANCIAL RISK

The company is exposed to different financial risks. Financial risk is the risk that changes in currency- and interest rates and counter parties ability pay will influence the value of the comapny's assets, liabilities and future cash flows.

NOTE 4 OTHER EXPENSES, WAGES, EMPLOYEES AND DISTINCTIVE CONTRIBUTIONS

	2005	2004
Wages	2 737	2 901
Employers tax	476	429
Pension costs	205	100
Other benefits	4	4
Travelling costs, courses and other personnel costs	188	229
Total employee cost	3 609	3 662
Average number of employees	2	2

REMUNERATION TO DIRECTORS, MANAGING DIRECTOR AND AUDITOR

	Board	Man. Dir.
Wages	775	1 137
Pension costs		60
Other benefits		146
Total	775	1 343

In 2005, NOK 155.000 and NOK 184.590, are charged as auditors fee 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 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.

The employees are included in the Group's ordinary pension plan. Pension fund liability is booked in Solstad Shipping AS.

NOTE 5 FINANCIAL ITEMS

Other financial income, totalling NOK 336,3 mill, is the gain of NOK 150 mill on sale of shares, dividends of NOK 141 mill from subsidiaries, NOK 35 million on gain on liquidation of limited partnerships and unrealized agio of NOK 8,5 mill (NOK 6,8 mill realized).

Other financial cost, totalling NOK 17,5 mill (NOK 11,4 mill), is the realized disagio of NOK 10,4 mill, and the write-down of NOK 7.1 mill of investments in shares in Seabed Geophysical AS.

NOTES

NOTE 6 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%	11 000 100	GBP 1	GBP 11.000	145 284
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						874 790

NOTE 7 SHARES IN JOINTLY OWNED AND ASSOCIATED COMPANIES

Shares in jointly owned and associated companies

	Place of Business	Owner-ship	Number of Shares	Nominal Value	Equity 31.12.2005	Result 2005 (100%)
NorSkan AS (FKV) (1)	Skudeneshavn	50%	67 250	70 632	96 529	-15 945
ADSI Inc. (FKV)	Marly (Sveits)	50%	250 050	1 337	-10 535	-12 713
Normand Edda AS (FKV)	Haugesund	50%	75	75	152	1
Rig Supporter KS	Skudeneshavn	11%		3 938	34 580	-8 408
Total				75 982	120 726	-37 065

(1) Includes NOK 244.393 or 0,2% directly owned shares in NorSkan Offshore Ltda.

Investments in shares	Owner ship	Booked Value
Seabed Geophysical AS	11,84%	4 623

In 2005 the shares in Seabed Geophysical are written down by NOK 7,1 mill.
Solstad Offshore ASA has given a convertible subordinated loan of NOK 5,4 million to Seabed Geophysical AS at 6% interest.

NOTE 8 INTER COMPANY GROUP

Solstad Offshore ASA had the following receivables/debt from companies in the Group:

	31.12.2005	31.12.2004	Rentesats
Solstad Cable UK	60 183	50 587	6,20%
Solstad Offshore Uk Ltd	34 471		7,70%
Normand Drift AS	1 002	2 554	3,70%
Solstad Cable Invest AS	-14 966	-18 145	3,95%
Rig Supporter AS	2 670	3 620	3,70%
Solstad Shipping AS (debt to suppliers)	-1 650	348	-
Total	81 710	38 963	

Group receivables, due more than one year after expiry of the financial year, total NOK 97 million.

NOTE 9 TAX

	2005	2004
Taxable income		
Result before tax	318 449	-3 441
Changes in temporary differences	-430	870
Permanent differences	7 351	-357
Received group contributions	10 510	506
Dividends	-141 108	
Gain on sale of shares	-150 611	4 078
Use of loss carried forward	-44 160	-1 656
Taxable income		
Tax payable		
Adjustment to 2004 tax accrual (*)	14 698	
Tax effect of received group contribution	-2 943	
Change in deferred taxes	4 834	419
Tax on ordinary result	16 589	419

(*) Payment of dividends for 2004 lead to an adjustment of tax payable by the Company.
This advanced tax is accounted for in 2005.

