



**SOLSTAD OFFSHORE ASA**

*- a flexible and reliable partner*

# Annual Report 2006





## *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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The dates may be subject to change.

For electronic annual report:  
[www.solstad.no](http://www.solstad.no)

## Financial calendar 2007

20.02.07: Preliminary result 2006

20.03.07: Annual report 2006

08.05.07: Result 1st quarter 2007 / Ordinary general meeting

14.08.07: Result 2nd quarter 2007

30.10.07: Result 3rd quarter 2007

Ultimo februar 2008: Preliminary result 2007

Changes may occur.



## *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 Skudeneshavn. 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 the year the fleet consisted of 34 fully owned/jointly owned and leased vessels, including 12 new builds, 5 in Norway and 7 through Nor Offshore Pte Ltd in Singapore.

A total of 30 vessels are operated from offices in Skudeneshavn and Aberdeen. The remaining fleet (4 vessels and 7 newbuilds) are operated and administrated by Nor Offshore Pte Ltd in Singapore.

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

Solstad Offshore ASA group currently has over 830 employees, of which 672 are Norwegian seafarers. In addition to its head office in Skudeneshavn, Solstad has divisional offices in Aberdeen and Singapore.

## *Solstad in Skudeneshavn*

Our crews and vessels sail on all seas. Solstad's head office is located in charming Skudeneshavn on the Norwegian west coast. The offices were completed in the autumn of 2006. We are fortunate to

be so close to the sea and the forces of Nature.

It was in Skudeneshavn our shipping business was established - and we are still here.



***"I obtain visas and work permits worldwide for our crews.  
No one visits more embassies than I"***

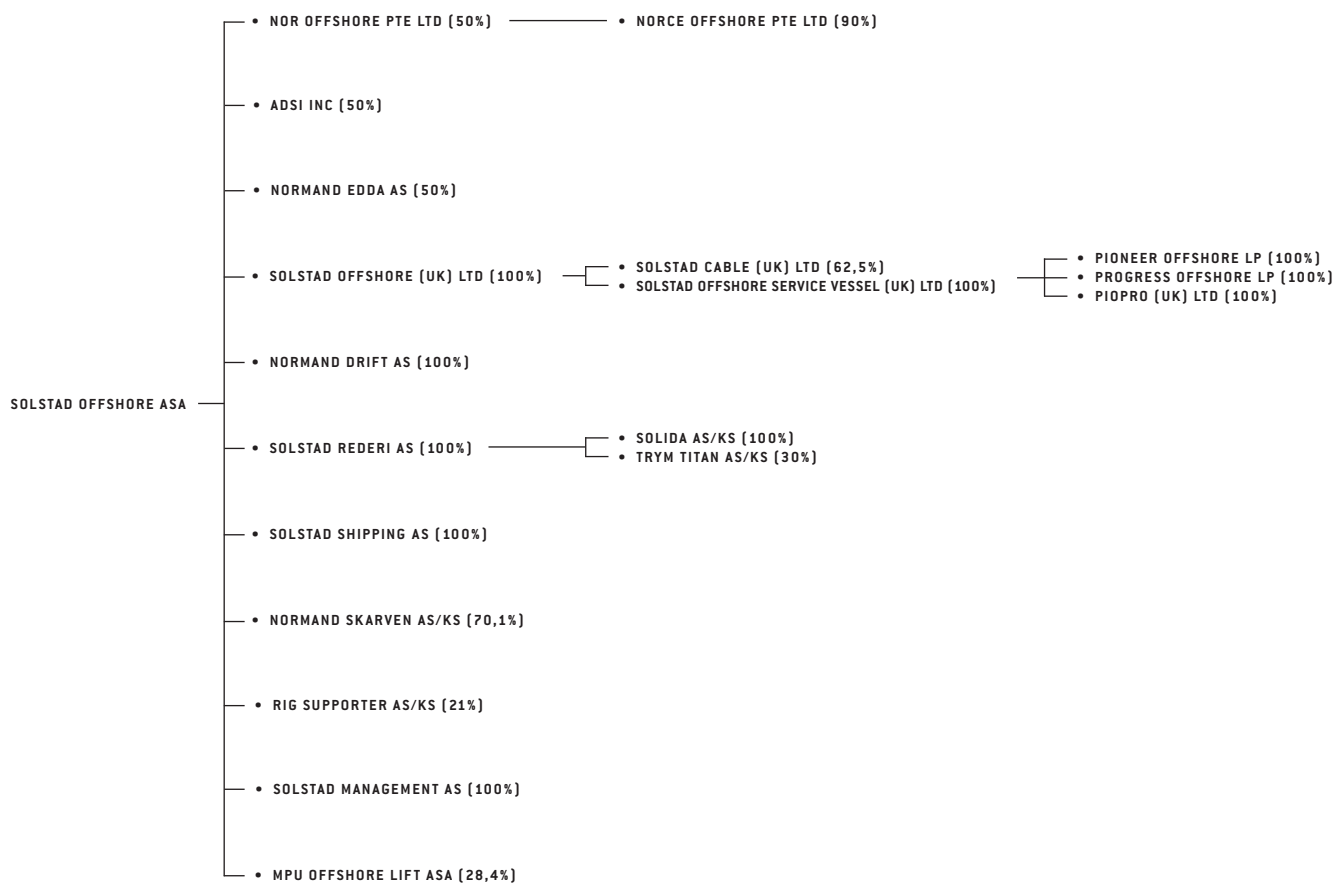
*Molly S. Stole*  
Travel-coordinator







# Company structure

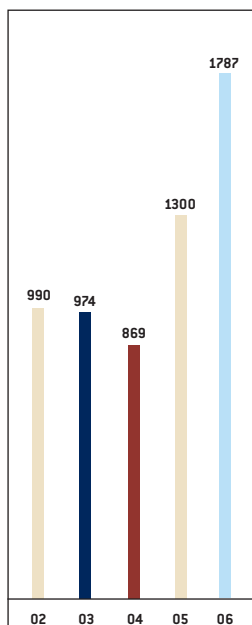




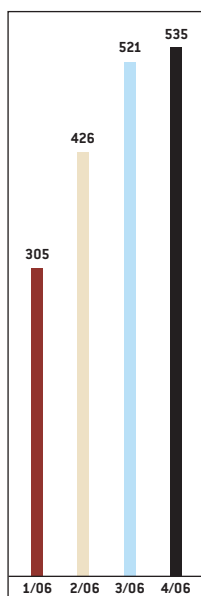


# Financial highlights

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



**FREIGHT REVENUES IN  
2005 QUARTERLY (NOK mill)**



	IFRS	IFRS	IFRS	NGAAP	NGAAP
PROFIT AND LOSS ACCOUNTS (NOK mill)Henv	2006	2005	2004	2003	2002
Freight revenues	1 787	1 300	869	974	990
Deferred income/Gain on fixed assets	96	122	38	20	20
Operating result bef. depreciation/write-downs	1 040	833	435	519	573
Operating result	704	503	155	278	290
Net finance	211	-201	-40	-98	-29
Ordinary profit before tax	915	302	116	193	341
Net profit for the year	890	286	92	184	327
Hereof majority's share	866	261	64	163	284

## BALANCE SHEETS

Vessels and other assets	6 361	5 823	4 849	4 314	3 903
Current assets	1 933	1 214	708	684	695
Total assets	8 294	7 036	5 557	4 998	4 598
Equity	3 174	2 694	2 427	1 991	1 910
Deferred tax	17	24	55	46	38
Long-term liabilities	3 896	3 642	2 564	2 751	2 442
Current liabilities	1	901	540	210	209
Long-term interest bearing liabilities	4 487	3 858	2 564	2 661	2 337
Bank overdraft	-	120	84	57	-
Free and restricted bank deposits	1 939	1 102	674	674	657
Net interest-bearing liabilities	2 548	2 876	1 974	2 044	1 680

## PROFITABILITY

Operating margin	2	55 %	59 %	48 %	52 %	57 %
Earning on equity	3,7	31 %	12 %	5 %	10 %	21 %
Earning on capital employed	4	10 %	9 %	4 %	7 %	9 %

## LIQUIDITY

Liquid assets	1 291	702	467	466	512	
Working capital	1 032	673	300	474	487	
EBITDA	5	1 067	716	413	436	491
Current ratio	6	2,1	2,2	1,7	3,3	3,3

## ASSETS

Total assets	8 294	7 036	5 557	4 998	4 598	
Equity	3 174	2 694	2 427	1 991	1 910	
Equity ratio	7	38 %	38 %	44 %	40 %	42 %

# Key figures

PER SHARE

KEYFIGURES PER SHARE	Ref	IFRS 2006	IFRS 2005	IFRS 2004	NGAAP 2003	NGAAP 200
Result of the year	8	22,94	6,91	1,69	4,63	8,06
EBITDA	5	28,26	18,97	10,98	12,39	13,93
Booked equity	9	83,98	71,28	64,27	56,46	54,23
Price/Earnings (P/E)		5,95	13,89	40,14	9,99	3,72
Price/EBITDA		4,83	5,06	6,19	3,74	2,15
Dividend		4,00	2,00	1,00	1,00	1,50
Share capital (NOK mill)		75,59	75,59	75,59	71,59	71,59
Quoted share price 31.12. (NOK)		136,50	96,00	68,00	46,30	30,00
Market capitalisation (NOK mill)		5 159	3 628	2 570	1 657	1 074
RISK amount per share (NOK)			[2,00]	0,00	[0,62]	[1,50]
Average no. of shares inclusive adj. for stock of treasury shares		37 791 266	37 781 891	37 553 373	35 238 991	35 203 772
N. of shares per 31.12 incl. Adj. For stock of treasury shares		37 791 266	37 791 266	37 778 766	35 261 641	35 208 064

## REFERENCES:

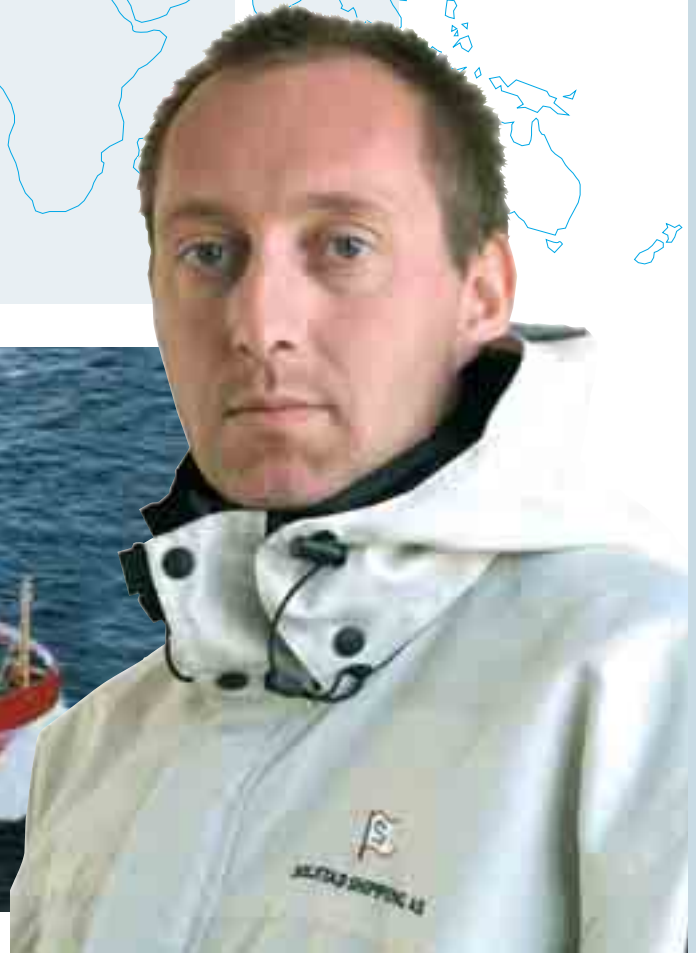
1. Includes current portion of long term debt for the years 2004 and 2005.
2. Operating result before depreciation in percentages of total operating income.
3. Result before extraordinary items, less payable/ordinary deferred tax, in percentage of average equity. Including minority interests.
4. Operating 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.

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

### ***Normand Borg***

The vessel is working in Brazil for Petrobras. She participates in anchorhandling and ROV support. The vessel is permanently equipped with a Work Class ROV.



***“Being skipper on board the Normand Borg is to be in complete control of 16,800 bhp and a bollard pull in excess of 200 tonnes during our deep sea operations in Brazil.”***

*Dag Endresen Myrholt*  
Captain, Normand Borg



## Directors report

In 2006, Solstad Offshore ASA (the Group) achieved operating revenue of NOK 1,883 million (including gain on sale of assets of NOK 88 million) compared to operating revenue of NOK 1,422 million the previous year (including gain on sale of assets of NOK 117 million). Profit before tax was NOK 915 million which was NOK 613 million more than 2005. Booked equity at the turn of the year was NOK 3,174 million (38%) or NOK 84 per share.

2006 was a historically good year for the offshore industry with record activity in most global areas. This has led to great demand for offshore service vessels in all market segments. The demand beyond the North Sea has led to significant increases to longer-term contract rates throughout the year. Due to increased global demand, the fleet of larger vessels in the North Sea has only increased by approximately 6-7% despite the introduction of a large number of new builds in 2006. The North Sea market has also been positive throughout the whole year with record high rates for vessels both on the spot market and on charter.

In 2006, the Group achieved their best ever safety result. The annual safety campaign was directed towards training in methodology and systems for risk analysis. There has also been significant investment to reduce spillage to the environment and in a newly developed system for a "crew free deck" during anchor handling.

At the turn of the year, the fleet consisted of 34 wholly owned/jointly owned or leased vessels, with twelve vessels under construction (five in Norway and seven through Nor Offshore Pte Ltd (NOR) in Singapore). 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 to building a larger fleet aimed at the market in the Far East and Australia.

In 2006, Solstad Offshore ASA booked several large transactions that had an impact on the profit and loss and balance sheet. Shares in DeepOcean ASA were sold and a 50% share in Norskan (Brazil) was sold and, at the same time, the share holding in Nor Offshore (Singapore) was increased to 50%. Furthermore, the Company increased their ownership from 51% to 100% in two large AHTS's and 1 CSV in the summer of 2006. In December Solstad Offshore ASA invested NOK 130 million in a 28.4% share in MPU Offshore Lift ASA, a company that is aiming its activity at the market for removal of defunct offshore installations.

Compared to the two previous years, in 2006 the Company increased its share of income from the North Sea market to 65%

### 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, using

owned or chartered vessels. The company's core business is to primarily offer services to petroleum 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 major player in deep water, sub sea and construction activities. The company continues to focus on health, safety, 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-focus based 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

At the end of the year the fleet consisted of 34 fully owned/jointly owned and leased vessels, including 12 new builds (5 in Norway and 7 through Nor Offshore Pte Ltd (NOR) in Singapore). A total of 30 vessels are operated from offices in Skudeneshavn and Aberdeen. Of these two are currently on the Brazilian Continental Shelf, 2 are in the Gulf of Mexico, 8 are in Asia, 2 in the Mediterranean and the remaining 16 vessels are operating in the North Sea area. In addition, the 5 new builds are overseen by Skudeneshavn. The remaining fleet (4 vessels and 7 new builds) are operated and administrated by NOR in Singapore. For more details on the fleet, refer to the fleet overview in the annual report.

The Company's five new builds in Norway indicate our continued focus on the construction service market as well as drilling and development in unsheltered and deep waters. Two of the new builds are construction service vessels (delivery July 2007 and July 2008 respectively) and on handover will enter into contracts with Subsea 7. The remaining three new builds are large, modern AHTS's (delivery May 07, November 08 and May 09) and whichever is delivered first will enter into a five year contract with Statoil. The two remaining AHTS's is uncommitted and will be partially equipped so they can also be utilized in the construction service market. Through its 50% share in NOR, Solstad Offshore ASA is focusing on the Asian and Australian markets. NOR was established in December 2004 and has on order a fleet of 11 vessels, four of which are operating with a somewhat higher specification than is traditional for this market. Six of the vessels have contracts for bare

boat hire with purchase options and the remaining five will be owned by NOR. NOR are also about to order a derrick lay barge (DBL) with lifting and pipe laying capacity with delivery by the end of 2008. The DBL will be equipped with a 1100 tonne crane, pipe laying equipment and greater cabin capacity. The aim of this investment, which is estimated at approximately USD 80-100 million, is to be a player in the construction market in Asia and Australia.

Solstad Offshore ASA owns approximately 28.4% of MPU Offshore Lift ASA after having subscribed NOK 130 million in a private emission in November 2006. MPU have since collected a further NOK 325 million in share capital and NOK 715 million by debenture.

MPU Offshore Lift ASA's vision is to be a market leader in single lift vessels for removal of installations from offshore production platforms. A contract has been signed with Keppel Verolme in Rotterdam for the building of the first vessel. Estimated delivery is the first quarter of 2009. The total investment will be in excess of NOK 2 billion and finance for the remaining capital requirement is planned as a combination of share capital and loans in 2007.

Solstad Offshore ASA's activity is aimed 100% towards the offshore petroleum industry. Most of the vessels are equipped to carry out projects well above the traditional supply and anchor handling services. In addition to its international growth, the Company has, in later years, focused on offering vessels and equipment for use on installations, and monitoring and maintenance of equipment on sub sea installations. At the same time, the Company has expanded and modernized its tonnage for anchor handling, particularly in deep waters. In 2006, the Company's net freight revenue was divided as follows: 49% from AHT's, 34% from CSV's and 17% from PSV's.

Divided geographically the freight revenue was: 65% from the North Sea, 8% from South America, 8% from West Africa, 3% from mid and North America, 4% from the Mediterranean and 12% from Asia.

### 3. THE OFFSHORE MARKET

Today, the share of oil and gas extracted from offshore sources accounts for around a third of the total world production. The current high oil price, increased productivity and technological development have led to it now being possible to discover and develop oil fields in areas where it was previously not technically and commercially viable to do so. This includes deep waters, environmentally exposed areas (for example Sakhalin and the Barents Sea) and increasing numbers of minor fields. The underlying consequences of this, including the wide geographical spread is that the demand for offshore services in these areas is expected to increase in line with production, exploration and development activity. The greatest growth in investment in exploration, development and production is currently in West Africa, Brazil, Asia and Australia (the latter because of China and Indonesia's increasing demand for energy).