Shares/ownership (current assets)	25 293	-870
Unrecovered loss carried forward	-8 965	-65
Total temporary differences	16 328	-935
Deferred tax (-)/ tax asset	-4 572	262
Explanation why taxes do not balance:		
28% of Profit before Tax	89 166	-963
Dividends and gain sale of shares	-77 578	173
Permanent differences	5 001	1 210
Estimated tax	16 589	419

Deferred tax related to shares in subsidiaries, associated or jointly owned companies has not been booked.

NOTES

NOTE 10 EQUITY, SHAREHOLDERS AND TREASURY SHARES

	Share Capital	Treasury shares	Premium Fund	Other Equity	Total Equity
Equity 31.12.2004	75 588	-31	111 648	752 273	939 478
Purchase of treasury shares (5.000)		-10		-466	-476
Sale of treasury shares (17.500)		35		1 608	1 643
Reduction of premium fund			-111 648	111 648	
Unallocated dividend on treasury shares				15	15
Annual result				301 860	301 860
Group contribution (net)				7 567	7 567
Allocated dividend				-75 588	-75 588
Equity 31.12.2005	75 588	-6		1 098 917	1 174 499

At 31.12.05, the Company's share capital represents 37.794.160 shares at NOK 2. The number of shareholders at 31.12.05 was 2.098.
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.
The Board have the power of attorney to acquire treasury shares in line with current legislation (10%).

Of the capital injection, NOK 282 million was transferred to unrestricted equity (now earned equity)

Shareholders with more than 1% holding at 31.12.2005:

Solstad Invest AS	7 103 813	18,79%
Solstad Trading AS	6 802 693	17,99%
SOFF Invest AS	4 465 679	11,81%
Odin Norden	2 706 000	7,15%
Skagen Vekst	1 901 100	5,03%
Pareto Aksje Norge	1 382 900	3,65%
Brown Brothers Harriman & Co	1 300 000	3,43%
Pareto Aktiv	630 100	1,66%
Bank of New York	468 905	1,24%
MP Pensjon	460 000	1,21%
Odin Offshore	450 000	1,19%
	27 671 190	73,21%

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 31.12.05:

Harald Eikesdal	0 shares
Johannes Solstad	18 034 183 shares
Per Gunnar Solstad	264 399 shares
Toril Eidesvik	0 shares
Arne Austreid	0 shares

The Managing Director Lars Peder Solstad owns 74.078 shares and the Deputy Managing Director Sven Stakkestad owns 2.425 shares at 31.12.2005.
The company's auditor does not own shares in the company.

At 31.12.2005 the company acquired 2.894 treasury shares at a cost price of NOK 0,3 million. During 2005, the company sold 17.500 shares to employees.

NOTES

NOTE 11 EARNINGS PER SHARE

In 2005, earnings per share was NOK 8,00. The equivalent value in 2004 was NOK -0,10.
Earnings per share is calculated by dividing the Group result by the average number of shares, adjusted for the stock of treasury shares.
There are no instruments that allow the possibility of dilution.

NOTE 12 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 received NOK 33.500 for legal consultancy.

There are no management agreements with related parties outside the Group that charge management fees.

Inter-company debt/receivables is interest bearing.

NOTE 13 GUARANTEES

Solstad Offshore ASA has placed the following guarantees (NOK mill):

Solstad Offshore UK Ltd	213
Solstad Offshore Service Vessel UK Ltd	448
Solstad Cable UK Ltd	578
Norskan Offshore Ltda	350
Nor Offshore Pte Ltd	7
Normand Drift AS	15
ADSI Inc	389
Solstad Rederi AS	440
Deep Well AS	8

NOTE 14 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.