In the North Sea, the market for services to the offshore industry is increasingly dominated by the operations segment, i.e., supply and maintenance services for producing fields. This applies predominantly to the British Sector. In the Norwegian Sector the coming years will see

increased activity linked to the approved development of fields and laying of pipelines. In addition, Norway is considered to have potential for further finds, particularly in the Northern area. Aided by the high oil price and a well developed infrastructure, this has contributed to the significant interest for drilling in these areas. New profitable finds will in turn develop the production and transport plant.

The total E & P investment in the branch has experienced a growth of around 20% in the last 2-3 years. In 2006, investment is anticipated to be around USD 150 billion and considerable growth is also expected in the coming year. There are currently more than 100 rigs under construction with delivery in the period 2007-2011. On the production side it is expected that a similar number of FPSO's will be installed during the same period.

Historically, the main stay 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 and more advanced multi-purpose and specialist vessels such as the construction service vessels. The functional overlap between vessel types has therefore increased. The world's fleet of AHTS's greater than 15,000 BHK was approximately 110 vessels at the turn of the year but there were around 330 PSV's with load capabilities of over 3000 dwt. There were approximately between 35 and 170 of these types of vessel operating in the North Sea. The great demand for offshore service vessels has resulted in several new owners/operators entering or about to enter the market both in the Norwegian Sector and abroad. At the turn of the year there were around 235 vessels on order (AHTS's over 10,000 BHP and PSV's over 2,000 DWT) and over forty different companies have vessels on order. Most of these are to be built in Europe (Norway) however, Asia (Singapore, China and India) have just as many vessels on their order books.

### 4. THE COMPANY AND ITS SHAREHOLDERS

It is the aim to make the company attractive in the long-term by reflecting an increase in the value of the Company through the shares and share dividends. The Board's objective is that the dividend will, over several years, average around 20% of the Company's profit after tax, adjusted for any larger currency fluctuation and any minority shareholders. Therefore dividend shall always be evaluated in anticipation of future income and cash flow, financing requirements and other conditions that may affect the Company's position.

The total number of shares issued by the Company at the turn of the year was 37,794,160. The number of shareholders was 2,016 which are 82 less than the previous year. Foreign shareholders amounted to around 9.7%. The Board of Directors will propose at the general meeting on 8th May, that a share dividend of NOK 4.00 per share will be paid for 2006. This payment will be made at the end of May 2007. The share value developed positively throughout the year. At the start of the year the share value was NOK 96 and at the end of the year was NOK 136 which is an increase of 42%.

The Company paid a dividend of NOK 2 per share in dividend in 2006

(for the 2005 accounting year). The Board has power of attorney until the next 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 31.12.06, the total number of treasury shares was 2,894. At the general meeting in May 2006, 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 next general meeting in May 2007, approve the renewal of the power of attorney relating to increase of share capital and acquisition of treasury shares.

Solstad Offshore ASA has been listed on the Oslo Stock Exchange since 1997. As the holding company of the Group, its main activity is the ownership of shares in its various subsidiaries and other strategic investments. Solstad Shipping AS and Solstad Management AS are management companies, with Solstad Rederi AS as the ship owning/chartering company subject to 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, and 50% of Nor Offshore Pte Ltd in Singapore. Nor Offshore Pte Ltd is owned together with Nortrans Pte Ltd. In addition to the vessels owned 100% by Solstad Rederi AS and Solstad Offshore UK Ltd, the Group has several investments in vessels through limited partnerships.

Solstad Offshore ASA has a strategic share of 28.4% in MPU Offshore Lift ASA – a company listed on the OTC list. The shares in Deep Sea Supply Plc today amount to 6.4% are seen as a market based investment posted as their actual value in the accounts.

## 5. OWNERSHIP CONTROL AND COMPANY MANAGEMENT

Solstad Offshore ASA's ownership control and company management is based on the Company's vision and strategy. The Company is listed on the Oslo Stock Exchange and is subject to the laws governing Norwegian share ownership, accounts reporting, the stock exchange and stocks and shares. Solstad Offshore ASA adopts the "Norwegian recommendation for ownership and company management" dated 8 December 2005.

### Accountability for ownership control and company management

The Company wishes to identify the division of duties between the shareholders, the Board and the Managing Director and has therefore elected to account for ownership control and company management in accordance with the "Norwegian Recommendation for ownership and company management". Solstad Offshore ASA has established ethical guidelines with the aim of securing values and an organisational culture in the Company that forms the basis of added value, secure operations, a pleasant work place, a sound reputation and innovation.

### Activities

According to its Articles of Association, the Company's activity is to "operate a shipping company and related activities..". With this aim,

the Company's business plan is to operate an integrated shipping company with high specification vessels in its market segment, using owned or chartered vessels. The Company's core business is to offer services to the oil-related offshore industry. The Company's Articles of Association are available in their entirety on the Company's website [www.solstad.no](http://www.solstad.no). Solstad Offshore ASA's goals and objectives are outlined in point 1 in the Board's Annual Report.

### Company equity and dividend

Solstad Offshore ASA's booked share capital amounts to 38.3% at the end of 2006. The Company maintains a solid financial position which supports the Company's declared strategy and dividend policy. The Company wishes to give its shareholders a high and stable yield. Yield on shareholders' capital is understood to include the total of the earnings per share and paid dividend.

### The Company's objective is to pay dividend to its shareholders.

The dividend is normally 20% of the Company's profit after tax, adjusted for any larger currency fluctuation and minority shareholders. Therefore, the dividend shall always be evaluated in anticipation of future income and cash flow, financing requirements and other conditions that may affect the Company's position. In 2006, Solstad Offshore ASA paid a dividend of NOK 2 per share for the 2005 accounting year. The Board will propose at the Company's general meeting that a dividend of NOK 4 per share is paid for the 2006 accounting year.

### The general meeting held on the 9 May 2006, gave the Board the power of attorney to:

- Increase share capital in Solstad Offshore ASA by up to NOK 4,000,000 by issue of up to 2,000,000 new shares at NOK 2. This power of attorney also applies to mergers according to the Joint Stock Public Companies Act § 13-5. The power of attorney extends until the next general meeting in 2007.
- Acquire treasury shares for a value up to NOK 7,558,832, up to 10% of share capital. The Board has power of authority to acquire and dispose of treasury shares. The Company shall pay a minimum of NOK 1 and a maximum of NOK 120 per share acquired by exercising this power of attorney. The power of attorney extends until the next general meeting in 2007.
- Propose an increase of share capital of up to NOK 280,000 by subscription of up to 140,000 new shares at NOK 2. The Board shall determine, within these parameters, whether there shall be one or several share emissions and the size of the emissions. Capital injection is limited to the Company's employees and shareholders relinquish their option to subscribe to these shares. The Board determine the subscription rate and conditions. The power of attorney extends until the next general meeting in 2007.

### Equality of shareholders and transactions with associates

Solstad Offshore ASA has only one class of share. The Articles of Association do not limit the voting rights. All shares have equal rights. The Board's right to acquire treasury shares is on the assumption that there are treasury shares on the market. During 2006 there have not









### *Normand Master*

Normand Master fits well into the high end of large AHTS vessels within the Solstad fleet. She has large capacities combined with good maneuver capacities

and can be fitted with a 250 tonnes a-frame. At the moment the vessel is working in North Sea Spot Market.



*“On board the Normand Master I am master of a vessel capable of 23,500 bhp, 3,700 dwt with a 280 tonnes bollard pull. As chief officer I am the skipper's right hand man and in charge of 20 colleagues and 30 clients on board.”*

*Joachim Buch Andreassen*  
Chief officer, Normand Master

been any transactions between the Company and shareholders, board members, key personnel or any relatives of these, except for those stated in the annual account, refer note 15. The Company has the right to ensure that the board members and key personnel inform the Board if they, directly or indirectly, have a significant interest in an agreement entered by the Company.

#### **Freely transferable**

Shares in Solstad Offshore ASA are freely transferable. The Articles of Association do not affect the transferability of the shares.

#### **General meeting and election committee**

The Ordinary General Meeting is usually held in May. Shareholders with known addresses are invited by post. An agenda is sent with the invitation to attend. This contains all the necessary information for the shareholders to form an opinion on all matters to be considered. The Board of Directors and auditors are usually represented. The general meeting is also advertised in the press and on the Company's website at least 14 days before the meeting date. The Board wishes to give as many shareholders as possible the opportunity to participate. The registration deadline is as close to the meeting date as possible. Any shareholders not able to attend are encouraged to use their vote. The agenda is determined by the Board and the main points are covered under § 6 of the Articles of Association. The Chairman of the Board opens the general meeting and selects a chairperson. The general meeting protocol is published as a stock exchange notice and is also available on the Company's website. There is no resolution stating that the Company must have an election committee. The Chairman and Deputy Chairman of the Board form the committee.

#### **Composition and independence of the Board**

The election committee's primary objective is to propose candidates that ensure the Company has a Board with the best possible relevant expertise, capacity and diversity. Furthermore, the Board is formed so that it can act independently of special interests and has at least two board members elected by the shareholders who are independent of the Company's main shareholders. When recruiting new board members, the policy of equal opportunity is applied as well as relevant competence and capacity. Board members are elected for a period of two years. Representatives from general management are not members of the Board.

#### **The Board's work**

The Board prepares an annual plan. Normally there are 7 to 8 ordinary shareholders. In addition, tele-conferencing is used for meetings where necessary. Instructions for the Board and general management are prepared. The Company's internal controls are practiced according to adopted guidelines and reviewed annually with the auditors. The Board receives monthly financial reports where the Company's economic and financial status is reviewed. The elected Deputy Chairman leads the Board's work in the absence of the Chairman. To date a steering committee has not been appointed. The Board undergoes an annual evaluation of its work and competence, when required.

#### **Remuneration to the Board**

The Board's remuneration reflects its responsibility, competence, time spent and the complexity of the industry and is not dependent on the result. Any remuneration to the Board is listed in the annual accounts. No options are allocated to the Board. In cases where board members take on additional projects for the Company, the whole Board shall be informed and the fee must be 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 associated with) are carried using the "arms length" principle. There is no commitment for the Company to release any other information than that in the notes to the accounts relating to remuneration or agreements with board members. Remuneration to board members is considered to be at market level for the industry.

#### **Remuneration to key personnel**

The remuneration of the Managing Director is fixed by the Board at a meeting. Other benefits to the Managing Director are stated in the Annual Accounts. The guidelines for remuneration of key personnel are presented at the general meeting for information.

There is no commitment for the Company to release any other information than that in the notes to the accounts relating to remuneration or agreements with the Managing Director or Deputy Managing Director. Remuneration to the general manager is considered to be at market level for the industry.

There are no options programmes for employees.

#### **Information and communication**

To ensure equal treatment of shareholders, the company aims at all times to ensure that the share market has correct, clear and timely information regarding the Company's activities and situation. Presentation of the quarterly and annual accounts is completed in accordance with the time plan stated in the financial calendar on the Company's website [www.solstad.no](http://www.solstad.no), and the information sent to the Oslo Stock Exchange. There is continuous dialogue with, and presentations to, analysts and investors. Information is imparted by stock exchange reports, dialogue with analysts and general presentations to investors as well as presentations to brokers and investors.

#### **Company take over**

Solstad Offshore ASA has no protective mechanism in its Articles of Association relating to share acquisition and has no other measures in place which limit the possibility to purchase shares in the Company.

#### **Auditor**

The auditors present an annual plan to the Board for implementing their audit. Furthermore the auditors will prepare a report on their observations relating to adherence to accounting principles, risk areas, internal control routines etc. The auditors will also produce annual written confirmation that they remain independent and objective. The auditors will attend board meetings relating to annual accounts as well as the Company's ordinary general meeting.

If the auditors are to be involved in an advisory capacity, this must first be approved by the Board. The auditors' fees are stated in the notes to the annual accounts. The Board and auditor meet annually without the Managing Director or representative from the administration. To ensure continued independence, Asbjørn Rødal will retire as the Company's auditor in 2007 and will be replaced by Jostein Johannessen, Ernst & Young.

## 6. FINANCIAL – THE GROUP

The annual accounts for 2006 are prepared in accordance with International Financial Reporting Standards (IFRS) with comparable figures for 2004 and 2005. The principle for calculating the Group activity changed from 01.01.06 from a share capital method to gross consolidation. The comparable figures for 2004 and 2005 have been revised accordingly.

Total operating revenue for the Group in 2006 was NOK 1,883 million (including profit on disposal of NOK 88 million) which is 32% higher than the figure of NOK 1,422 last year (which included profit on disposal of NOK 117 million). This increase is mainly due to a generally improved market. The fleet capacity when evaluated on the number of days compared to 2005 has increased by 12%. Contract coverage for 2006 was 95%. Cash flow from operations for the year was NOK 1,067 million (716 million) excluding profit on disposal. In 2002, two of the Group's vessels in the cable segment were depreciated by NOK 80 million. Depreciation was based on indications that the recoverable amount was lower than the book value. In 2004 and 2005 these vessels were converted to offshore construction vessels. In 2006, NOK 65 million of this depreciation has been reversed, based on increased operations since the conversions, charter agreements and positive market prospects. This corresponds to the original depreciation with deduction for estimated depreciation.

Two of the Group's vessels are leased on long-term lease agreements from an English investor. At the end of the lease period, that is, in 2008, the lessor has the right to sell the ownership of the vessels to Solstad Offshore ASA group at an agreed price based on certain assumptions, one of which is tax. The amendment to the tax regulations during the course of 2005 and 2006 will, most likely, have a negative impact on the previously agreed price. Based on the latest amendments to the law in 2006, NOK 114 million has been offset for anticipated increased costs if the lessor exercises the sales option. This offset is included in other operating expenses and posted to the balance sheet as a provision. After taking this into consideration, operating revenue after depreciation was NOK 704 million (503 million). Profit before tax was NOK 915 million (302 million) of which NOK 211 million is posted to income (less 201 million) in the net financial posting. Included in the net financial posting is gain on sale of shares of NOK 286 million and NOK 33 million in realized currency gain (NOK 104 million in currency loss in 2005). After adjustment for minority shareholders the earnings per share were NOK 22.94 (6.91). Apportioned by segments, the operating income primarily reflects the company's development of a larger and modern fleet of CSV's and AHTS's in later years. Due to the tight market

in 2006 several long-term contracts were entered on higher day rates than ever before. 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 2006 was the investment and loan in conjunction with the acquisition of 50% in one CSV, an increased share (to 100%) in two large AHTS's and 1 CSV, the sale of shares in DeepOcean ASA and Norskan AS and purchase of shares in Nor Offshore Pte Ltd and MPU Offshore Lift ASA.

The book value of the vessels at 31.12.06 was in total NOK 5,353 million (5,252 million) of which NOK 297 million (108 million) relates to payment of loan installments on the new builds. The Board of Directors 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 31.12.06 was NOK 4,487 million (3,858 million) apportioned by 44% NOK, 28% USD, 25% GBP and 3% EURO. At the end of the year, 2-5 year hedging agreements were entered into for approximately 12% of the debt. Booked equity was NOK 3,174 million (2,694 million) of which minority interests accounted for NOK 15 million (236 million). Booked equity per share was NOK 84 (NOK 71). Based on the average of three broker evaluations at 31.12.06 (vessels without contracts), value adjusted equity before tax was approximately NOK 156 compared with NOK 113 the previous year. At the turn of the year the working capital was positive by NOK 1,032 million (673 million). At the same time, interest-bearing debt was NOK 2,548 million (NOK 2,756 million).

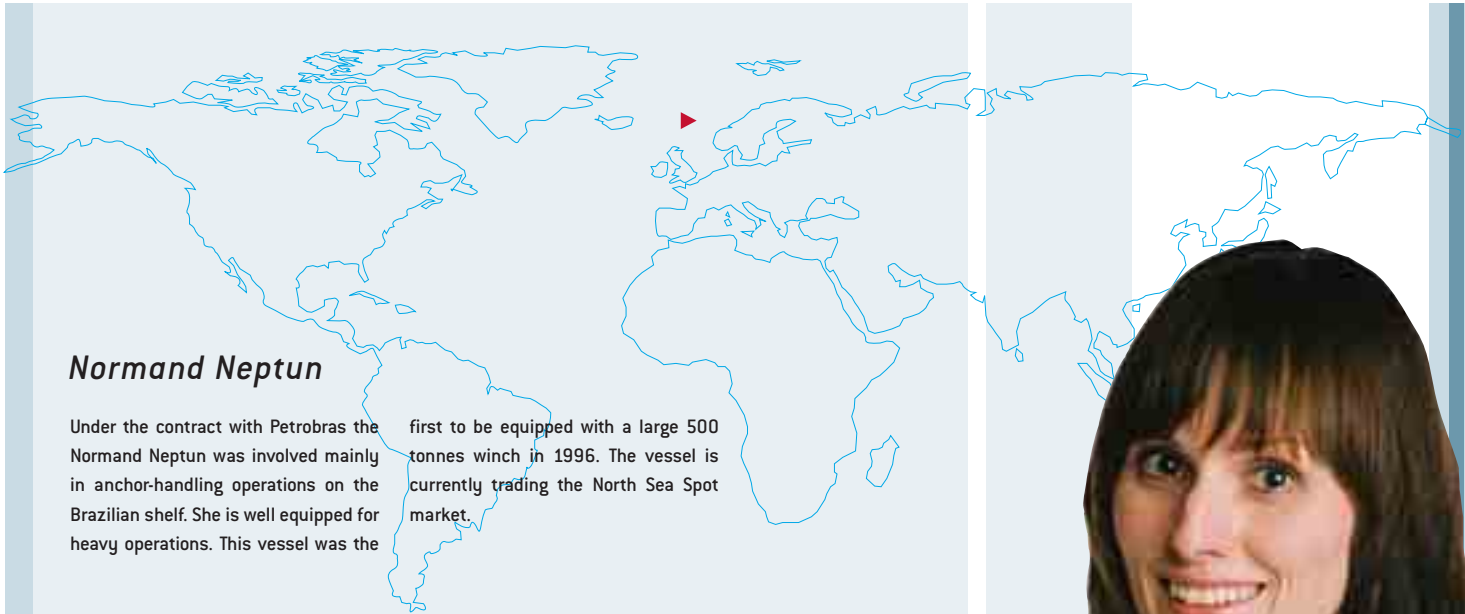
The Group is exposed to various financial market risks in its activities. Financial market risks are the risk that any change in currency rates, interest rates and freight charges will impact the value of the Group's assets, liabilities and future cash flow. In order to reduce and control this risk, Company management periodically evaluates the Group's most important financial market risks. When a risk factor is identified, measures are taken to reduce the specific risk. The Group is exposed to both interest and currency risks through long-term financing and freight income. The former risk is partially eliminated by interest hedging agreements. The currency risk is partially eliminated by having the freight contracts in the same currency as the associated loans and obligations. 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.





### ***Normand Neptun***

Under the contract with Petrobras the Normand Neptun was involved mainly in anchor-handling operations on the Brazilian shelf. She is well equipped for heavy operations. This vessel was the first to be equipped with a large 500 tonnes winch in 1996. The vessel is currently trading the North Sea Spot market.



***“The first mate position in Solstad provides me with professional challenges as a navigator at an excellent workplace.”***

***Tonje Sulen Gullaksen***  
First mate, Normand Neptun



- The Company shall ensure that operations are completed in such a way as to cause the least possible impact on the environment.
- The Company's employees shall follow the Company's ethical guidelines while performing their work.
- 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 are reported and monitored.

The company's HSE system complies with international regulations and standards, the ISM code (IMO's International Safety Management Code), ISO 14001, ISO 9001 and ISPS (International Ship and Port Facility Security Code). All vessels, together with the administration, are ISM 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 for the first time in 2006 to over 4,000. These are handled by an integrated reporting system which forms a HSE knowledge base for all employees. Furthermore, this forms the basis for introducing improvements to avoid these accidents and incidents in future. When entering contracts on new vessels the Company strives to provide a safe work place and reduced emissions into the air. The Company is currently developing equipment which will allow anchor handling without crew on deck (a work free deck). Throughout 2006, the Company has provided a lot of resources to develop good systems and methodology for risk analysis and the majority of the Company's employees have been trained in this aspect.

In total the Company had five accidents which are considered lost time incidents. The H factor (recording the number of absences due to injury per 1,000,000 working hours) was 1.25. The crew involved are all back in active service. We continue to aim for zero injuries and during the course of last year, two of the Company's vessels had 3000 days without a lost time incident. From 01.01.2007 the Company will implement environmental accounting as part of the Company's efforts to improve its environmental performance. Through this accounting, the Company will have a complete overview of the quantity of waste generated and how it is disposed of.

With effect from 01.01.2007 a Norwegian duty of NOK 15 per kilo has been introduced on NOx emissions. The Company is about to establish

a system to handle the measuring and reporting but is currently struggling because the rules and regulations are lacking and not enough information has been issued by the authorities. From an economic viewpoint, the Company will be charged duty on any emissions from the vessels, excepting such time that the vessel is on hire when the charge will be to the charterer's account.

In 2006, the Company's vessels had a total of 36 uncontrolled spillages which polluted the environment. At the end of the year the company employed around 830 people, 770 of which were seafaring. The working environment on land as well as on the vessels is considered good. Sick leave amongst the companies within the Group was approximately 3.5% in 2006. 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.

## 8. EXPECTATIONS IN 2007

The demand for offshore services improved considerably. Continued strong global economic growth together with OPEC's production regulation has helped to keep the oil price high. The oil companies' revenue has been very good and investment in drilling, development and production have increased considerably throughout 2006. Today there is little to indicate that this high activity will not continue in the coming year. In total there are over 100 rigs under construction which will significantly increase the offshore exploration capacity in the coming year. Furthermore, there are plans to install over 100 floating production units globally. The tendency for a wider geographic spread will also positively impact demand. There is also increased activity in the sub sea market and this is expected to continue in the coming year. The total order book for new builds is relatively large and it must also be recognized that there are new players in recent years.

At the turn of the year there was traditional tonnage of around 240 vessels of a certain size, around 100 AHTS's with engine capacity of over 10,000 BHP and around 140 PSV's over 2,000 DWT. This, together with the large new build and conversion activity relating to exploration rigs and floating production units, has resulted in a significant increase new build price for a vessel in the last year. The Board of Directors anticipates that the future market will see continued high activity. In the coming years there will be an increased demand for vessels as a result of the great number of drilling rigs under construction combined with increased development activity. With the increasing number of new builds it is highly unlikely that the current high rate can be maintained over time. In the meantime, prospects are good for most types of vessel for the next two years. In the longer perspective, the need to discover new oil reserves and begin production of such new reserves is considered the most important impetus for the international offshore industry. Even with a cautious estimate for increased utilization of oil in the years to come, the

requirement to replace the produced volumes of oil with new reserves and new production capacity is of utmost importance. The Company anticipates a continued increase in focus on deep water areas and sub sea activity. West Africa, Brazil, North America (including Mexico), Russia and parts of Asia and Australia are all areas with the greatest growth potential in the offshore sector.

At the time of accounts submission, the contract coverage for 2007, based on the number of days is 68% for vessels in the Group (the equivalent figure for last year was 65%). In 2008, the contract coverage is currently 36% (34%). Including contract options, the contract coverage for 2007 and 2008 is 79% and 57% respectively.

#### 9. FINANCIAL – PARENT COMPANY

Solstad Offshore ASA achieved annual profits of NOK 181 million (compared to 302 million in 2005). Net financial income increased by NOK 183 million (323 million) including dividends from subsidiaries. The annual loss from operations was NOK 5.8 million (4.7million).

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 1,205 million, NOK 1,038 million of which can be paid as dividend in accordance with Norwegian corporation law. The debt for the same period was NOK 459 million, NOK 300 million of which were obligations and NOK 151 million has been allocated to dividend for 2006.

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 825,000 for 2006. The auditors' fees for 2006 are proposed as approved as NOK 285,000.

The Board of Directors proposes the following appropriations:

Allocated Dividends	NOK	151 176 640,-
Transferred from other equity	NOK	30.025.989,-
Net appropriated/transferred	NOK	181.202.629,-

Board of Solstad Offshore ASA  
Skudeneshavn, 20th March 2007

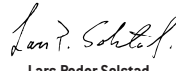
  
Harald Eikesdal  
Chairman

  
Johannes Solstad  
Deputy Chairman

  
Toril Eidesvik  
Board Member

  
Per Gunnar Solstad  
Board Member

  
Arne Austreid  
Board Member

  
Lars Peder Solstad  
Managing Director

#### THE BOARD

##### Harald Eikesdal, Chairman (b. 1946)

Harald Eikesdal is a lawyer who practices in offices shared with lawyers Eikesdal, Meling, Nygård and Lande. He has previously held positions as Head of Division at the Norwegian Ministry of Finance and deputy judge/acting city judge at the Haugesund City Judge's Offices. Harald Eikesdal has been chairman of the board since 2002 and holds a number of other directorships. Shares in Solstad Offshore ASA: 0



##### Johannes Solstad, Deputy Chairman (b. 1930)

Johannes Solstad is a former ship's master. He is the founder of the Solstad Group and was Managing Director from its start in 1964 to 2002. Johannes Solstad has been deputy chairman since the company was listed on the stock exchange in 1997. Shares in Solstad Offshore ASA: 18,034,183



##### Toril Eidesvik (b. 1968)

Toril Eidesvik is a lawyer at Caiano AS and has previously worked as a lawyer in the law firm of Simonsen Musæus and Gjensidige NorSparebank. She is Chairperson of the board of Green Reefers ASA, a board member at DeepOcean ASA and additionally holds several other directorships. Toril Eidesvik has been a board member since 2005 and is up for election in 2007. Shares in Solstad Offshore ASA: 0



##### Per Gunnar Solstad (b. 1933)

Per Gunnar Solstad is a former ship's master. He was Deputy Managing Director of Solstad shipping company for a number of years up to 2002. He holds a directorship in Green Reefers ASA and is Chairman of the board of Skude Verft AS. Per Gunnar Solstad has been a board member since 1997. Shares in Solstad Offshore ASA: 264,399



##### Arne Austreid (b. 1956)

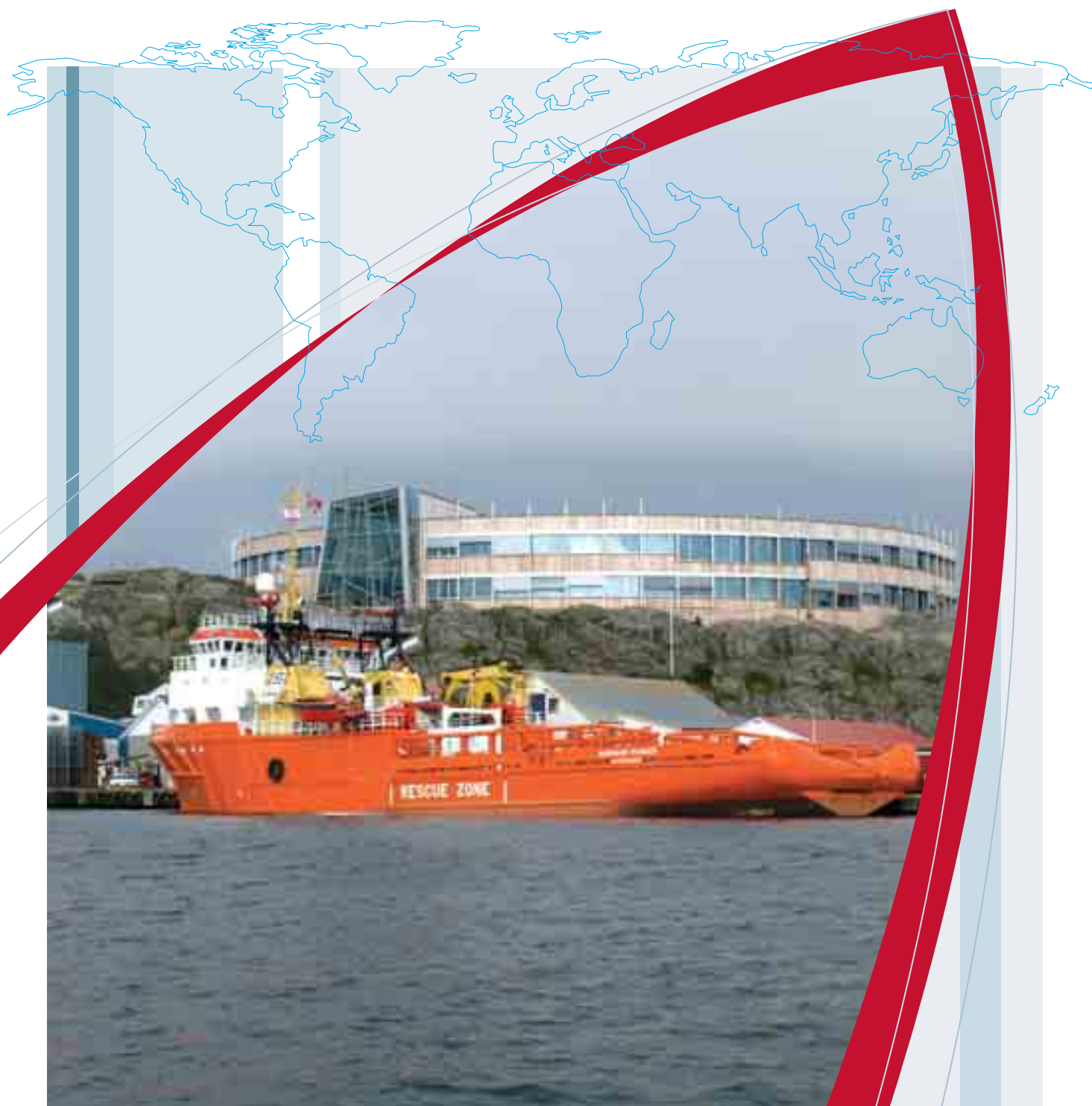
Arne Austreid is a graduate Petroleum Engineer and also holds an MBA. He is group CEO at Prosafe SE and previously worked in Transocean ASA for 16 years. Arne Austreid has been a board member since 2004. Shares in Solstad Offshore ASA: 0





# *Group accounts*

FOR SOLSTAD OFFSHORE ASA







# Profit and loss account

1.1 - 31.12

		(NOK 1 000)		
	Notes	2006	2005	2004
Freight income	4	1 786 957	1 299 662	869 312
Other operating income	2,5	96 081	122 405	37 915
<b>Total operating income</b>		<b>1 883 038</b>	<b>1 422 067</b>	<b>907 227</b>
Crew costs	5,6	-438 007	-372 878	-302 774
Ordinary depreciation	8	-262 459	-277 813	-233 468
Depreciation capitalised periodic maintenance	8	-73 982	-52 142	-45 792
Other operating expenses	5	-420 242	-224 733	-196 315
Income from investment in associated companies	9	15 663	8 831	26 498
<b>Total operating costs</b>		<b>-1 179 026</b>	<b>-918 736</b>	<b>-751 850</b>
<b>Operating profit/loss</b>		<b>704 012</b>	<b>503 331</b>	<b>155 377</b>
Other interest income	7	56 611	32 901	24 898
Other financial income	7,11,23	361 835	-7 040	61 820
Other interest charges	7	-192 804	-130 945	-98 056
Other financial expense	7,11	-14 487	-96 286	-28 244
<b>Net financing</b>		<b>211 155</b>	<b>-201 370</b>	<b>-39 582</b>
<b>Ordinary profit before taxes</b>		<b>915 166</b>	<b>301 961</b>	<b>115 795</b>
Tax on ordinary result	12	-25 278	-15 962	-23 435
<b>Net profit for year</b>		<b>889 888</b>	<b>286 000</b>	<b>92 359</b>
Minority shares		23 930	24 992	28 735
Majority shares		865 958	261 007	63 625
<b>Earnings per share (NOK)</b>	<b>14</b>	<b>22,94</b>	<b>6,91</b>	<b>1,69</b>



# Balance sheet

		(NOK 1 000)	
	Notes	31.12.06	31.12.05
<b>ASSETS</b>			
<b>Long-term assets</b>			
<b>Long-term fixed assets</b>			
Vessels and new build contracts	2,8	5 352 619	5 251 679
Capitalized periodic maintenance	8	120 911	56 892
Other tangible fixed assets	8	43 793	21 970
<b>Total long-term fixed assets</b>		<b>5 517 323</b>	<b>5 330 541</b>
<b>Financial assets</b>			
Loan to associated companies	15	15 327	18 732
Investments in associated companies	9	158 055	18 146
Investments in stocks and shares	9	3 223	173 648
Tied bank deposits	11	647 666	268 717
Other long-term receivables	20	19 202	12 814
<b>Total financial assets</b>		<b>843 473</b>	<b>492 057</b>
<b>Total long-term assets</b>		<b>6 360 796</b>	<b>5 822 598</b>
<b>Current assets</b>			
<b>Stock</b>	<b>24</b>	<b>18 978</b>	<b>26 400</b>
<b>Receivables</b>			
Account receivables	21	356 711	230 212
Other short-term receivables	21	139 737	123 496
<b>Total receivables</b>		<b>496 447</b>	<b>353 709</b>
<b>Investments</b>			
<b>Marked based shares</b>	<b>9</b>	<b>126 393</b>	
<b>Bank deposits and cash equivalents</b>	<b>16,18</b>	<b>1 291 106</b>	<b>833 414</b>
<b>Total current assets</b>		<b>1 932 924</b>	<b>1 213 523</b>
<b>TOTAL ASSETS</b>		<b>8 293 720</b>	<b>7 036 121</b>

# Balance sheet

		(NOK 1 000)	
	Notes	31.12.06	31.12.05
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital [37,794.160 at NOK 2.00]	13	75 588	75 588
Treasury shares	13	-6	-6
Other paid-in capital	13	111 648	111 648
<b>Total restricted equity</b>		<b>187 231</b>	<b>187 231</b>
<b>Earned equity</b>			
Other equity		2 971 839	2 270 717
<b>Total earned equity</b>		<b>2 971 839</b>	<b>2 270 717</b>
<b>Minority interests</b>			
		<b>14 718</b>	<b>235 843</b>
<b>Total equity</b>		<b>3 173 788</b>	<b>2 693 791</b>
<b>Liabilities</b>			
<b>Provisions</b>			
Deferred tax	12	16 604	23 771
Deferred income	25	23 657	25 915
Pension liabilities	6	12 813	10 520
Other provisions	10	269 761	100 000
<b>Total provisions</b>		<b>322 835</b>	<b>160 206</b>
<b>Other long-term liabilities</b>			
Other long-term loans		32 002	41 328
Debt to credit institutions/leasing obligations	11	3 863 899	3 600 414
<b>Total long-term liabilities</b>		<b>3 895 901</b>	<b>3 641 742</b>
<b>Current liabilities</b>			
Accounts payable		94 269	29 297
Bank overdraft			119 925
Taxes payable	12	26 922	40 460
Accrued salaries and related taxes		34 874	27 726
Dividend		10 945	
Other current liabilities	11	734 184	322 975
<b>Total current liabilities</b>		<b>901 196</b>	<b>540 382</b>
<b>Total liabilities</b>		<b>5 119 931</b>	<b>4 342 330</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8 293 720</b>	<b>7 036 121</b>
Mortgages	11		
Guarantees etc.	3,711		

Skudeneshavn, March 20th, 2007

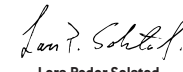
  
 Harald Eikesdal  
 Chairman

  
 Johannes Solstad  
 Deputy Chairman

  
 Toril Eidesvik  
 Board Member

  
 Per Gunnar Solstad  
 Board Member

  
 Arne Austreid  
 Board Member

  
 Lars Peder Solstad  
 Managing Director



## 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
<b>Equity 01.01.2005</b>	<b>75 588</b>	<b>-31</b>	<b>111 648</b>		<b>1 755</b>	<b>1 934 519</b>	<b>2 123 480</b>	<b>303 645</b>	<b>2 427 126</b>
Share capital (2.000.000)						-17 530	-17 530		-17 530
Purchase treasury shares		-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	-11 491	-540
<b>Equity 31.12.2005</b>	<b>75 588</b>	<b>-6</b>		<b>111 648</b>	<b>-21 271</b>	<b>2 291 988</b>	<b>2 457 948</b>	<b>235 843</b>	<b>2 693 791</b>
<b>Equity 01.01.2006</b>	<b>75 588</b>	<b>-6</b>		<b>111 648</b>	<b>-21 271</b>	<b>2 291 988</b>	<b>2 457 948</b>	<b>235 843</b>	<b>2 693 791</b>
Annual result						865 958	865 958	23 930	889 888
Paid-out dividend/ surplus						-75 590	-75 590	-13 634	-89 224
Unallocated dividend on treasury shares						6	6		6
Changes in accounting principles pension						826	826		826
Minority shares, paid out release								-231 421	-231 421
Net gain on available for sale financial assets						-110 948	-110 948		-110 948
Translation adjustments					22 441		22 441		22 441
Other adjustments						-1 572	-1 572		-1 572
<b>Equity 31.12.2006</b>	<b>75 588</b>	<b>-6</b>		<b>111 648</b>	<b>1 170</b>	<b>2 970 669</b>	<b>3 159 070</b>	<b>14 718</b>	<b>3 173 788</b>





## ***Normand Pioneer***

The UT 742 design is the largest and strongest of the UT designs. Under the seasonal contract with Technip Offshore Normand Pioneer performs different

types of construction and subsea work. The vessel has been fitted with a 140 t active heave compensated offshore crane.