Solstad to Europe's oil capital – Aberdeen

Solstad to Europe's oil capital – Aberdeen. In 1999, the Solstad Offshore UK division office was opened in the Scottish oil city, Aberdeen. There are many charterers located in the city – as well as most supply vessel shipping companies, so it was natural for Solstad Offshore ASA to establish itself in Aberdeen. There are four employees at this division office.

Rio de Janeiro – an international metropolis

Rio de Janeiro – an international metropolis. Proximity to the Brazilian continental shelf is strategically important – and through the joint venture company NorSkan Offshore Ltda, Solstad Offshore ASA has established a division office in Rio de Janeiro in Brazil. There are 20 employees at this division office.

ERNST & YOUNG

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Medlemmer av Den norske Revisorforening

To the General Meeting of
Solstad Offshore ASA

Auditor's report for 2005

We have audited the annual financial statements of Solstad Offshore ASA as of 31 December 2005, showing a profit of NOK 301.860 million for the parent company and a profit of NOK 286.000 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 allocation of the profit. The financial statements comprise the financial statements for the parent company and the group. The financial statements of the parent company comprise the balance sheet, the statements of income, cash flows and the accompanying notes. The financial statements of the group comprise the balance sheet, the statements of income and cash flows, the statement of equity and the accompanying notes. The regulations of the Norwegian Accounting Act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements of the parent company. IFRSs as adopted by the EU have been applied in the preparation of the financial statements of the group. 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 laws, regulations and auditing standards and practices generally accepted in Norway, including the auditing standards adopted by the Norwegian Institute of Public Accountants. These auditing standards 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 of the parent company are prepared in accordance with laws and regulations and present fairly, in all material respects the financial position of the company as of 31 December 2005, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the financial statements of the group are prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the group as of 31 December 2005, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with IFRSs as adopted by the EU
- the company's management has fulfilled its duty to properly record and document the accounting information as required by law and bookkeeping practice generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with law and regulations.

Oslo, 24 March 2006
ERNST & YOUNG AS

Asbjørn Rødal
State Authorised Public Accountant (Norway)
(sign)

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

A BRIEF LOOK AT 2005

IMPORTANT EVENTS

JANUARY
Nor Offshore Pte. Ltd, in which Solstad Offshore ASA holds a 1/3 ownership, entered into bare-boat contracts for the lease of two smaller AHTS's.

In the same month, Solstad Offshore UK Ltd, a wholly owned subsidiary of Solstad Offshore ASA, acquired shares through Lloyds Leasing in the Pioneer Offshore LP and the Progress Offshore LP who own the construction service vessels (CSV's) the Normand Pioneer and Normand Progress.

MARCH
The Group entered a contract with Island Offshore AS for 100% acquisition of the Normand Flower (CSV) and the Normand Borg (AHTS). As part of this agreement, Island Offshore AS took over 100% ownership of the Normand Rover (CSV).

APRIL
Solstad Offshore UK Ltd acquired the new build Normand Skipper (PSV) from Flekkefjord Slipp & Maskinfabrikk. On delivery, the Normand Skipper immediately entered a 5 year T/C with Statoil. The Group exercised their option to acquire 100% of Normand Vibran KS. This company owned the Normand Vibran (PSV) which was sold on to Solstad Offshore UK Ltd.

Nor Offshore Pte. took delivery of its first bareboat vessel, Nor Sea (AHTS) from Jaya Marine.

MAY
Solstad Cable UK Ltd took delivery of the Normand Clipper which was converted from a cable-laying vessel to a construction service vessel (CSV). The conversion cost was approximately NOK 200 million.

JUNE
Solstad Rederi AS sold two AHTS's, the Normand Trym and Normand Titan, to a newly established KS, Trym Titan KS, where Solstad Rederi AS holds a 30% ownership share.

JULY
The Group entered into a contract with Flekkefjord Slipp & Maskinfabrikk for new build of a large AHTS of design VS490. The vessel, which will be delivered in February 2007, has a cost price of around NOK 440 million.