***“As an able seaman/crane operator on board the Normand Pioneer, I am responsible for up to 150 tonne heavy lifts for installations onto the seabed.”***

*Nils Magne Vikse*

Crane operator, Normand Pioneer



# Statement of cash-flow

1.1 - 31.12

GROUP		(NOK 1 000)		
		2006	2005	2004
<b>CASH FLOW FROM OPERATIONS</b>				
<b>Result before taxes</b>		<b>915 166</b>	<b>301 961</b>	<b>115 795</b>
Taxes payable		-34 626	-20 242	-4 912
Ordinary depreciation and write downs		336 441	329 956	279 260
Loss/ gain long-term assets		-371 498	-117 170	-14 096
Hedging effects on future income in foreign currency				43 597
Effect of change in pension assets		-2 294	-989	4 473
Unrealised currency gain/loss		-74 785	51 652	-124 611
Change in short-term receivables/payables		-54 103	-101 145	-1 450
Change in other accruals		204 860	43 398	-21 768
<b>Net cash flow from operations</b>	<b>(A)</b>	<b>919 161</b>	<b>487 422</b>	<b>276 287</b>
<b>CASH FLOW FROM INVESTMENTS</b>				
Investment in tangible fixed assets (vessels)		-1 253 618	-1 218 268	-610 158
Payment of capitalized periodic maintenance		-138 001	-46 721	-62 717
Sale of fixed assets (vessels)		1 006 341	382 487	25 006
Write-down financial assets			7 156	
Investments in other shares		-309 686	-17 318	-29 137
Realized shares and interests		488 502	79 653	
<b>Net cash flow from investments</b>	<b>(B)</b>	<b>-206 462</b>	<b>-813 011</b>	<b>-677 006</b>
<b>CASH FLOW FROM FINANCING</b>				
Share emissions				104 048
Payment to/from minority interests		-245 055	-81 304	6 375
Payment of dividends		-75 584	-37 779	-37 762
Paid-in interests		56 890	29 968	24 897
Paid-out interests		-185 776	-127 510	-94 642
Sale treasury shares			1 167	27 153
Change in restricted bank deposits		-378 949	-62 107	1 617
Repayment of long-term receivables		-2 983	-66 214	-54 513
Bank overdraft		-119 925	35 985	27 027
Long-term debt		1 998 677	1 820 826	576 200
Repayment of long-term debt		-1 302 302	-862 564	-142 833
<b>Net cash flow from financing</b>	<b>(C)</b>	<b>-255 007</b>	<b>650 469</b>	<b>437 567</b>
<b>Net change in cash and cash equivalents</b>	<b>(A+B+C)</b>	<b>457 692</b>	<b>324 879</b>	<b>36 848</b>
<b>Cash and cash equivalents at 01.01</b>		<b>833 414</b>	<b>508 535</b>	<b>471 687</b>
<b>Cash and cash equivalents at 31.12</b>	<b>(Note 18)</b>	<b>1 291 106</b>	<b>833 414</b>	<b>508 535</b>



## ***Normand Mariner***

Normand Mariner fits well into the high end of large AHTS vessels within the Solstad fleet. She has large capacities combined with good manouever capacities and can be fitted with a 250 tonnes A-frame. At the moment the vessel is working in North Sea Spot Market.



***“I am gaining useful experience as an able seaman on board Normand Mariner before joining Normand Ferking, our newest anchor handler. I'm looking forward to it!”***

*Glen Kåre Sletvik*

Able seaman, Normand Mariner

# Notes

## NOTE 1 ACCOUNTING PRINCIPLES

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

The Group, Solstad Offshore ASA (SOFF), operates a shipping business from its head office in Skudeneshavn, Norway, and its main activities are the operation of offshore service and construction vessels. The Group is listed on Oslo Stock Exchange. The financial statements were approved by the Board of Directors on 20th of March 2007. The shareholders shall review the financial statements in the general meeting on May 8th, 2007, and have the authority to request changes prior to approval.

**STATEMENT OF COMPLIANCE AND BASIS FOR PREPARATION** 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 without comparative figures for 2004
- all actuarial gains and losses are computed at the date of the transition

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

**CHANGES IN ACCOUNTING PRINCIPLES** The Group first implemented IFRS in the 2005 financial statements, with a transition at January 1, 2004. IFRS 1 – First time adoption of International Financial Reporting Standards has been used to implement IFRS. The standards have been followed consistently for both 2004 and 2005, except for certain areas where IFRS 1 explicitly allows deviation. Comparative figures for 2004 are therefore translated according to IFRS, except for IAS 32/39 where comparative figures are according to NGAAP. For further details – see 2005 Financial Statements.

**In 2005 the IFRIC-interpretation** "IFRIC Interpretation 4 Determination whether an arrangement contains a lease" was published. This interpretation applies to financial statements from January 1, 2006 onwards, and provides guidance on how to identify leasing agreements and how cash flows in combined agreements should be separated to identify the leasing part of the agreement. The Group has evaluated this interpretation and found no agreements that are affected by this interpretation.

### Gross consolidation of Joint Ventures (JV)

With effect from January 1st, 2006, JV's are consolidated line-by-line in the financial statement, based on the Group's share. A JV is an entity in which the Group has significant influence but, when entering agreements, requires that strategic decisions have to be unanimous. As this is a change in accounting principle, the comparative figures have been changed accordingly. This change in principle has only a presentation effect on the accounts.

### IFRS AND IFRIC INTERPRETATIONS NOT YET IMPLEMENTED

**IAS 1 – Presentation of Financial Statements was changed in 2006.** The changes require additional information enabling the user to evaluate the Group's goals, directives and processes for capital management. The changes in IAS 1 will be implemented from January 1st, 2007.

**In August 2005 IFRS 7** Financial instruments - Disclosures was published. This standard applies to financial statements starting January 1, 2007 or

later. 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 in 2007.

**IAS 14 – Segment reporting** will be replaced by IFRS 8 – Operating Segments. The information given in the segment reporting shall, according to IFRS 8, be the same as the Group use internally to evaluate results from the different segments. Furthermore, the basis for the preparation of segment information shall be disclosed. The Group will implement IFRS 8 from January 1st, 2009.

**CONSOLIDATION** The consolidated financial statements comprise of the financial statements of Solstad Offshore ASA and its subsidiaries as at 31 December each year. Adjustments are made to bring into line any deviating accounting principles that may be in use.

The Group accounts include the total profit & loss and financial position of Solstad Offshore ASA and its controlling interests 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 evaluated when assessing whether control exists.

Subsidiaries are consolidated 100% line by line in the group accounts. A subsidiary is an entity where the Group has controlling interest, direct or indirect, of more than 50% of the voting shares.

Joint ventures are consolidated line by line in the group accounts, based on the Group's share in the joint venture. A joint venture is an entity in which the Group has significant influence, but where agreements are entered, requires that strategic decisions have to be unanimous

Subsidiaries and joint ventures 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 and joint ventures are accounted for using the purchase method of accounting. The cost of an acquisition is calculated 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 or joint venture acquired calculated at the date of handover, will be posted as goodwill.

All inter company transactions, receivables, liabilities and unrealized profits, as well as intra-group profit distributions, are eliminated. In the consolidation the profit and loss accounts of foreign subsidiaries and joint ventures are translated using the exchange rate on the day of transaction. The balance sheet is translated using the balance sheet date exchange rate. Translation adjustments between local currency and functional currency are classified as financial items, while adjustments arising from translation from functional to presentation currency are booked in equity.

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



# Notes

**INVESTMENT IN ASSOCIATES** The Group's investment in its associates is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence but which is not a subsidiary. The reporting dates of the associates and the Group are the same and the same accounting policies are applied.

Investment in an associate is posted in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The income statement reflects the share of the results of operations of the associate as financial income. Where a change is identified in an associate's equity, the Group recognizes its share of any changes and discloses this, when applicable in the statement of changes in equity.

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

- Financial assets at fair value through profit and loss

This category consists of financial assets available for sale (trading) which normally are realized within 12 months after the balance day. Such assets are initially booked at fair value on the balance sheet. Changes in fair value are booked through profit and loss.

- Available for sale assets

The category includes non-derivative financial assets which not fit into any of the other categories. If management's intention is to realize the investment within 12 months after the balance day, they are classified as current assets. The investments are initially valued at fair value. Changes in fair value are booked to equity.

- Held to maturity investments

Non-derivative financial assets with a fixed maturity and which management's intention is to hold on to until maturity are classified in this category. Such investments are initially valued at amortized cost. Any reduction in value is booked through profit and loss as impairment.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed payments not quoted in an active market. These financial assets are initially valued at amortized cost. Any reduction in value is booked through profit and loss as impairment.

**CLASSIFICATION OF ITEMS IN THE BALANCE SHEET** Current assets and current liabilities are items with maturity within one year after the balance sheet date, and items connected to the goods circulation. The short term part of the long term debt is classified as current liability. Investments in shares not considered as strategic placements are classified as current assets. All other assets are classified as long term assets.

**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 ruling 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. Non-monetary items, e.g. vessels that are measured in terms of historical cost in a foreign currency are translated using the

exchange rate at 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 31.12.04	11,641	6,0386	8,2385	2,3090
Pr 31.12.05	11,652	6,7687	7,9850	2,9090
Pr 31.12.06	12,268	6,2551	8,2380	2,9298

**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. Useful lives and residual value of vessels, depreciation of planned maintenance, pensions, contingent liabilities and taxes are items where use of estimates may have significant influence on reported amounts.

**Useful lives of vessels** affect the ordinary depreciation. Useful life of the vessel's different components is based on the condition and experience of wear and tear of each group of components.

**Residual value of vessels** will also affect ordinary depreciation. The residual value of the Group's vessels is mainly estimated based on the vessels weight in steel and the steel price in the beginning of each year.

**Depreciation of planned maintenance** is affected by the estimated interval between each dry docking. This interval is determined based on experience for the Groups' fleet combined with official requirement for classification of the vessels.

**Pension** is an estimate influenced by several assumptions. The discounting rate and expected regulation of salary has a significantly high impact. The regulation of salaries is based on experience and anticipation related to subsequent salary regulation in the business. The discounting rate is based on Norwegian 10 year state obligation interest rate, adjusted for average remaining time to maturity.

**Provision for contingent liabilities and taxes** is based on collecting information on a case by case basis. The probability of a contingent liability occurring which would affect the provision is evaluated. The discounting rate used for liabilities is based on a risk-free interest rate, adjusted to the maturity date.

Although these estimates are based on Management's best knowledge at the time of submitting the accounts, actual figures may differ from the estimates.

**SEGMENT INFORMATION** The Group's primary reporting format is the business segment and its secondary format is the geographical segment. The Group's three main business activities are anchor-handling vessels (AHTS), supply vessels (PSV) and construction service vessels (CSV). Any other activities are included in a separate segment. Overhead costs are apportioned between these segments in the same way as other operating expenses. The Group's geographical segments are determined by the location of the Group's vessels and operations.

# Notes

**PROPERTY, PLANT AND EQUIPMENT** Property, plant and equipment acquired by Group companies are stated at historical cost. Depreciation is calculated on a straight-line basis and adjusted for residual value and impairment, 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 anticipated at the end of its useful lifetime. The book value of the property, plant and equipment on the balance sheet represents the cost less accumulated depreciation and any impairment.

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. The ships are divided into the following components (depreciation profile): hull (30 years), anchor handling, loading and unloading equipment (20 years), thrusters, DP and lifting equipment (15 years) and other equipment (15 years).

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 amended 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 booked values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the booked value may not be recoverable. If any such indications exist and where the booked value exceeds the estimated recoverable amount, the asset or cash-generating units are depreciated to their recoverable amount. The recoverable amount of plant and equipment is the greater of the net selling price and utility value. When assessing utility value, the estimated future cash flows are discounted to their current value using a pre-tax discount rate that reflects current market assessments of the monetary value and the specific risk to the asset. For an asset that does not generate cash inflows, the recoverable amount is calculated for the cash-generating unit to which the asset belongs. Previously calculated depreciation is reversed if there is any change in the estimates used to calculate the recoverable amount. Reversal of previously recognised depreciation 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 calculating the recoverable amount.

Gains and losses on disposal are determined by comparing the disposal proceeds with the book value and are included in operating profit.

**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 the vessel is transferred to depreciable assets. Depreciation begins when the vessel is delivered from the yard.

**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 the amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the acquisition over the year to maturity. For investments booked at amortized cost, gains and losses are posted to income when the investments are devalued or depreciated as well as through the amortization process.

For investments that are actively traded in organized financial markets, the 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.

Financial investments are devalued if the right to receive cash flow from the investment no longer exists, or if the Group has undertaken an obligation to redeem the asset to a third party, without delay, on a pass-through-deal. Furthermore, when financial investments are devalued, the right to receive cash flows from the investment is transferred together with almost all of the risk or profit from the asset, or if almost all of the risk and reward is retained, but control of the investment is transferred.

Financial liabilities are devalued when, according to the agreement, the obligation is fulfilled, cancelled or matured.

**LEASES** Lease of property, plant and equipment where the Group has all the risks and rewards of ownership, are classified as financial leases. Financial 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.

Any leases where a significant amount 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 profit and loss on a straight-line basis over the period of the lease.

## TRADE AND OTHER RECEIVABLES

Trade receivables are booked at their anticipated realizable value, which is the original invoice amount less an estimated valuation allowance for depreciation of these receivables. A valuation allowance for depreciation 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

# Notes

with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balance sheet. Tied bank deposits are funds on separate bank accounts for tax deductions and certain guaranties furnished by the Group.

**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 registration, 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 recorded in the profit and loss 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 devalued or depreciated, as well as through the amortization process.

**PROVISIONS** Provisions are made in the financial statements if the Group considers it likely, based on the legal provisions or business liabilities of past events, 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.

**TAX** 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 profits. Net financial income is taxed on current basis (28%).

Deferred tax is calculated using the liability method at 28% of all temporary differences between the taxable value of assets and liabilities and their booked amounts at the end of the accounting year. Any temporary differences that may increase or decrease tax are offset and posted as a net figure.

The booked amount of deferred tax assets is reviewed at each balance sheet date. If it is no longer likely that adequate taxable profit will be generated, then the deferred tax asset will be reduced. Anticipated utilization of tax losses are not discounted when calculating the deferred tax asset.

No provision for deferred taxes has been made for companies in the Group taxed in accordance with the shipping tax regime. The tax rate for undistributed profits is zero and therefore deferred taxes are to be calculated on a zero tax rate. Tax on dividends is paid when the dividend is paid out.

Based on a recently published discussion document from NOU relating to changes in the shipping tax regime, there is uncertainty whether there will be any changes in the legislation and if so, which direction they will take. 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 liability at the balance sheet date minus the fair value of plan assets, together with adjustments for actuarial gains and losses and administration costs. The defined benefit liability 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 maturing at the same time as the liability. The cost of providing pensions is charged to profit and loss to spread the regular cost over the working 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 liability and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plans.

**POSTING TO INCOME** Revenue and expenses relating to vessels without charter contracts are apportioned according to the number of days for each contract occurring before and after the end of the accounting period. Income relating to mobilization and demobilization is posted to income in the period the mobilization or demobilization occurs. Freight revenue is posted net after deduction for direct, contract-related freight costs.

**DIVIDENDS** Dividends are calculated 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 derivatives are booked directly to profit and loss.

**RELATED PARTY TRANSACTIONS** All transactions, agreements and business activities with related parties are on an arm's length basis in the same way as transactions with third parties.

**STOCK** Stock consists mainly of bunkers onboard the vessels. Stock is valued at the lower of cost price and fair value. First-in-first-out method is used.

**EARNINGS PER SHARE** The calculation of basic earnings per share is based on the majority's share of the 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 2006:

During 2006, the Group contracted 3 new ships on a 100%-basis and 2 ships on a 50%-basis through Nor Offshore Pte Ltd (NOR). Two of the former are anchor-handing ships (AHTS) at NOK 509 mill, to be delivered in December 2008 and May 2009. The third is a construction service vessel (CSV) at NOK 600 mill with scheduled delivery in June 2008.

The two the ships contracted through NOR is one AHTS and one CSV. Estimated cost price is USD 27 mill and USD 28 mill. Delivery is scheduled to May 2008 and December 2007 respectively. In addition to the contracted ships, NOR have entered into bare-boat agreements for 5 ships (4 AHTS and 1 CSV) with delivery in April 2007, October 2007, January 2008 (2) and June 2008 (CSV).