In the same month Solstad Offshore UK Ltd entered into a contract for the sale of the Normand Vibran (PSV) to an Indian buyer for delivery December 2005.
Nor Offshore Pte. Ltd. took delivery of their second bare-boat vessel, Nor Star (AHTS) from Jaya Marine.

The Group signed a two-year contract with Stolt Offshore Ltd (Acergy) for the Normand Mermaid, with three-year options.

AUGUST
The Group entered into a contract with Ulstein Verft AS to build a large CSV of design VS 4220. The vessel, which shall be delivered in May 2007, has a cost price of NOK 663 million.

Solstad Offshore UK Ltd., took delivery of the new build Normand Aurora (PSV) from Merwede Shipyard. On delivery, the vessel started on a 1 year T/C with BP (with 2 x 1-year options).

SEPTEMBER
Nor Offshore Pte. Ltd., took delivery of their third bare-boat vessel, Jaya Supporter (AHTS) from Jaya Marine.

The Group signed a two-year extension to the time charter agreements with Murphy Oil for the anchor-handling vessels the Normand Ivan and Normand Atlantic in Malaysia. The contract is considered of strategic importance to the group with respect to the activity in the Far East.

OCTOBER
Solstad Offshore UK Ltd. entered into a contract for the sale of the Normand Produce (PSV) to a Norwegian buyer.

NorSkan Offshore Ltda. (a jointly-owned company in the Group) ordered a new AHTS for delivery in April 2007 at a cost price of around NOK 310 million.

In the same month, Nor Offshore Pte. Ltd. entered into a bare-boat agreement for their fourth AHTS from Jaya Marine, the Nor Sun, with delivery March 2006.

The Group signed a two-year contract with DeepOcean ASA for the Normand Flower with two-year options.

NOVEMBER
Nor Offshore Pte. Ltd. exercised their purchase option on Nor Star (AHTS). The vessel has been on bareboat since delivery from the shipyard. Cost price USD 14.4 million

DECEMBER
The Group signed a two-year T/C with Petrobras in Brazil for the Normand Borg as from 1st February 2006. In the same month, a 3.5 year T/C was entered with Clough Limited for the Normand Clipper, with options for a further 2 x 1 year.

Singapore – the city with the world's most harbour traffic

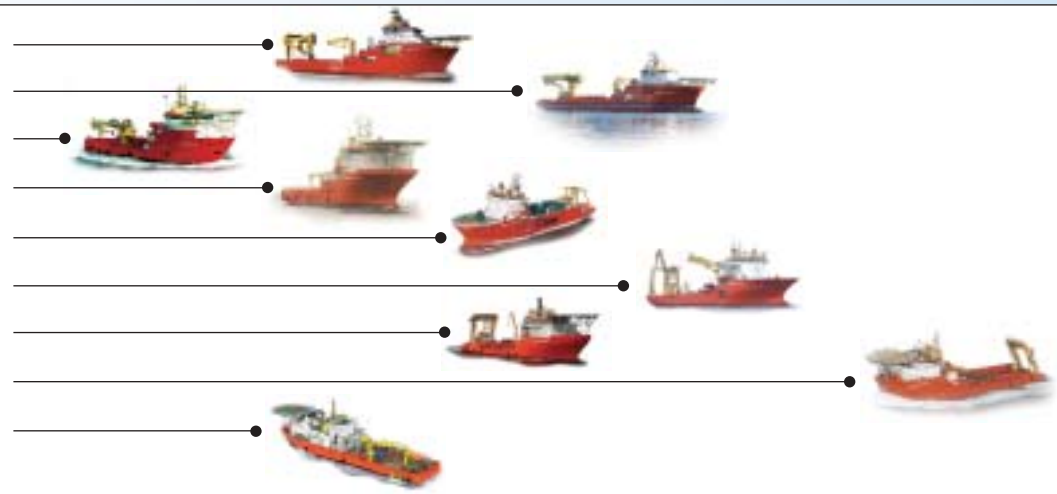
Singapore – the city with the world's most harbour traffic. Singapore has grown to become a vibrant commercial, financial and industrial centre in Asia. The city's strategic location was the reason for Solstad Offshore ASA establishing itself in Singapore through the joint venture company NOR Offshore Pte Ltd. There are seven employees at this division office.