In March the Group took delivery of one CSV, through a 50% owned Joint Venture (JV). The vessel's cost price was USD 104 mill (100%).

At the end of June the Group released the minority in subsidiaries Solida AS and Solida KS. The cost price of the transaction was approx NOK 328 mill, and gave the Group 100% control of two AHTS and one CSV.

A purchase of a 7 year old CSV was closed in June. The ship was resold in December, with a gain of approx NOK 88 mill.

In the third quarter a Letter of Intent was signed with a joint venture partner to terminate the companies' collaboration in Brazil and Singapore. In the transaction, which was completed in November, the Group sold its share in the Brazil operation, while the share in the Singapore operation was increased from 33% to 50%. The gain of the Brazil release was approx NOK 53 mill and the cost price of the increased share in Singapore was approx NOK 26 mill.

In November the Group sold its share in DeepOcean ASA. The gain was approx NOK 233 mill.

In December the Group purchased, through a private emission, 28% of the shares in MPU Offshore Lift ASA. The cost price was approx NOK 130 mill.

The Group purchased approx 5% of the shares in the listed company Deep Sea Supply PLC in December. The cost price was approx NOK 94 mill.

### 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 conversion, 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 time 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%.

# Notes

## 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 underlying 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 hedge 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, 2006, accounts receivables was NOK 356,7 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 derivatives with recognized financial institutions.

Interest risk. As at December 31, 2006 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, 2006 the interest swaps have a net positive value of NOK 4,6 mill. The Group has

entered interest and currency swap agreements with approximately 1 year maturity. At December 31, 2006 these agreements have a net positive value of NOK 30,9 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, 2006; NOK 44%, USD 28%, GBP 25% and Euro 3%.

**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 2005 and 2006.

**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 estimate 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.

	Nominal value	Yearly regulation	Currency	Interest rate	Maturity	Value as at 31.12.06
<b>Fixed rate</b>						
Contract 1	240 000	30 000	NOK	4,29 %	05.11.11	2 520
Contract 2	59 000	8 000	NOK	3,70 %	03.09.09	1 180
Contract 3	18 350	850	USD	4,75 %	14.01.08	81
Contract 4	19 750	900	USD	4,60 %	11.01.08	118

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

	Nominal value	Yearly regulation	Currency	Maturity	Value as at 31.12.06
<b>Interest- and currency swaps</b>					
Interest- and currency swaps GBP/USD	25 063	1 801	USD	04.01.08	2 350
Interest- and currency swaps GBP/USD	29 182	2 314	USD	04.01.08	2 601

Net value as at December 31, 2006 is classified as current assets.



# Notes

## FINANCING RISK

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

	<b>Mortgage loan</b>	<b>Maturity</b>	<b>Duration</b>	<b>Interest</b>
Loan 1 Floating interest - NOK	100 000	03.09.07	9 months	3,89
Loan 2 Floating interest - NOK	312 500	05.03.10	38 months	4,79
Loan 3 Floating interest - NOK	106 250	14.02.13	73 months	3,00
Loan 4 Floating interest - NOK	391 500	13.05.13	76 months	3,95
Loan 5 Floating interest - NOK	524 000	23.08.10	44 months	4,34
Loan 6 Floating interest - NOK	5 000	30.05.08	17 months	3,76
Loan 7 Floating interest - NOK	394 817	16.09.13	80 months	4,23
Loan 8 Floating interest - NOK	6 600	26.10.11	59 months	4,23
Loan 9 Floating interest - NOK	300 000	30.04.06	4 months	4,23
Loan 10 Floating interest - GBP	16 226	14.01.14	84 months	5,46
Loan 11 Floating interest - USD	31 661	14.01.14	84 months	5,93
Loan 12 Floating interest - USD	5 950	10.10.11	58 months	5,88
Loan 13 Floating interest - USD	6 438	10.03.16	110 months	6,09
Loan 14 Floating interest - USD	37 440	14.01.12	60 months	3,55
Loan 15 Floating interest - USD	9 533	14.01.12	60 months	6,04
Loan 16 Floating interest - USD	3 077	14.01.12	60 months	6,04
Bonds	300 000	19.05.11	52 months	4,04
Total mortgage loan in NOK	2 928 333			
Leasingobligation - crane	26 781	01.11.11	58 months	
Leasingobligation - vessel	967 607	14.01.08	12 months	
Leasingobligation - vessel	304 964	14.04.12	64 months	
Leasing obligations	1 299 352			

## 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.

	<b>Value based on forward contract</b>	<b>Value as at 31.12.06</b>	<b>Value as at 31.12.05</b>
Currency contracts	680 553	-4 224	7 410
Net value is classified as current asset/ liability.			

## FAIR VALUE

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

### Financial assets

	<b>Note</b>	<b>2006</b>	<b>2005</b>
Cash at bank	11,18	1 938 772	1 102 131
Investments in shares (long-term)	9	161 278	173 648
Other long term financial investments	15,20	34 529	142 477
		<b>2 134 579</b>	<b>1 418 256</b>

### Financial obligations

	<b>Note</b>	<b>2006</b>	<b>2005</b>
Short-term part of long-term debt	11	622 751	257 991
Mortgage loan with floating interest	11	2 265 547	2 486 086
Mortgage loan with fixed interest	11	299 000	134 687
Leasing obligation with floating interest	11	1 261 252	711 262
Leasing obligation with fixed interest	11	38 100	268 379
		<b>4 486 650</b>	<b>3 858 404</b>



# Notes

## 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		
Revenues	2006	2005	2004	2006	2005	2004
Net revenue	892 721	566 553	340 197	301 484	315 717	136 629
Deferred income from assets		59 233			40 702	
<b>Total operating income</b>	<b>892 721</b>	<b>625 786</b>	<b>340 197</b>	<b>301 484</b>	<b>356 420</b>	<b>136 629</b>
<b>Results</b>						
Operating result	373 379	186 728	-7 568	128 940	189 820	16 673
Result from associated companies	18 263	-346	2 994			15 068
<b>Assets and liabilities</b>						
Fixed assets	1 663 920	1 802 945	1 393 055	800 411	1 120 783	826 932
Investments in associated companies	37 884	20 829	37 131			5 461
Unallocated assets						
<b>Total assets</b>	<b>1 701 804</b>	<b>1 823 774</b>	<b>1 430 186</b>	<b>800 411</b>	<b>1 120 783</b>	<b>832 393</b>
Segment liabilities	1 212 559	1 214 147	588 238	595 333	889 538	522 184
Unallocated liabilities						
<b>Total liabilities</b>	<b>1 212 559</b>	<b>1 214 147</b>	<b>588 238</b>	<b>595 333</b>	<b>889 538</b>	<b>522 184</b>
<b>Other segment information</b>						
Annual investment	242 303	463 083	129 809	388	437 460	238 338
Depreciations and write-downs (1)	156 433	141 137	116 469	50 990	49 974	31 849

	CSV			OTHERS		
Revenues	2006	2005	2004	2006	2005	2004
Net revenue	601 185	422 628	346 679			61 590
Deferred income from assets	87 647	17 234				22 133
<b>Total operating income</b>	<b>688 832</b>	<b>439 862</b>	<b>346 679</b>			<b>83 723</b>
<b>Results</b>						
Operating result	186 029	112 435	77 820		5 517	41 954
Result from associated companies			5 264	-2 600		3 172
<b>Assets and liabilities</b>						
Fixed assets	2 584 836	2 283 707	1 776 474	334 217	200 694	447 033
Investments in associated companies			44 952	141 772	-5 201	25 582
Unallocated assets						
<b>Total assets</b>	<b>2 584 836</b>	<b>2 283 707</b>	<b>1 821 426</b>	<b>475 989</b>	<b>195 492</b>	<b>472 615</b>
Segment liabilities	2 201 027	1 608 269	1 271 882	32 781	97 013	386 039
Unallocated liabilities						
<b>Total liabilities</b>	<b>2 201 027</b>	<b>1 608 269</b>	<b>1 271 882</b>	<b>32 781</b>	<b>97 013</b>	<b>386 039</b>
<b>Other segment information</b>						
Annual investment	787 646	233 405	216 189	223 281	137 736	87 531
Depreciations and write-downs (1)	129 018	137 878	109 106		966	21 835





# Notes

	Discontinued operations			Total		
Revenues	2006	2005	2004	2006	2005	2004
Net revenues				1 795 391	1 304 897	885 095
Deferred income from assets				87 647	117 170	22 133
<b>Total operating income</b>				<b>1 883 038</b>	<b>1 422 067</b>	<b>907 228</b>
<b>Results</b>						
Operating result				688 348	494 501	128 879
Result from associated companies		4 420		15 663	4 074	26 498
<b>Assets and liabilities</b>						
Fixed assets				5 383 383	5 408 130	4 443 493
Investments in associated companies				179 656	15 628	113 127
Unallocated assets				2 730 680	1 612 363	1 000 442
<b>Total assets</b>				<b>8 293 720</b>	<b>7 036 121</b>	<b>5 557 061</b>
Segment liabilities				4 041 701	3 808 967	2 768 344
Unallocated liabilities				444 949	49 437	361 592
<b>Total liabilities</b>				<b>4 486 650</b>	<b>3 858 404</b>	<b>3 129 936</b>
<b>Other segment information</b>						
Annual investment				1 253 618	1 271 685	671 867
Depreciations and write-downs (1)				336 441	329 956	279 260

(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 2006, PSV revenue is mainly from activity in the North Sea, while revenues for AHTS and CSV activity are allocated in all areas.

Net revenues are allocated to the following areas:	2006		2005		2004	
North Sea	65 %	1 165 515	56 %	726 507	49 %	437 754
North- and Central America	3 %	52 107	5 %	67 855	7 %	65 519
Mediterranean/remainder of Europe	4 %	66 156	14 %	180 921	19 %	167 374
West Africa	8 %	147 551	6 %	81 823	10 %	88 290
South America	8 %	145 696	7 %	86 361	11 %	100 675
Asia	12 %	218 366	12 %	161 430	3 %	25 484
<b>Totalt</b>	<b>100 %</b>	<b>1 795 391</b>	<b>100 %</b>	<b>1 304 897</b>	<b>100 %</b>	<b>885 095</b>

The Group's vessels normally operates in several geographical areas during a year, assets can therefore not be allocated per segment, according to IAS 14.69.



# Notes

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

Other operating income	2006	2005	2004
Gain on sale of vessels	87 647	117 170	22 133
Other income	8 434	5 236	15 783
<b>Total other operating income</b>	<b>96 081</b>	<b>122 405</b>	<b>37 915</b>
<b>Other operating expenses</b>			
Technical cost	202 250	146 093	122 371
Bunker and lube oil	12 986	4 311	5 691
Administration expenses - vessels	1 987	2 295	1 272
Provisions	114 000	9 600	13 000
Insurance	32 993	21 799	18 134
IT, communications and other costs	56 025	40 635	35 847
<b>Total other operating expense</b>	<b>420 242</b>	<b>224 733</b>	<b>196 315</b>
<b>Wages and employee cost</b>			
Employees, vessels	397 123	342 579	274 936
Employees, administration	40 884	30 299	27 838
<b>Total employee cost</b>	<b>438 007</b>	<b>354 901</b>	<b>280 133</b>
<b>Wages and employee cost</b>			
Wages	302 020	261 915	205 824
Social security	24 175	18 495	16 637
Pension costs	11 410	6 779	9 107
Other benefits	23 834	22 951	18 235
Travelling costs, courses and other personnel costs	76 568	62 738	52 971
<b>Total employee cost</b>	<b>438 007</b>	<b>372 878</b>	<b>302 774</b>
Average number of employees:	870	782	687

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 82 mill (2005: 75 mill. 2004: 54 mill).

## REMUNERATION TO DIRECTORS, MANAGING DIRECTOR AND AUDITORS

Charged cost during the year	Director's fee	Wages	Other benefits	Pension cost
Leading employees:				
Lars Peder Solstad	6	1 174	124	61
Sven Stakkestad	4	1 069	73	90
Board of Directors:				
Harald Eikesdal, styreleder	250			
Johannes Solstad, nestleder	144			
Toril Eidesvik	96			
Arne Austreid	144			
Per Gunnar Solstad	144			

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.

	2006	2005	2004
Auditor, audit fees	1 850	1 201	918
Auditor, tax counselling	369	590	
Auditor, other consultancy	245	334	525
<b>Total</b>	<b>2 464</b>	<b>2 125</b>	<b>1 443</b>



# Notes

## NOTE 6 PENSION

The Group has one defined benefit pension plan both for administrative and seafaring personnel. The pension plan is insurance based. As at December 31, 2006 there are 604 members of the pension plan. The scheme has the following assumptions: discounted interest 4,2% (4,25% and 5%), expected return 5,3% (5,25% and 6%), regulation of salaries 4,75% (3% and 3%), "G-regulation" 4,5% (2,5% and 2,5%) regulation of pensions 4,5% (2,5% and 2%).

Changes in pension obligation:	2006	2005	2004
Estimated obligation at beginning of the year	73 201	55 029	44 958
Interest expense	3 042	2 312	2 222
Annual pension earnings	9 936	6 535	8 967
Benefits paid	-1 526	-1 257	-1 038
Actuarial (gain)/ loss on the obligation	5 743	-3 391	-1 499
<b>Estimated obligation at the end of the year</b>	<b>90 396</b>	<b>59 227</b>	<b>53 609</b>

Changes in pension obligation:			
Opening value of plan assets	47 071	41 690	36 545
Expected return	2 730	2 312	2 308
Contributions by employer	10 700	6 209	5 119
Benefits paid	-1 526	-1 257	-1 038
Administration expense	-295	-245	-227
Actuarial gain/ (loss)	1 174	-485	-1 646
<b>Estimated plan assets at the end of the year</b>	<b>59 853</b>	<b>48 224</b>	<b>41 061</b>

Expected contribution by employer in 2007 is NOK 7 mill.

### Net plan asset/ (obligations)

Pension obligations	90 396	59 227	50 738
Plan assets	59 853	48 224	41 061
Unrecognized changes in assumptions	19 313	483	147
Benefits paid	1 583		
<b>Net plan assets/ (obligations)</b>	<b>-12 813</b>	<b>-10 520</b>	<b>-9 530</b>

### Pension cost:

Present value of pension obligation	9 936	6 535	8 967
Interest expense on obligation	3 042	2 312	2 222
Expected return on plan assets	-2 730	-2 312	-2 308
Administration expense	295	245	227
Social security	1 531	832	669
<b>Pension cost</b>	<b>12 941</b>	<b>7 611</b>	<b>9 776</b>

Actual return on plan assets	3 904	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 5,25% to 5,30% in 2006. The discounting rate has been adjusted accordingly.

The effect of changes of estimates between actual and return is charged over a 13 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	2006	2005	2004
Interest expense	-192 804	-130 945	-98 056
Interest income	56 611	32 901	24 898
Currency loss	-418 048	-353 233	-295 266
Currency gain	450 779	248 927	335 637
Gain financial derivatives (refer note 3)	29 619	15 246	
Loss financial derivatives		-2 601	-4 982
Gain sale shares (refer note 2)	285 778		
Loss sale shares	-1 905		
Other financial income	15 612	6 626	
Other financial expense	-14 487	-18 291	-1 812
<b>Net financial items</b>	<b>211 155</b>	<b>-201 370</b>	<b>-39 582</b>

## NOTE 8 TANGIBLE FIXED ASSETS/INTANGIBLE FIXED ASSETS

	Vessels	New-bulidings	Machine/ equip	Total
<b>Cost price 01.01.2004</b>	<b>4 988 727</b>		<b>27 703</b>	<b>5 016 430</b>
Cost price 01.01.2004 JV	180 498		1 016	181 514
Acc depreciations/ write downs 01.01.2004	-979 274		-7 496	-986 769
Acc depreciations/ write downs 01.01.2004 JV	-1 045		-121	-1 166
<b>Book value 01.01.2004</b>	<b>4 188 906</b>		<b>21 103</b>	<b>4 210 009</b>
Additions	407 920	87 092	484	495 497
Additions JV	112 336		1 317	113 653
Transfer				
Disposals				
<b>Cost price 31.12.2004</b>	<b>5 396 648</b>	<b>87 092</b>	<b>28 187</b>	<b>5 511 927</b>
Cost price 31.12.2004 JV	292 834		2 334	295 168
Acc depreciations/ write downs 31.12.2004	-1 205 142		-9 442	-1 214 584
Acc depreciations/ write downs 31.12.2004 JV	-1 045		-121	-1 166
<b>Book value 31.12.2004</b>	<b>4 483 294</b>	<b>87 092</b>	<b>20 959</b>	<b>4 591 345</b>
<b>Cost price 01.01.2005</b>	<b>5 396 648</b>	<b>87 092</b>	<b>28 187</b>	<b>5 511 927</b>
Cost price 01.01.2005 JV	292 834		2 334	295 168
Acc depreciations/ write downs 01.01.2005	-1 205 142		-9 442	-1 214 584
Acc depreciations/ write downs 01.01.2005 JV	-1 045		-121	-1 166
<b>Book value 01.01.2005</b>	<b>4 483 294</b>	<b>87 092</b>	<b>20 959</b>	<b>4 591 345</b>
Additions	932 010	123 981	1 475	1 057 467
Additions JV	158 945	6 194	2 359	167 497
Transfer	109 258	-109 258		
Disposals	-263 236		-443	-263 679
Translation adjustment	1 118		358	1 476
<b>Cost price 31.12.2005</b>	<b>6 174 680</b>	<b>101 816</b>	<b>29 220</b>	<b>6 305 715</b>
Cost price 31.12.2005 JV	452 897	6 194	5 051	464 141
Acc depreciations/ write downs 31.12.2005	-1 469 777		-11 430	-1 481 207
Acc depreciations/ write downs 31.12.2005 JV	-14 131		-869	-15 000
<b>Book value 31.12.2005</b>	<b>5 143 670</b>	<b>108 010</b>	<b>21 970</b>	<b>5 273 650</b>
<b>Cost price 01.01.2006</b>	<b>6 627 577</b>	<b>108 010</b>	<b>34 270</b>	<b>6 769 856</b>
Acc depreciations/ write downs 01.01.2006	-1 483 907		-12 300	-1 496 207
<b>Book value 01.01.2006</b>	<b>5 143 670</b>	<b>108 010</b>	<b>21 970</b>	<b>5 273 650</b>
Additions	539 615	679 549	34 454	1 253 618
Reversal of write down	64 959			64 959
Transfer	490 722	-490 722		

# Notes

	Vessels	New-buildings	Machine/ equip	Total
Disposals	-855 454		-10 579	-866 033
Translation adjustment	-2 626		-1 477	-4 103
<b>Cost price 31.12.2006</b>	<b>6 799 834</b>	<b>296 836</b>	<b>56 668</b>	<b>7 153 339</b>
Acc depreciations/ write downs 31.12.2006	-1 744 052		-12 875	-1 756 927
<b>Book value 31.12.2006</b>	<b>5 055 783</b>	<b>296 836</b>	<b>43 793</b>	<b>5 396 412</b>
Depreciation/ write down current period	-260 144		-2 314	-262 459

Capitalized periodic maintenance:	2006	2005	2004
Capitalized periodic maintenance at 01.01	56 892	62 313	45 388
Additions this year	138 001	46 721	62 717
Depreciation of planned periodic maintenance this year	-73 982	-52 142	-45 792
<b>Capitalized periodic maintenance at 31.12</b>	<b>120 911</b>	<b>56 892</b>	<b>62 313</b>

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

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 3 of the Group's vessels (Normand Cutter, Normand Clipper and Normand Installer) The two first vessels have a leasing agreement until the beginning of 2008, and 2012 for Normand Installer. 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 (GBP 102 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 1.385 mill (2005: NOK 1.104 mill). Vessels with a book value of NOK 4.636 mill are placed as guarantee for the Group's loans, see Note 11. Included in these additions is capitalized interest of NOK 8 mill. Interest rate is 4,79%.