THE FLEET

FOR SHIPDETAILS, WWW.SOLSTAD.COM

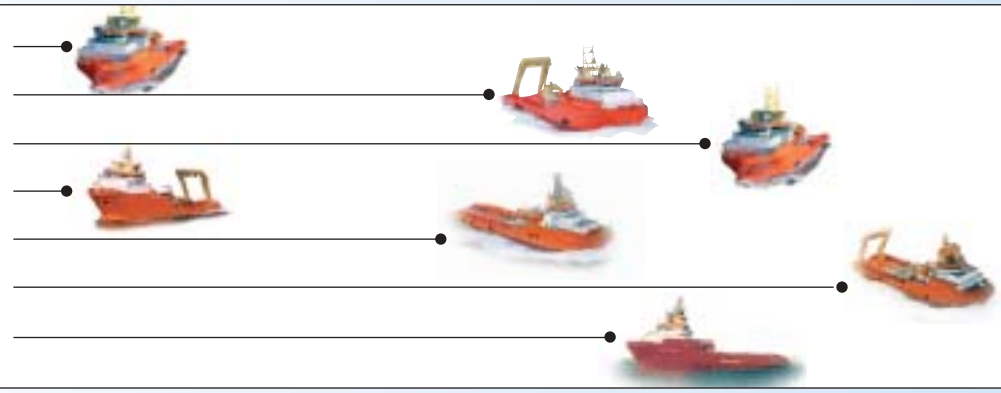
CONSTRUCTION SERVICE VESSEL (CSV)

1 Normand tbn 2
2 Normand Installer
3 Normand Flower
4 Normand Mermaid
5 Normand Clipper
6 Normand Cutter
7 Normand Pioneer
8 Normand Progress
9 Normand Tonjer



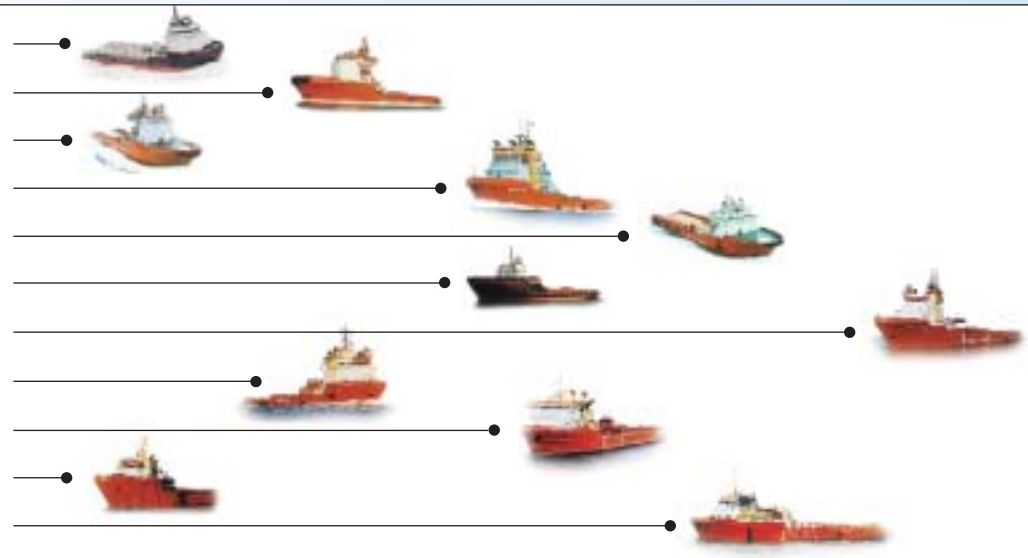
LARGE ANCHORHANDLING VESSEL (AHTS)

10 Normand tbn 1
11 Normand Master
12 Normand Mariner
13 Normand Ivan
14 Normand Borg
15 Normand Atlantic
16 Normand Neptun



SMALLER ANCHORHANDLING VESSEL (AHTS)

17 Seabulk South Atlantic
18 Normand Mjolne
19 Normand Draupne
20 Normand Jarl
21 Normand Skarven
22 Normand Titan
23 Normand Drott
24 Normand Trym
25 Normand Prosper
26 Normand Hunter
27 Normand Ranger



THE FLEET

FOR SHIPDETAILS, WWW.SOLSTAD.COM

PLATFORM SUPPLY VESSEL (PSV)

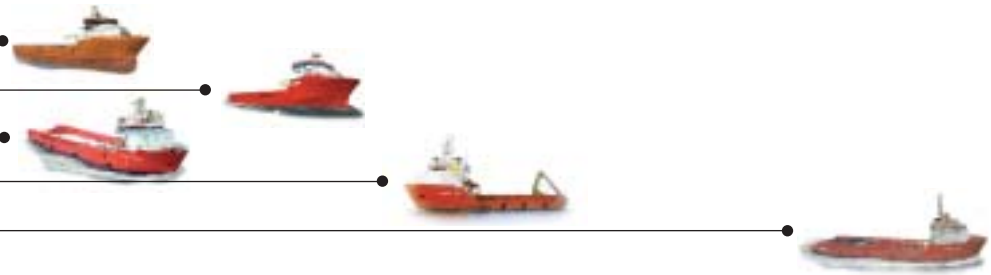
28 Normand Aurora

29 Normand Skipper

30 Normand Flipper

31 Normand Vester

32 Normand Carrier



NORSKAN OFFSHORE LTDA. (BRAZIL) - THE FLEET

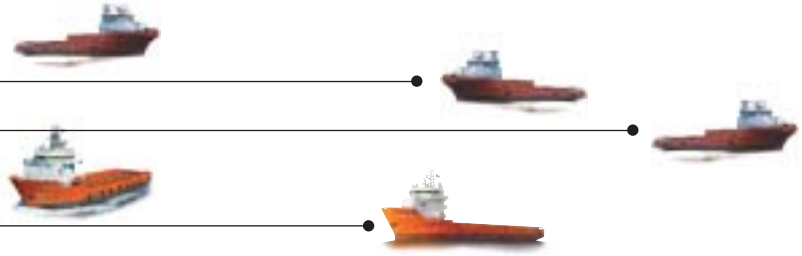
33 NorSkan tbn 2

34 NorSkan Botafogo

35 NorSkan Copacabana

36 NorSkan Leblon

37 NorSkan Flamengo



NOR OFFSHORE PTE. LTD. (SINGAPORE) - THE FLEET

38 Nor tbn 3

39 Nor tbn 2

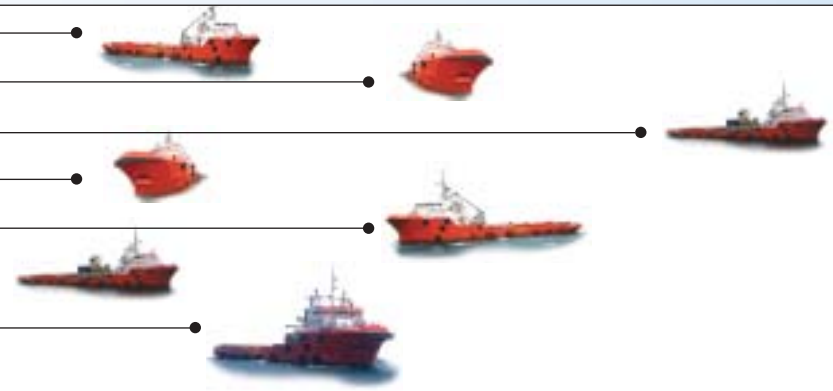
40 Nor tbn 1

41 Nor Sun

42 Nor Star

43 Nor Sea

44 Jaya Supporter



THE FLEET

PER 15. APRIL 2006

		Built year	Design	Reg.	HP	DWT	Deck areal m²	Winch power	Bollard pull	Dry bulk	Standby rescue	Oil skimming equip.	Fi-Fi	DP class
	CONSTRUCTION SERVICE VESSEL (CSV)													
1	Normand tbn 2	2007	VS 4420		26 000	10 000								
2	Normand Installer	2006	VS 4204	NIS	31 200	8 600	2 500	500	275					2
3	Normand Flower	2002	UT 737	IOM	9 860	4 000	960					x		3
4	Normand Mermaid	2002	P 103	IOM	13 000	4 100	800					x		3
5	Normand Clipper	2001	VS 4125	NIS	10 600	10 000	1 300	140	140					2
6	Normand Cutter	2001	VS 4125	IOM	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 tbn 1	2007	VS 490	NOR	20000	5000	770	500	240	x	x	x	x	2
11	Normand Master	2003	A 101	NOR	23 500	3 700	600	500	282			x		2
12	Normand Mariner	2002	A 101	NOR	23 500	3 700	600	500	282			x		2
13	Normand Ivan	2002	VS 480	NOR	20 000	4 138	600	500	240	x		x	x	2
14	Normand Borg	2000	UT 722 L	NIS	16 800	2 873	570	500	202	x		x		1
15	Normand Atlantic	1997	UT 740	NOR	19 400	4 200	560	500	220	x	x	x	x	2
16	Normand Neptun	1996	UT 740	NOR	19 400	4 200	560	500	222	x	x	x	x	2