## New build contracts

As at 31.12.2006 the following ships are under construction (100%):

New build contracts	Delivery	Owner (*)	Solstad Share	Contract Price	Paid Instalments	Remaining 31.12.2006	Due Date 2007
Normand Ferking	May 2007	Solstad Rederi AS	100 %	440 000	88 000	352 000	
Normand Seven	August 2007	Solstad Rederi AS	100 %	663 000	99 450	563 550	563 550
Normand TBN1 "IMR"	June 2008	Solstad Rederi AS	100 %	600 637	48 482	552 155	308 000
Normand TBN2 "030"	November 2008	Solstad Rederi AS	100 %	509 000	24 450	484 550	48 900
Normand TBN3 "031"	May 2009	Solstad Rederi AS	100 %	509 000	24 450	484 550	24 450
Nor Tigerfish	April 2007	Bareboat	50 %	B/B+purch opt.			
NOR Captain	October 2007	Bareboat	50 %	B/B+purch opt.			
NOR Valiant	December 2007	NorSubsea Pte Ltd	50 %	\$28 000	\$1 397	\$26 603	\$25 207
NOR Searcher	January 2008	Bareboat	50 %	B/B+purch opt.			
NOR Spring	January 2008	Bareboat	50 %	B/B+purch opt.			
NOR Chief	May 2008	NorSubsea Pte Ltd	50 %	\$26 950	\$1 348	\$25 603	\$6 738
NOR Vision	June 2008	Bareboat	50 %	B/B+purch opt.			

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 are under negotiation.

(\*) Solstad Rederi AS enter into all new build contracts. At delivery the ownership can be transferred to other companies in the Group.





# Notes

## NOTE 9 SHARES IN ASSOCIATED COMPANIES

The Group has the following shares in associated companies:

	Place of Business	Owner- ship	Date of Financial statement
MPU Offshore Lift ASA	Oslo	28 %	31.12.06
Rig Supporter KS	Skudeneshavn	21 %	31.12.06
Trym Titan KS	Oslo	30 %	31.12.06

Associated companies	Rig Supporter KS	Trym Titan KS	MPUO ASA	Total
Cost price	5 210	12 420		17 630
Acc result and adjustments	-631	1 147		516
Book value 01.01.2006	4 579	13 567		18 146
Share of result 2006	322	17 941	-2 600	15 663
Other adjustments 2006	-420	-5 335	130 000	124 245
<b>Book value 31.12.2006</b>	<b>4 481</b>	<b>26 173</b>	<b>127 400</b>	<b>158 055</b>

### Share of balance sheet:

Current assets	867	17 301	240 229	258 396
Long-term assets	26 243	46 691	111 483	184 417
Short-term liabilities	-156	-3 596	-12 096	-15 848
Long-term liabilities	-20 065	-29 400	-197 845	-247 309
<b>Net assets</b>	<b>6 889</b>	<b>30 995</b>	<b>141 772</b>	<b>179 656</b>

### Share of revenues and profit:

Revenues	3 162	38 361		41 523
Operating expense	-3 179	-19 099	-2 287	-24 565
Financial expense	339	-1 321	-313	-1 295
<b>Result before tax</b>	<b>322</b>	<b>17 941</b>	<b>-2 600</b>	<b>15 663</b>
Taxes				
<b>Result</b>	<b>322</b>	<b>17 941</b>	<b>-2 600</b>	<b>15 663</b>

Other adjustments include capital injection, dividend and excess values.

Solstad's share of uncalled limited partnership capital in associated companies was NOK 19,2 million at 31.12.06.

Investments available for sale	Share value	Book value
ResQ AS	22,35 %	2 750
Skudenes Næringsutvikling AS	33,34 %	302
Karm-Med AS	23,40 %	171
		3 223

Listed shares:	Cost price	Share value	Book value
Deep Sea Supply PLC	94 410	5,00 %	123 140
Seabird Exploration LTD (*)	1 509		3 253
			126 393

Investments available for sale consists of shares which have no fixed maturity or return. Shares in listed companies is valued to quotation at year end. Fair value of shares in unlisted companies is estimated based on the companies last economical reporting.

(\*) Purchase option of 167.690 shares at NOK 20 per share.

Net change in value on available for sale financial assets:	2006	2005
Opening balance	139 678	
Purchase DeepOcean shares		139 678
Sale DeepOcean shares	-139 678	
Purchase Deep Sea Supply shares	28 730	
<b>Ending balance</b>	<b>28 730</b>	<b>139 678</b>



## Normand Progress

The UT 742 design is the largest and strongest of the UT designs. Normand Progress has been involved in many mooring operations in West Africa

under her SBM contract. The Normand Progress is at the moment working for Technip in the North Sea.



*"I have been reading nautical science for three years at college - and after one year of effective sailing experience I can become a ship's mate. I'm looking forward to it!"*

*Ørjan Vedøy*

Cadet, Normand Progress

# Notes

## NOTE 10 PROVISIONS

Long-term leasing agreements have been entered in to with the British owners for 3 of the Group's vessels (Normand Cutter, Normand Clipper and Normand Installer) The two first vessels have a leasing agreement until the beginning of 2008, and 2012 for Normand Installer. 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 (GBP 102 mill).

In 2005, there was 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 2006 it has been increased by NOK 114 mill for Normand Cutter and Normand Cliiper. For Normand Installer, delivered from yard in 2006, a provision of NOK 48 mill is accrued. Total accrued provision at year end was NOK 262 mill.

## NOTE 11 MORTGAGE DEBT AND OTHER LONG-TERM LIABILITIES

	2006	2005
Mortgages	2 564 547	2 620 773
Leasing obligations	1 299 352	979 641
<b>Total long-term debt</b>	<b>3 863 899</b>	<b>3 600 414</b>
Short-term part of long-term debt (1st year installment)	622 751	257 991
<b>Book value of assets:</b>		
	2006	2005
Bank deposits	647 666	268 717
Account receivables	356 711	230 212
Vessels	4 636 280	4 286 309
<b>Total booked value</b>	<b>5 640 657</b>	<b>4 785 238</b>

Some of the vessels have been placed as security for the mortgages. In addition, accounts receivables and bank deposits are tied. As security for completion of the lease agreements, guarantees from the Parent Company and subsidiary have been secured.

In addition the leased vessels and two cash deposit of GBP 23 million and GBP 28 million have been placed as security The Group's long-term debt was apportioned 44% NOK, 28% USD, 25% GBP and 3% 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 satisfies all the conditions of the loan agreements at 31.12.06. 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 31.12.2006 (NOK millions):

	2007	2008	2009	2010	2011	After 2011
Mortgage loans	541	239	238	238	238	1 692
Leasing obligations	81	943	57	57	57	105

In 2006, the Group's average interest rate on vessel debt was approximately 4,3%, and average rate on leasing obligations was 4,8%.

### Borrowing cost

	2006	2005
Capitalized borrowing cost	1 891	4 912

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



# Notes

## Financial lease

Long-term leasing agreements have been entered in to with the British owners for 3 of the Group's vessels (Normand Cutter, Normand Clipper and Normand Installer) The two first vessels have a leasing agreement until the beginning of 2008, and 2012 for Normand Installer. 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 (GBP 102 mill). For additional information see notes 8 and 10.

	2006		2005	
	Minimum	Present value	Minimum	Present value
	payment	minimum payment	payment	minimum payment
During next year	80 530	78 566	23 116	22 553
Next 2-5 years	1 114 343	960 250	956 525	921 814
Beyond 5 years	104 480	87 913		
Finance cost		172 623		35 274
<b>Total minimum lease payment</b>	<b>1 299 352</b>	<b>1 299 352</b>	<b>979 641</b>	<b>979 641</b>

## Other lease agreement:

The group has entered the following lease agreements:	Yearly	Maturity	Extension	Adjustment
	payment			of rent
Offices Skudeneshavn	2 415	2026	4 x 5 yrs	Cons. price and 5 yrs swap-rent
Workshop Husøy, Karmøy	500	2016		Consumer price
Offices Aberdeen	318	2009		

## Future minimum payments of lease agreements:

During next year	3 233
In next 2 - 5 years	11 978
Beyond 5 years	37 018
<b>Total minimum lease payment</b>	<b>52 229</b>

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

Solstad Offshore UK Ltd	198
Solstad Offshore Service Vessel UK Ltd	397
Solstad Cable UK Ltd	609
Solida KS	300
Nor Offshore Pte Ltd	21
Normand Drift AS	14
ADSI Inc	351
Solstad Rederi AS	537
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

	2006	2005	2004
Taxes payable (incl. correction tax)	27 245	34 915	14 946
Too low payable tax accrual 2004 (*)		14 628	
Change in deferred taxes	-1 968	-33 581	8 490
<b>Tax on ordinary result</b>	<b>25 278</b>	<b>15 962</b>	<b>23 435</b>
<b>Appropriation of tax on ordinary result</b>			
Norwegian	9 650	1 432	14 633
Foreign	15 627	14 529	8 803
<b>Total tax</b>	<b>25 278</b>	<b>15 962</b>	<b>23 435</b>
<b>Outside Shipping Tax Regime</b>			
Shares/ownership (current assets)	11 397	37 352	1 491
Over funding of pension	11 230	10 520	9 530
Fixed assets/provisions	36 673	49 653	197 401
Unrecovered loss carried forward	-1	-12 628	-3 592
<b>Total temporary differences</b>	<b>59 299</b>	<b>84 897</b>	<b>204 831</b>
<b>Tax effect of temporary differences</b>			
Shares/ownership (current assets)	3 191	10 459	418
Over funding of pension	3 144	2 945	2 669
Fixed assets/provisions	10 268	13 903	55 272
Unrecovered loss carried forward	-	-3 536	-1 006
<b>Deferred tax, net</b>	<b>16 604</b>	<b>23 771</b>	<b>57 353</b>
Negative balance for taxed income	40 524	177 165	177 037
Accumulated, untaxed income	2 552 507	2 054 989	1 708 098
Unrecovered loss carried forward (financial item)	39 472		
<b>Deferred tax</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total deferred tax (Group)</b>	<b>16 604</b>	<b>23 771</b>	<b>57 353</b>
<b>Changes in deferred tax on the balance sheet</b>			
Opening balance deferred tax	23 771	57 353	48 863
Booked to equity (change of accounting principle pension)	-826		
Booked to profit and loss	-1 968	-33 581	8 490
Disposal of joint venture	-4 374		
<b>Ending balance deferred tax</b>	<b>16 604</b>	<b>23 771</b>	<b>57 353</b>
<b>Explanation why taxes do not balance:</b>			
28% of pre-tax result	256 247	84 549	32 423
Different tax rate foreign entities	1 448	1 089	2 587
Permanent differences/Shipping Tax Regime	-232 417	-69 677	-11 574
<b>Estimated tax</b>	<b>25 278</b>	<b>15 962</b>	<b>23 435</b>

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.



# Notes

## NOTE 13 SHARE CAPITAL, SHAREHOLDERS AND TREASURY SHARES

	Share capital	Treasury shares
31.12.05	75 588	-6
31.12.06	75 588	-6

At 31.12.06, the Parent Company's share capital represents 37,794,160 shares at NOK 2. The number of shareholders at 31.12.06 was 2,016. 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 31.12.2006 the Group had 2,894 treasury shares with cost price of NOK 0,3 mill.

## 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.

	2006	2005	2004
Majority's result from ordinary operation	865 958	249 698	53 236
Majority's result for discontinued operation		11 310	10 389
<b>Majority's net result</b>	<b>865 958</b>	<b>261 007</b>	<b>63 625</b>
Average number of shares	37 754	37 754	37 659
Treasury shares	3	3	15
<b>Average number of shares attributable for earnings per share</b>	<b>37 751</b>	<b>37 751</b>	<b>37 643</b>
<b>Earnings per share (NOK)</b>	<b>22,94</b>	<b>6,91</b>	<b>1,69</b>

## 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:	2006	2005
Solstad Offshore (UK) LTD	UK	100 %	100 %
Solstad Cable (UK) LTD	UK	63 %	63 %
Solstad Offshore Service Vessel (UK) LTD	UK	100 %	100 %
Pioneer Offshore LP	UK	100 %	100 %
Progress Offshore LP	UK	100 %	100 %
PIOPRO (UK) LTD	UK	100 %	0 %
Solstad Management AS (*)	Norway	100 %	100 %
Normand Drift AS	Norway	100 %	100 %
Solstad Rederi AS	Norway	100 %	100 %
Solida AS/KS	Norway	100 %	51 %
Trym Titan AS	Norway	100 %	100 %
Solstad Shipping AS	Norway	100 %	100 %
Normand Skarven AS/KS	Norway	70 %	70 %
Rig Supporter AS	Norway	100 %	100 %
ADSI INC (JV)	Switzerland	50 %	50 %
Nor Offshore PTE LTD (JV)	Singapore	50 %	33 %
Normand Edda AS (JV)	Norway	50 %	50 %
Norskan AS (JV - sold)	Brazil	0 %	50 %

Solstad Offshore (UK) LTD is parent company for Solstad Cable (UK) LTD, Solstad Offshore Service Vessel (UK) LTD, Pioneer Offshore LP, Progress Offshore LP and PIOPRO (UK) LTD. Solstad Rederi AS is parent company for Solida AS and Trym Titan AS. Solstad Offshore ASA ultimately controls all companies.

(\*) Former Solstad Cable Invest AS

# Notes

The Group has performed the following transactions with related parties:

Associated company:	Sale [-] / purchase [+]			Receivables		Payables	
	2006	2005	2004	2006	2005	2006	2005
Trym Titan KS	-44 763	-25 234		25 588	19 267		
Island Offshore 1 AS/KS		-13 180	-47 889				
Island Offshore 3 AS/KS		-39 721	-25 050		4 151		
<b>Management and Board of Directors</b>							
Managing Director							
Chairman of the Board	52	34	136				
<b>Other related parties</b>							
Owner of office premises	1 353	531	1 035				
Owner of shipyard for repairs	653	585	3 192			-101	-22

## The Groups affiliation with related parties:

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 24,3 million (NOK 18,3 million) on which tax is withheld. Furthermore, some bank deposits are secured. Refer to Note 11.

## As at December 31, 2006 the balance of cash and cash equivalents in the cash flow statement consists of the following:

Cash and bank deposits	1 291 106
Short-term deposits	0
<b>Total cash and cash equivalents</b>	<b>1 291 106</b>

## NOTE 17 ENVIRONMENTAL CONDITIONS

All of the company's vessels comply with current environmental requirements. In 2006, 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 31.12.2006 are tied bank deposits of NOK 24.3 million relating to withheld taxes.

## NOTE 19 PAID OUT AND PROPOSED DIVIDEND

<b>Approved and paid out during the year:</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Ordinary dividend	75 588	37 794	37 794
<b>Proposed dividend to General Assembly:</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Ordinary dividend	151 177	75 588	37 794
Per share (NOK)	4,00	2,00	1,00



# Notes

## NOTE 20 OTHER LONG-TERM ASSETS

	2006	2005
Loan to other companies	11 550	8 619
Other receivables	7 652	4 195
<b>Total other long-term assets</b>	<b>19 202</b>	<b>12 814</b>

The loans are secured convertible loans. Interest rates follow the Norwegian market, which during 2006 has been about 6%.

## NOTE 21 ACCOUNTS RECEIVABLE AND OTHER SHORT-TERM RECEIVABLES

	2006	2005
Accounts receivable	356 711	224 410
Other receivables associates		450
Receivables on other related parties		5 353
<b>Total Accounts receivable</b>	<b>356 711</b>	<b>230 212</b>
Prepaid expense	48 065	93 327
VAT receivable	1 713	998
Other short-term receivables	89 959	29 171
<b>Total short-term receivables</b>	<b>139 737</b>	<b>123 496</b>

## NOTE 22 BUSINESS AQUISITIONS

On November 1st, 2006 the Group acquired 16,667% of the interest in the Singapore-based company Nor Offshore Pte Ltd. The Group's share is now 50%. Nor Offshore Pte Ltd is, starting from January 1st, 2006, consolidated line-by-line based on the Group's share. The comparative figures are revised accordingly.

Fair value of identified assets and liabilities of the company on the aquisition date was:

Nor Offshore Pte Ltd	Aquired value	Book value
Fixed assets	48 437	30 906
Cash and bank deposits	4 004	4 004
Accounts receivables	4 734	4 734
Other receivables	636	636
Accounts payable	1 689	1 689
Long-term debt	24 762	24 762
Other short-term debt	5 093	5 093
<b>Fair value of net assets</b>	<b>26 267</b>	

The identified excess value is based on the marked value of the ships, and has been allocated to ships in operation, ships under construction and purchase options on ships on bare-boat.

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

Total cost of the aquisition was NOK 0.2 mill. After the aquisition the company's contribution to group net result before tax is NOK 1.5 mill.

If the aquisitions had taken place on January 1st, 2006 the Groups revenue and net result before tax would have increased by NOK 31 mill and NOK 5.5 mill respectively.



# Notes

## NOTE 23 LIQUIDATED SUBSIDIARIES

In August 2006 a Letter of Intent was signed with a joint venture partner to sell Norskan AS (consolidated JV). From August to October 2006 the share was treated as a "Disposal group held for sale", where asset and debt was reclassified to separate lines under current assets and current liabilities respectively. The transaction was completed in November 2006.

### Norskan AS figures at date of completion:

	Group share - 50%
Current assets	19 563
Ships and new building contracts	441 394
Current liabilities	13 118
Long-term debt	407 864

The sold company included 4 ships, whereof two was included in the AHTS-segment and two in the CSV-segment, ref Note 4. The gain of the sale was NOK 53 mill, which is included in other financial income.

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:

	2006	2005	2004
Revenues		40 808	55 474
Expenses		6 573	24 284
Depreciation		3 513	14 158
<b>Operating result</b>		<b>30 721</b>	<b>17 031</b>
Financial items		-7 129	2 757
Taxes		2 050	
<b>Result from liquidated subsidiaries</b>	<b>0</b>	<b>21 542</b>	<b>19 788</b>

## NOTE 24 STOCKS

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

	2006	2005
Provision	4 462	4 214
Bunker	8 909	15 915
Lube oil	5 606	6 271
<b>Total stocks</b>	<b>18 978</b>	<b>26 400</b>

## NOTE 25 DEFERRED INCOME

### Deferred income consists of:

	2006	2005
Interest on Normand Clipper (lease)	2 788	2 411
Internal gain on the sale of Normand Trym and Normand Titan	20 869	23 504
<b>Total deferred income</b>	<b>23 657</b>	<b>25 915</b>

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 26 LINE-BY-LINE CONSOLIDATION OF JOINT VENTURES

With effect from January 1st, 2006, JV's are consolidated line-by-line in the financial statement. Comparative figures for 2004 and 2005 are changed accordingly.

The joint ventures contributes as follows in the group accounts:

	2006	2005	2004
Revenues	150 975	134 555	50 735
Expenses	-136 235	-144 261	-50 085
	2006	2005	
Current assets	67 622	148 870	
Long term assets	737 416	288 541	
Current liabilities	27 506	11 699	
Long term liabilities	743 932	421 085	

## NOTE 27 EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

With effect from January 1st, 2006, JV's are consolidated line-by-line in the financial statement. Comparative figures for 2004 and 2005 are changed accordingly. The changes has the following effects on the financial statements:

	2005	2004
Freight income	49 003	47 241
<b>Total operating income</b>	<b>49 003</b>	<b>47 241</b>
Crew costs	-17 977	-22 640
Ordinary depreciation	-11 190	-5 654
Other operating expenses	-13 494	-16 995
Income from investment in associated companies	11 421	1 856
<b>Total operating costs</b>	<b>-31 240</b>	<b>-43 433</b>
<b>Operating profit/loss</b>	<b>17 762</b>	<b>3 808</b>
Other interest income	2 933	1
Other financial income	82 619	3 493
Other interest charges	-5 314	-4 795
Other financial expense	-96 286	
<b>Net financing</b>	<b>-16 047</b>	<b>-1 302</b>
Ordinary profit before taxes	1 716	2 506
Tax on ordinary result	-1 716	-2 506
<b>Net profit for year</b>	<b>0</b>	<b>0</b>





# Notes

<b>Assets</b>	<b>2005</b>
Long-term assets	
Vessels and new build contracts	444 960
Other tangible fixed assets	4 181
<b>Total long-term fixed assets</b>	<b>449 141</b>
Financial assets	
Investments in Joint ventures	-49 669
Loan to associated companies	-111 187
Other long-term receivables	256
<b>Total financial assets</b>	<b>-160 600</b>
<b>Total long-term assets</b>	<b>288 541</b>
<b>Current assets</b>	
Receivables	
Account receivables	2 610
Other short-term receivables	15 296
Total receivables	17 906
Bank deposits and cash equivalents	130 964
<b>Total current assets</b>	<b>148 870</b>
<b>Total current assets</b>	<b>437 411</b>
<b>Equity and liabilities</b>	<b>2005</b>
Minority interests	253
<b>Total equity</b>	<b>253</b>
<b>Liabilities</b>	
Provisions	
Deferred tax	4 374
<b>Total provisions</b>	<b>4 374</b>
<b>Other long-term liabilities</b>	
Debt to credit institutions/leasing obligations	421 085
<b>Total long-term liabilities</b>	<b>421 085</b>
<b>Current liabilities</b>	
Accounts payable	-2 319
Other current liabilities	14 018
Total current liabilities	11 699
<b>Total liabilities</b>	<b>437 158</b>
<b>Total equity and liabilities</b>	<b>437 411</b>



## *Parent company accounts*

SOLSTAD OFFSHORE ASA





# Profit and loss account

1.1 - 31.12

		(NOK 1 000)	
	Notes	2006	2005
Other operating income		5 454	3 402
<b>Total operating income</b>		<b>5 454</b>	<b>3 402</b>
Crew costs	4	-4 056	-3 609
Other operating expenses	4	-7 158	-4 513
<b>Total operating costs</b>		<b>-11 213</b>	<b>-8 122</b>
<b>Operating loss</b>		<b>-5 759</b>	<b>-4 720</b>
Interest income from companies in the Group		11 307	2 935
Other interest income		8 398	7 412
Other financial income	5	179 034	336 327
Interest charges from companies in the Group		- 658	
Other interest charges		-12 783	-5 907
Other financial charges	5,7	-2 057	-17 599
<b>Net financing</b>		<b>183 241</b>	<b>323 168</b>
<b>Ordinary profit before taxes</b>		<b>177 482</b>	<b>318 449</b>
Tax on ordinary result	9	3 721	-16 589
<b>Net profit for year</b>		<b>181 203</b>	<b>301 860</b>
<b>Transfers and disposable income:</b>			
Dividends	10	151 177	75 588
Transfer from other equity	10	30 026	233 839
Received group contribution (net)	10		-7 567
<b>Total transfers and disposable income</b>		<b>181 203</b>	<b>301 860</b>



# Balance sheet

		(NOK 1 000)	
	Notes	31.12.06	31.12.05
<b>ASSETS</b>			
<b>Fixed Assets</b>			
<b>Financial fixed assets</b>			
Investments in subsidiaries	6	875 525	874 790
Loan to companies in the Group	8	91 597	98 325
Investment in jointly-owned companies	7	30 850	72 044
Loan to jointly-owned companies			90 894
Investment in associated companies	7	133 938	3 938
Investments in stocks and shares			4 623
Other long-term receivables		37 852	28 051
<b>Total financial fixed assets</b>		<b>1 169 762</b>	<b>1 172 666</b>
<b>Total fixed assets</b>		<b>1 169 762</b>	<b>1 172 666</b>
<b>Current assets</b>			
<b>Investments</b>			
Marked based shares	7	95 919	
<b>Receivables</b>			
Other short-term receivables		100 252	12 916
Bank deposits and cash equivalents	14	297 578	206 449
<b>Total current assets</b>		<b>493 749</b>	<b>219 365</b>
<b>TOTAL ASSETS</b>		<b>1 663 510</b>	<b>1 392 031</b>

# Balance sheet

		(NOK 1 000)	
	Notes	31.12.06	31.12.05
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital [37.794.160 at NOK 2.00]		75 588	75 588
Treasury shares		-6	-6
<b>Total restricted equity</b>	<b>10</b>	<b>75 583</b>	<b>75 583</b>
<b>Earned equity</b>			
Other equity	10	1 128 949	1 098 917
<b>Total earned equity</b>		<b>1 128 949</b>	<b>1 098 917</b>
<b>Total equity</b>	<b>10</b>	<b>1 204 531</b>	<b>1 174 499</b>
<b>Liabilities</b>			
<b>Provisions</b>			
Deferred taxes	9	542	4 572
<b>Total provisions</b>		<b>542</b>	<b>4 572</b>
<b>Other long-term liabilities</b>			
Debt Group companies	8	1 020	14 966
Bonds		300 000	
<b>Total long-term liabilities</b>		<b>301 020</b>	<b>14 966</b>
<b>Current liabilities</b>			
Accounts payable	8	3 835	1 650
Bank overdraft			119 925
Taxes payable	9	23	
Dividends	10	151 177	75 588
Other current liabilities		2 382	831
<b>Total current liabilities</b>		<b>157 417</b>	<b>197 994</b>
<b>Total liabilities</b>		<b>458 979</b>	<b>217 532</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1 663 510</b>	<b>1 392 031</b>
Guarantees etc.	13		

Skudeneshavn, March 20th, 2007

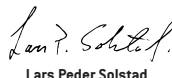
  
Harald Eikesdal  
Chairman

  
Johannes Solstad  
Deputy Chairman

  
Toril Eidesvik  
Board Member

  
Per Gunnar Solstad  
Board Member

  
Arne Austreid  
Board Member

  
Lars Peder Solstad  
Managing Director





# Statement of Cash flow

1.1 - 31.12

(NOK 1 000)

	2006	2005
<b>CASH FLOW FROM OPERATIONS</b>		
<b>Result before taxes</b>	<b>177 482</b>	<b>318 449</b>
Taxes payable		-14 698
Ordinary depreciation/write downs and deprec. capitalized periodic maintenance		7 156
Loss/gain fixed assets	-69 232	-150 611
Unrealised currency gain/loss	412	-8 488
Change in short-term receivables/payables	2 186	1 650
Change in other accruals	-86 806	-24 840
Net cash flow from operations (A)	24 041	128 618
<b>CASH FLOW FROM INVESTMENTS</b>		
Investment in other shares	-336 029	-157 715
Sale of other shares	225 160	223 90
<b>Net cash flow from investments (B)</b>	<b>-110 869</b>	<b>66 186</b>
<b>CASH FLOW FROM FINANCING</b>		
Share emissions		
Payment of dividends	-75 583	-37 794
Sale of treasury shares		1 643
Change in restricted bank deposits		69 471
Payment of long-term receivables	87 410	-77 812
Bank overdraft	-119 925	47 909
Repayment of long-term debt	286 054	-3 180
<b>Net cash flow from financing (C)</b>	<b>177 957</b>	<b>237</b>
<b>Net change in cash and cash equivalents (A+B+C)</b>	<b>91 129</b>	<b>195 041</b>
<b>Cash and cash equivalents at 01.01</b>	<b>206 449</b>	<b>11 408</b>
<b>Cash and cash equivalents at 31.12 (Note 14)</b>	<b>297 578</b>	<b>206 449</b>



## Normand Progress

The UT 742 design is the largest and strongest of the UT designs. Normand Progress has been involved in many mooring operations in West Africa

under previous SBM contract. The Normand Progress is at the moment working for Technip in the North Sea.



*“Now, I’m on the way towards my goal - I am an apprentice and I’m going to be a motor man.”*

*Kjartan Lothe*

Motor man apprentice, Normand Progress

# 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 31.12.04	11,641	6,0386	8,2385	2,3090
At 31.12.05	11,652	6,7687	7,9850	2,9090
At 31.12.06	12,268	6,2551	8,2380	2,9298

### 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.

## *Our new administration building*

Solstad chose to use a young, local talent when we selected the architect, Maren Rasmussen, to design the future

administration building in Skudeneshavn. As users of the building, we are very satisfied with the result!



***“To me it is both exciting and interesting to participate in the development and building of the next generation of offshore vessels.”***

**Øyvind Adolfsen**  
Senior Project Engineer

# Notes

## NOTE 2 MAJOR TRANSACTIONS/EVENTS

### Major transactions in 2006:

During the autumn of 2006, Solstad Offshore ASA sold its share of the Norskan AS Group, whilst increasing its share in Nor Offshore Pte Ltd in Singapore from 33% to 50%. The gain on disposal was NOK 53 mill.

In December, the Group purchased 28% of the shares in MPU Offshore Lift ASA through a private emission. The cost price was approximately NOK 130 million. MPUO ASA shall build a vessel for "single lift" operations relating to the removal of oil installations.

### 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.

## 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 company's assets, liabilities and future cash flows.

## NOTE 4 OTHER EXPENSES, WAGES, EMPLOYEES AND DISTINCTIVE CONTRIBUTIONS

	2006	2005
Wages	2 971	2 737
Employer's National Insurance	463	476
Pension costs	151	205
Other benefits	204	4
Travelling costs, courses and other personnel costs	267	188
<b>Total employee cost</b>	<b>4 056</b>	<b>3 609</b>
Average number of employees:	2	2

### REMUNERATION TO DIRECTORS, MANAGING DIRECTOR AND AUDITOR

Charged cost during the year	Director's fee	Wages	Other benefits	Pension cost
Key employees:				
Lars Peder Solstad	6	1 174	124	61
Sven Stakkestad	4	1 069	73	90
Board of Directors:				
Harald Eikesdal, chairman	250			
Johannes Solstad, deputy chairman	144			
Toril Eidesvik	96			
Arne Austreid	144			
Per Gunnar Solstad	144			

There are no distinctive agreements regarding remuneration for the Chairman of the Board and nor are there any distinctive bonus or option programmes for any Board Member or Group Management. No loans have been given to key employees. The Managing Director has an agreement that secures 12 months salary. In 2006, NOK 242.631 and NOK 142.152, are charged as auditors fee relating to auditing and consultancy services respectively.

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

## NOTE 5 FINANCIAL ITEMS

Other financial income, totalling NOK 179 mill, includes gain on disposal of shares of NOK 71 million, dividend of NOK 100 mill from subsidiaries, NOK 6,3 million from limited partnerships and unrealized currency gain of NOK 1,7 mill. Comparative figures include gain of NOK 150 million on disposal of shares, NOK 141 million in dividend from subsidiaries, NOK 35 million on liquidation of limited partnerships, and NOK 8.5 million in unrealized currency gain. Other financial cost is a loss on disposal of shares of NOK 2 million. Comparative figures include a realised currency gain of NOK 10.4 million and depreciation of share investments of NOK 7.1 million.



# Notes

## NOTE 6 SHARES IN SUBSIDIARIES

	Place of Business	Owner- ship	Number of Shares	Nominal Value	Capital	Share 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 Management AS (*)	Skudeneshavn	100 %	2 000	1 000	2 000	10 000
Normand Skarven AS	Skudeneshavn	100 %	1	950	950	1 250
Rig Supporter AS	Skudeneshavn	100 %	480	1 000	480	1 554
Normand Skarven KS	Skudeneshavn	70 %				33 800
<b>Total</b>						<b>875 525</b>

## 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%)
NorOffshore PTE (JV)	Singapore	50 %	752	29 438	59 171	41 805
ADSI Inc. (JV)	Marly (Switzerland)	50 %	250 050	1 337	87 178	109 038
Normand Edda AS (JV)	Haugesund	50 %	75	75	152	1
<b>Total</b>				<b>30 850</b>	<b>146 501</b>	<b>150 844</b>
MPU Offshore Lift ASA	Oslo	28 %	13 590 150	130 000	499 549	-9 160
Rig Supporter KS	Skudeneshavn	11 %		3 938	32 816	236
<b>Total</b>				<b>133 938</b>	<b>532 365</b>	<b>-8 924</b>

Investments in shares	Owner ship	Booked Value
Deep Sea Supply PLC	5 %	94 410

## NOTE 8 INTER COMPANY GROUP

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

	31.12.2006	31.12.2005	Rentesats
Solstad Cable (UK) Ltd	53 336	60 183	5,60 %
Solstad Offshore (UK) Ltd	34 958	34 471	7,60 %
Normand Drift AS	513	1 002	5,40 %
Solstad Management AS (*)		-14 966	
Rig Supporter AS	2 791	2 670	5,60 %
Solstad Shipping AS (accounts payable)	-3 835	-1 650	
<b>Total</b>	<b>87 762</b>	<b>81 710</b>	

Group receivables, due more than one year after expiry of the financial year, total NOK 92 million.

(\*) Former Solstad Cable Invest AS.



# Notes

## NOTE 9 TAX

	2006	2005
<b>Taxable income</b>		
Result before tax	177 482	318 449
Changes in temporary differences	23 358	-430
Permanent differences	-21 387	7 051
Received group contributions	-1 020	10 510
Dividends	-100 151	-141 108
Gain on sale of shares	-71 137	-150 611
Loss on sale of shares	1 905	
Use of loss carried forward	-8 965	-44 160
<b>Taxable income</b>	<b>83</b>	<b>0</b>
Tax payable	23	
Adjustment to 2004 tax accrual (*)		14 698
Tax effect of received group contribution	286	-2 943
Change in deferred taxes	-4 030	4 834
<b>Tax on ordinary result</b>	<b>-3 721</b>	<b>16 589</b>
(*) 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)	1 936	25 293
Unrecovered loss carried forward		-8 965
<b>Total temporary differences</b>	<b>1 936</b>	<b>16 328</b>
<b>Deferred tax (-)/ tax asset</b>	<b>-542</b>	<b>-4 572</b>
<b>Explanation why taxes do not balance:</b>		
28% of Profit before Tax	49 695	89 166
Dividends and gain/loss sale of shares	-47 142	-77 578
Permanent differences	-6 274	5 001
<b>Estimated tax</b>	<b>-3 721</b>	<b>16 589</b>

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	Other Equity	Total Equity
Equity 31.12.2005	75 588	-6	1 098 917	1 174 499
Unallocated dividend on treasury shares			6	6
Annual result			181 203	181 203
Allocated dividend			-151 177	-151 177
<b>Equity 31.12.2006</b>	<b>75 588</b>	<b>-6</b>	<b>1 128 949</b>	<b>1 204 531</b>

At 31.12.06, the Company's share capital represents 37794.160 shares at NOK 2. The number of shareholders at 31.12.05 was 2.016.