	SMALLER ANCHORHANDLING VESSEL (AHTS)													
17	Seabulk South Atlantic	2003	UT 710	GIB	10 800	1 500	500	300	135	x			x	1
18	Normand Mjolne	1985	UT 718	NOR	18 000	2 500	590	300	170	x	x	x	x	2
19	Normand Draupne	1985	UT 718	NOR	18 000	2 500	590	300	170	x	x	x	x	2
20	Normand Jarl	1985	UT 712	NOR	12 000	2 000	536	300	150	x	x	x	x	1
21	Normand Skarven	1985	UT 716	NOR	13 000	2 500	570	250	156	x	x	x	x	2
22	Normand Titan	1985	Sats 140	NOR	12 000	2 320	515	300	145	x		x		1
23	Normand Drott	1984	UT 712	NOR	12 000	2 000	536	300	148	x	x	x	x	-
24	Normand Trym	1984	ME 303	NOR	12 728	2 200	473	250	146	x	x	x	x	1
25	Normand Prosper	1983	UT 704	NOR	9 200	1 875	495	250	90	x	x		x	-
26	Normand Hunter	1982	Hommelvik	REB	9 800	1 370	418	150	115	x				-
27	Normand Ranger	1982	UT 704	NOR	9 200	1 820	418	250	90	x	x	x	x	-
	PLATFORM SUPPLY VESSEL (PSV)													
28	Normand Aurora	2005	P 105	NOR	9 900	4 900	960			x				2
29	Normand Skipper	2005	VS 4420	NOR	9 500	6 400	1 220			x	x	x		2
30	Normand Flipper	2002	UT 745 E	NOR	9 600	4 400	960			x				2
31	Normand Vester	1998	UT 745	NOR	10 300	4 587	956			x	x	x		2
32	Normand Carrier	1996	UT 745	NOR	10 300	4 560	956			x		x		2
	NORSKAN OFFSHORE LTDA. (BRAZIL) - THE FLEET													
33	NorSkan tbn 2	2007	UT 722L	REB	16 800	3 000	570	500	180	x			x	2
34	NorSkan Botafogo	2006	UT 722L	REB	16 800	3 000	570	500	180	x			x	2
35	NorSkan Copacabana	2004	UT 722 L	REB	16 800	2 873	400	350	180	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
	NOR OFFSHORE PTE. LTD. (SINGAPORE) - THE FLEET													
38	Nor tbn 3	2007	Khiam Chuan	SIN	7 954	2 200	500	200	100	x			x	2
39	Nor tbn 2	2007	Khiam Chuan	SIN	10 800	2 000	450	300	135	x			x	2
40	Nor tbn 1	2007	Khiam Chuan	SIN	5 500	1 800	490	150	70	x			x	2
41	Nor Sun	2006	Khiam Chuan	SIN	7 954	1 800	490	200	95	x			x	2
42	Nor Star	2005	Khiam Chuan	SIN	5 506	1 800	475	150	71	x			x	2
43	Nor Sea	2005	Khiam Chuan	SIN	5 506	1 800	475	150	72	x			x	2
44	Jaya Supporter	2005	Khiam Chuan	SIN	7 954	1 750	475	200	93	x			x	2

CONTRACT COVERAGE

PER 15. APRIL 2006

			2006	2007	2008	2009	2010
	CONSTRUCTION SERVICE VESSEL (CSV)						
1	Normand tbn 2	Delivery May 2007					
2	Normand Installer	200 days/8 year + option					
3	Normand Flower	03/2008 + option					
4	Normand Mermaid	11/2007 + option					
5	Normand Clipper	06/2009 + option					
6	Normand Cutter	05/2007 + option					
7	Normand Pioneer	180 days/year + option					
8	Normand Progress	12/2006					
9	Normand Tonjer	12/2006 + option					
	LARGE ANCHORHANDLING VESSEL (AHTS)						
10	Normand tbn 1	Delivery February 2007					
11	Normand Master	Spot					
12	Normand Mariner	150 days/2006					
13	Normand Ivan	02/2008 + option					
14	Normand Borg	02/2008					
15	Normand Atlantic	02/2008 + option					
16	Normand Neptun	Spot					
	SMALLER ANCHORHANDLING VESSEL (AHTS)						
17	Seabulk South Atlantic	09/2008 (1)					
18	Normand Mjolne	90 days/2006					
19	Normand Draupne	06/2007 + option					
20	Normand Jarl	06/2006					
21	Normand Skarven	05/2008					
22	Normand Titan	100 days/2006					
23	Normand Drott	06/2006					
24	Normand Trym	08/2006					
25	Normand Prosper	10/2006					
26	Normand Hunter	12/2006					
27	Normand Ranger	07/2007 + option					
	PLATFORM SUPPLY VESSEL (PSV)						
28	Normand Aurora	11/2006 + option					
29	Normand Skipper	04/2010 + option					
30	Normand Flipper	10/2006					
31	Normand Vester	05/2008 + option					
32	Normand Carrier	04/2006					
	NORSKAN OFFSHORE LTDA. (BRAZIL) - THE FLEET						
33	NorSkan tbn 2	Delivery April 2007					
34	NorSkan Botafogo	Delivery June 2006					
35	NorSkan Copacabana	06/2013					
36	NorSkan Leblon	05/2006					
37	NorSkan Flamengo	09/2007					
	NOR OFFSHORE PTE. LTD. (SINGAPORE) - THE FLEET						
38	Nor tbn 3	Del. December 2007 (1)					
39	Nor tbn 2	Del. October 2007 (1)					
40	Nor tbn 1	Delivery March 2007 (1)					
41	Nor Sun	08/2006					
42	Nor Star	03/2008 + option					
43	Nor Sea	05/2006 + option					
44	Jaya Supporter	07/2006 (1)					

(1) Bare Boat

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

Contract

Charters Option

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