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 31.12.2006:

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	2 641 730	6,98 %
Skagen Vekst	2 035 000	5,38 %
Pareto Aksje Norge	1 905 000	5,04 %
Brown Brothers Harriman & Co	1 250 000	3,30 %
Pareto Aktiv	840 000	2,22 %
Odin Offshore	630 000	1,66 %
MP Pensjon	460 000	1,21 %
	<b>28 133 915</b>	<b>74,43 %</b>

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 31.12.06:

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 31.12.2006. The company's auditor does not own shares in the company.

At 31.12.2006 the company has acquired 2.894 treasury shares at a cost price of NOK 0,3 million.



# Notes

## NOTE 11 EARNINGS PER SHARE

In 2006, earnings per share was NOK 4,65. The equivalent value in 2005 was NOK 8,00.

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 52.150 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	198
Solstad Offshore Service Vessel UK Ltd	397
Solstad Cable UK Ltd	609
Solida KS	300
Nor Offshore Pte Ltd	21
Normand Drift AS	14
ADSI Inc	351
Solstad Rederi AS	537
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*

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 six employees at this division office.

### *Our premises*

It is inspiring to work in premises of such high quality as ours. Our offices are functional and bright and are

fantastically situated right on the edge of the sea.



***“To work with insurance in an operative international maritime environment - that requires the right woman!”***

*Rita Olsen*  
Insurance manager



To the General Meeting of  
Solstad Offshore ASA

■ Statsautoriserte revisorer

Ernst & Young AS  
Oslo Atrium  
Postboks 20  
NO-0051 Oslo

Medlemmer av Den norske Revisorförning

■ Foretaksgjennom  
NO 976 389 387 MYA  
Tel. +47 24 00 24 00  
Fax +47 24 00 24 01  
www.ey.no

## Auditor's report for 2006

We have audited the annual financial statements of Solstad Offshore ASA as of 31 December 2006, showing a profit of NOK 181.203 million for the Parent Company and a profit of NOK 889.888 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 and 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 2006, 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 2006, 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 Company's 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, 20 March 2007  
ERNST & YOUNG AS

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

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

■ Benøksadresse:  
Oslo Atrium  
Christian Frederiks plass 5  
0154 Oslo

■ Avsøkt, Bergen, Bæ, Drammen, Fauske, Fredrikstad, Halmestrand,  
Horten, Hønefoss, Kongsberg, Kragerø, Kristiansund, Larvik, Levanger,  
Lillehammer, Moss, Måløy, Nærbø, Oslo, Otta, Rongrud/Skinn,  
Sandefjord, Seierstad, Stavanger, Steinkjer, Trondheim, Trondheim, Tvedestrand,  
Vikernes, Ålesund



# A brief look at 2006

## IMPORTANT EVENTS

### FEBRUARY:

Entered into a contract with CNR International (UK) Limited for the platform supply vessel (PSV) Normand Vester for a firm period of 2 years with 1 year option.

### MARCH:

Entered into an agreement with Subsea 7 for the hire of a large construction service vessel under construction at Ulstein Verft AS. The contract is for 8 years firm, commencing upon delivery of the vessel from the yard in June 2007.

The newbuild, Normand Installer, a large construction service vessel delivered from Ulstein Verft AS. The vessel started its 8 year contract with SBM upon delivery.

In the same month, Nor Offshore Pte. Ltd (associated company) took delivery of the anchorhandling tug and supply vessel (AHTS) Nor Sea on bare-boat from Jaya Marine.

### MAY:

Issued a bond in the Norwegian market with a maximum amount of NOK 600 million. The first tranche was NOK 300 million. The bond has a tenor of 5 years and offers a coupon rate of 3 month NIBOR +0,85% p.a.

### JUNE:

Solstad Offshore UK Ltd entered into an agreement with North Sea Invest AS for the purchase of the construction service vessel Bold Endeavour. The vessel is in operation in Mexico under a 5 years T/C with DeepOcean ASA.

Entered into a contract with Ulstein Shipping AS for the purchase of their shares in the vessels Normand Master (AHTS), Normand Mariner (AHTS) and Normand Mermaid (CSV). Solstad Offshore AS had a 51% ownership share in the vessels prior to the transaction.

### JULY:

Entered into a letter of intent with Subsea 7 for the hire of a large construction service vessel for a firm period of 6 years. Subsea 7 has furthermore the option to extend the charter for another 4 x 1 years. The Group will have a new vessel constructed for the contract.

### SEPTEMBER:

Solstad Offshore ASA entered into a letter of intent with Flekkefjord Slipp og Maskinfabrikk AS for the building of a construction service vessel of design VS 4710. The vessel will be purpose built for the Inspection Maintenance and Repair (IMR) segment. Letter of intent for the hire of the vessel was entered into with Subsea 7 in July for a firm period of 6 years.

Entered into a contract with Karmsund Maritime Service AS for the building of two large anchorhandling tug and supply vessels (AHTS) of VS 490 design. The vessels will have 28.000 bhp and bollard pull of some 300 ton. Delivery from yard will be December 2008 and May 2009 and cost price of around NOK 500 million pr. vessels.

Solstad Offshore ASA and DOF entered into a letter of intent to end their joint ventures in Brasil and Singapore. The Group will through the transaction sell their part of shares in Norskan Offshore Ltda in Brazil to DOF and DOF will sell their part of shares in NOR Offshore Pte Ltd in Singapore.

### OCTOBER:

Entered into an agreement with Statoil ASA for the chartering of a large AHTS vessel presently under construction at Flekkefjord Slipp & Maskinfabrikk AS. The value of the firm part of the contract is NOK 530 million (ca. NOK 850 million inclusive options)

### NOVEMBER:

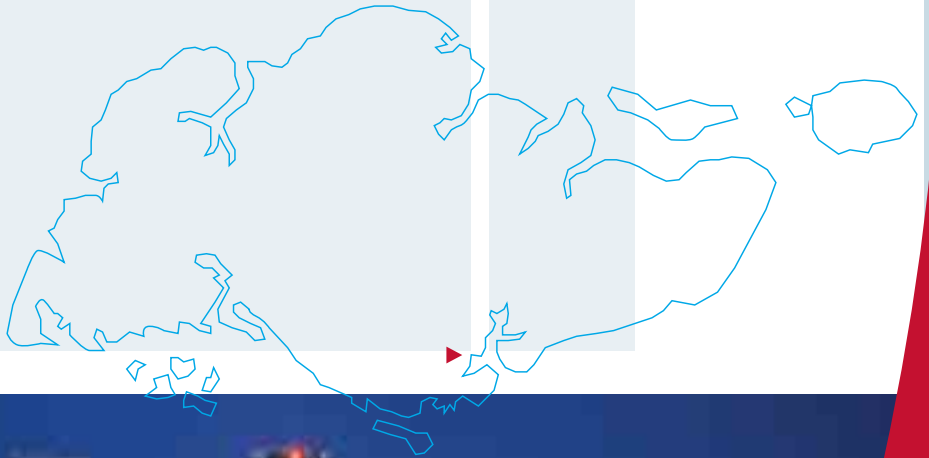
Long-term contract signed with Saipem UK Ltd for the offshore construction service vessel Normand Cutter for a firm period of 6 years.

The ownership share, 14,5%, in Deep Ocean ASA was sold. The group has no further shares in DEEP after the sale.

The Group subscribed in a private placement in MPU Offshore Lift ASA for an ownership share of 28,4%. MPU Offshore Lift ASA's vision is to be a leading provider of single lift vessels for decommissioning and installation of offshore production platforms.

### DECEMBER:

The construction service vessel Bold Endeavour sold to its charterer, DeepOcean ASA (DEEP).



## *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 thirteen employees at this division office.



# The Fleet

FOR SHIPDETAILS, [WWW.SOLSTAD.NO](http://WWW.SOLSTAD.NO)






CONSTRUCTION SERVICE VESSEL	
1	Normand tbn 1 
2	Tbn Normand Seven 
3	Normand Installer 
4	Normand Flower 
5	Normand Mermaid 
6	Normand Clipper 
7	Normand Cutter 
8	Normand Pioneer 
9	Normand Progress 
10	Normand Tonjer 
LARGE AHTS	
11	Normand tbn 3 
12	Normand tbn 2 
13	Tbn Normand Ferking 
14	Normand Master 
15	Normand Mariner 
16	Normand Ivan 
17	Normand Borg 
18	Normand Atlantic 
19	Normand Neptun 
SMALLER AHTS	
20	Seabulk South Atlantic 
21	Normand Mjolne 
22	Normand Draupne 
23	Normand Jarl 
24	Normand Skarven 
25	Normand Titan 
26	Normand Drott 
27	Normand Trym 
28	Normand Prosper 
29	Normand Hunter 
30	Normand Ranger 



# The Fleet

FOR SHIPDETAILS, [WWW.SOLSTAD.NO](http://WWW.SOLSTAD.NO)










## PSV

31	Normand Aurora	
32	Normand Skipper	
33	Normand Flipper	
34	Normand Vester	
35	Normand Carrier	

## NOR OFFSHORE PTE. LTD. CSV

36	Tbn Nor Vision
37	Tbn Nor Valiant

## NOR OFFSHORE PTE. LTD. AHTS

38	Tbn Nor Chief	
39	Tbn Nor Searcher	
40	Tbn Nor Spring	
41	Tbn Nor Captain	
42	Tbn Nor Tigerfish	
43	Nor Sun	
44	Nor Star	
45	Nor Sea	
46	Nor Supporter	



# The Fleet

PR. 15. APRIL 2007

		Built year	Design	Reg.	HP	DWT	Deck m <sup>2</sup>	Winch power	Bollard pull	A-frame Cap. t.	Constr. crane t.	DP class	Cabin cap.	Dry bulk	Other equipment
<b>CONSTRUCTION SERVICE VESSEL</b>															
1	Normand tbn 1	2008	VS 4710		21 000	6 100	750				150	2	90		
2	Tbn Normand Seven	2007	VS 4420		26 000	10 000	2 000				250	3	100		
3	Normand Installer	2006	VS 4204	NIS	31 500	8 600	1 300	500	308	300	250	3	102		
4	Normand Flower	2002	UT 737	IOM	10 600	4 500	960				100	3	155		2
5	Normand Mermaid	2002	P 103	IOM	11 000	4 000	780				100	3	69		2
6	Normand Clipper	2001/04	VS 4125	NIS	22 000	10 000	1 500		120	60	250	2	114		
7	Normand Cutter	2001/05	VS 4125	IOM	22 000	10 000	1 500		120	60	300	2	102		
8	Normand Pioneer	1999	UT 742	IOM	27 800	5 000	1 000	500	286	150	140	2	75		
9	Normand Progress	1999	UT 742	IOM	27 800	5 000	1 000	500	304	250	100	2	70		
10	Normand Tonjer	1983/99	UT 705	NOR	7 200	3 200	573				50	2	60		
<b>LARGE AHTS</b>															
11	Normand tbn 3	2009	VS 490		28 000	4 250	700	500	300			2	58	x	1,2
12	Normand tbn 2	2008	VS 490		28 000	4 250	700	500	300	250		2	58	x	1,2
13	Tbn Normand Ferking	2007	VS 490		20 000	5 000	700	500	250			2	32	x	1,2,3
14	Normand Master	2003	A 101	NOR	23 500	3 700	600	500	282	150*		2	52		2
15	Normand Mariner	2002	A 101	NOR	23 500	3 700	600	500	282	150*		2	52		2
16	Normand Ivan	2002	VS 480	NOR	20 000	4 140	600	500	240	250		2	52	x	1,2
17	Normand Borg	2000	UT 722	NIS	16 800	2 873	570	500	202			1	35	x	2
18	Normand Atlantic	1997	UT 740	NOR	19 400	4 200	560	500	220			2	50	x	1,2,3
19	Normand Neptun	1996	UT 740	NOR	19 400	4 200	560	500	222			2	40	x	1,2,3
<b>SMALLER AHTS</b>															
20	Seabulk South Atlantic	2003	UT 710	GIB	10 800	1 500	500	300	135			1	12	x	1
21	Normand Mjolne	1985	UT 718	NOR	18 000	2 500	590	300	170			2	35	x	1,2,3
22	Normand Draupne	1985	UT 718	NOR	18 000	2 500	590	300	170			2	20	x	1,2,3
23	Normand Jarl	1985	UT 712	NIS	12 000	2 000	536	300	150			1	35	x	1,2,3
24	Normand Skarven	1985	UT 716	NOR	13 000	2 500	570	250	156			2	21	x	1,2,3
25	Normand Titan	1985	Sats 140	NOR	12 000	2 320	515	300	145			-	24	x	2,3
26	Normand Drott	1984	UT 712	NIS	12 000	2 000	536	300	148			-	30	x	1,2,3
27	Normand Trym	1984	ME 303	NIS	12 728	2 200	473	250	146			1	18	x	1,2,3
28	Normand Prosper	1983	UT 704	NIS	9 200	1 875	495	250	90			-	14	x	1,3
29	Normand Hunter	1982	Hommelvik	REB	9 800	1 370	418	250	115			-	14	x	
30	Normand Ranger	1982	UT 704	NOR	9 200	1 820	400	250	90			-	21	x	1,2,3
<b>PSV</b>															
31	Normand Aurora	2005	P 105	NOR	10 000	4 900	960					2	25	x	
32	Normand Skipper	2005	VS 4420	NOR	9 500	6 400	1 220					2	23	x	2,3
33	Normand Flipper	2003	UT 745 E	NOR	9 000	4 500	960					2	17	x	2
34	Normand Vester	1998	UT 745	NOR	10 300	4 590	956					2	37	x	2,3
35	Normand Carrier	1996	UT 745	NOR	10 300	4 560	956					2	37	x	2,3
<b>NOR OFFSHORE PTE. LTD. CSV</b>															
36	Tbn Nor Vision	2008	DSV	SIN	5 506	2 500	700				50	2	120		1
37	Tbn Nor Valiant	2007	DSV	SIN	5 506	2 700	780				50	2	120		1
<b>NOR OFFSHORE PTE. LTD. AHTS</b>															
38	Tbn Nor Chief	2008	KIAM CHIAN	SIN	10 800	2 000	450	300	130			2	42	x	1
39	Tbn Nor Searcher	2008	KIAM CHIAN	SIN	5 500	1 800	475	150	70			2	60	x	1
40	Tbn Nor Spring	2008	SASASHIP	SIN	8 000	2 200	500	200	100			2	60	x	1
41	Tbn Nor Captain	2007	KIAM CHIAN	SIN	10 800	1 800	450	300	130			2	42	x	1
42	Tbn Nor Tigerfish	2007	KIAM CHIAN	SIN	5 500	2 000	475	150	70	50	30	2	60	x	1
43	Nor Sun	2006	KIAM CHIAN	SIN	8 000	1 800	490	200	101			2	54	x	1
44	Nor Star	2005	KIAM CHIAN	SIN	5 500	1 800	475	150	71			2	42	x	1
45	Nor Sea	2005	KIAM CHIAN	SIN	5 500	1 800	475	150	71			2	42	x	1
46	Nor Supporter	2004	KIAM CHIAN	SIN	8 000	1 800	475	200	100			2	42	x	1

Other equipment: 1 = Firefighting / FIFI. 2 = Oilresque. 3 = Standby / Resque.

\* A-frame shared



# Contract coverage

PER 15. APRIL 2007

		2007	2008	2009	2010	2011
<b>CONSTRUCTION SERVICE VESSEL</b>						
1	Normand tbn 1	Delivery June 2008				
2	Tbn Normand Seven	Delivery June 2007				
3	Normand Installer	200 days/8 year + option				
4	Normand Flower	03/2008 + option				
5	Normand Mermaid	11/2007 + option				
6	Normand Clipper	06/2009 + option				
7	Normand Cutter	05/2013 + option				
8	Normand Pioneer	180 days/year + option				
9	Normand Progress	150 days/2007				
10	Normand Tonjer	10/2007 + option				
<b>LARGE AHTS</b>						
11	Normand tbn 3	Delivery May 2009				
12	Normand tbn 2	Delivery December 2008				
13	Tbn Normand Ferking	Delivery June 2007				
14	Normand Master	Spot				
15	Normand Mariner	08/2007				
16	Normand Ivan	02/2008 + option				
17	Normand Borg	10/2008 + option				
18	Normand Atlantic	02/2008 + option				
19	Normand Neptun	Spot				
<b>SMALLER AHTS</b>						
20	Seabulk South Atlantic	09/2008				
21	Normand Mjolne	06/2007				
22	Normand Draupne	06/2008				
23	Normand Jarl	08/2009 + option				
24	Normand Skarven	05/2008				
25	Normand Titan	Spot				
26	Normand Drott	08/2009+ option				
27	Normand Trym	01/2009 + option				
28	Normand Prosper	Spot				
29	Normand Hunter	05/2007				
30	Normand Ranger	07/2007 + option				
<b>PSV</b>						
31	Normand Aurora	11/2007				
32	Normand Skipper	04/2010 + option				
33	Normand Flipper	01/2008				
34	Normand Vester	05/2008 + option				
35	Normand Carrier	07/2007				
<b>NOR OFFSHORE PTE. LTD. CSV</b>						
36	Tbn Nor Vision	Delivery June 2008 (1)				
37	Tbn Nor Valiant	Delivery December 2007				
<b>NOR OFFSHORE PTE. LTD. AHTS</b>						
38	Tbn Nor Chief	Delivery May 2008				
39	Tbn Nor Searcher	Delivery January 2008(1)				
40	Tbn Nor Spring	Delivery January 2008 (1)				
41	Tbn Nor Captain	Delivery October 2007(1)				
42	Tbn Nor Tigerfish	Delivery April 2007 (1)				
43	Nor Sun	11/2007 (1) + option				
44	Nor Star	03/2008 + option				
45	Nor Sea	05/2007				
46	Nor Supporter	11/2007 + option				

(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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