



SOLSTAD OFFSHORE ASA
- a flexible and reliable partner

Annual Report 2008





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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For electronic annual report:
www.solstad.no

Financial calendar 2009

Preliminary result 2008: 26.02.09

Annual report 2008: 26.03.09

Result 1st quarter 2009 / Ordinary general meeting: 18.05.09

Result 2nd quarter 2009: 18.08.09

Result 3rd quarter 2009: 06.11.09

Preliminary result 2009: End of February 2010

Changes may occur.



Briefly about our business

Solstad Rederi AS was established in 1964 by Captain Johannes Solstad. The Company's head office and home port are still located in Skudeneshavn, Norway. During the Company's first ten years of operation it acquired and operated 14 dry cargo vessels (liner type) and also took delivery of three new build semi-container vessels. The size of these vessels varied from 8,000 DW to 14,000 DW.

The Company's offshore activities began in 1973, when it ordered four supply vessels from a Dutch shipyard and by 1976 the Company operated 9 supply vessels of various types. Most of them were jointly owned with other Haugesund-based 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 several new builds on order. Two AHT's and three AHT's were built in New Foundland and four semi-container vessels were built in Rostock in East Germany. However, the last dry cargo vessel was sold in 1982 and for the next eight years Solstad Rederi AS only operated offshore supply vessels.

In October 1997, the Company was listed on the Oslo Stock Exchange under the name of 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 35 wholly owned, jointly owned and leased vessels together with 8 new builds; six new builds are in Norway and 2 are through Nor Offshore Ltd in Singapore. In total the Company operates 26 vessels from offices in Skudeneshavn and Aberdeen. The remaining fleet (9 vessels and 2 new builds) are operated and managed by Nor Offshore Ltd in Singapore.

Our vessels currently operate world-wide and approximately half our fleet are operating out with the North Sea.

Solstad Offshore ASA engage around 1000 people, 730 of which are at sea. In addition to its head office in Skudeneshavn, Solstad has branch offices in Aberdeen, Brasil 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.



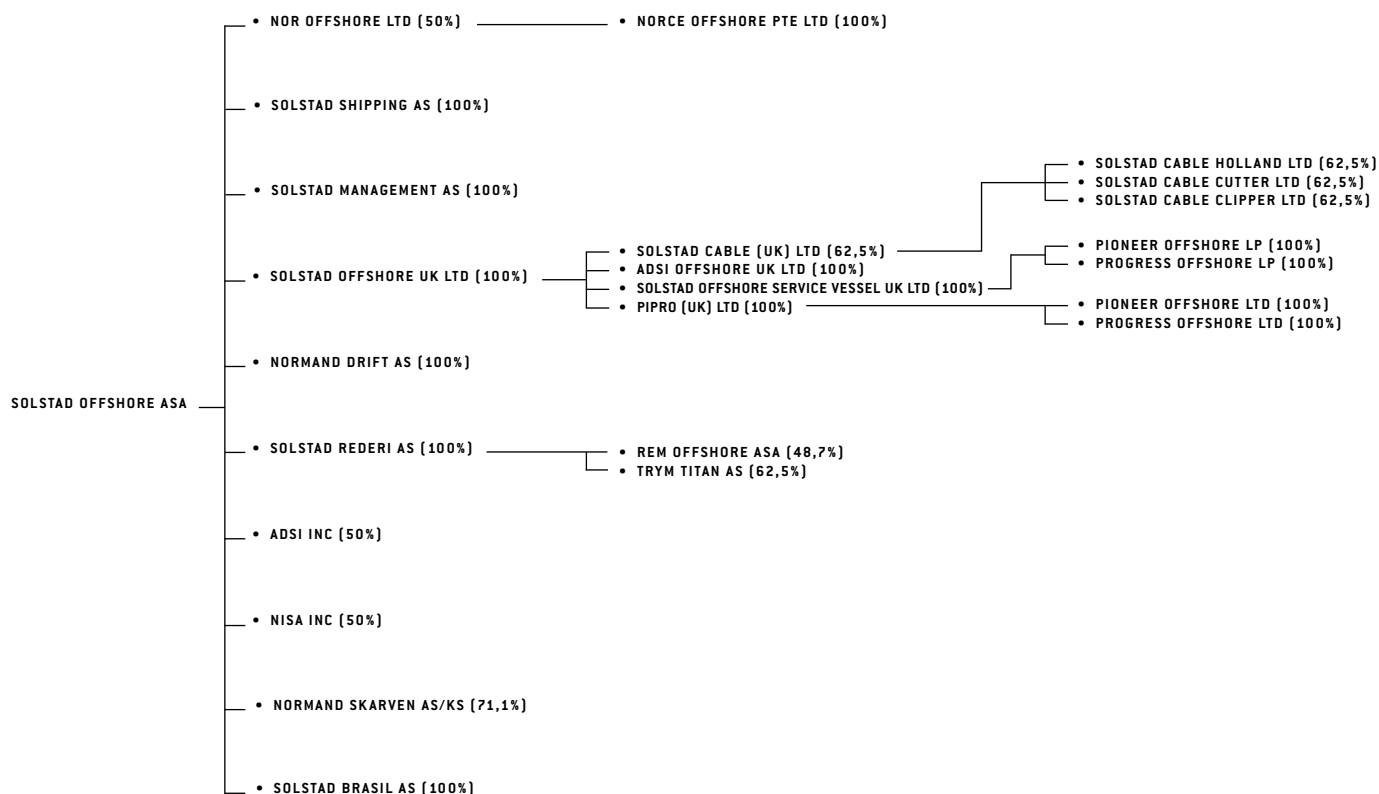






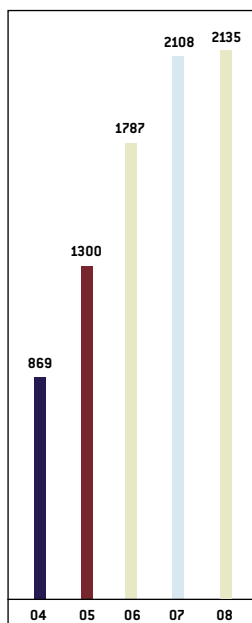
Company structure

PER. 31.12.2008

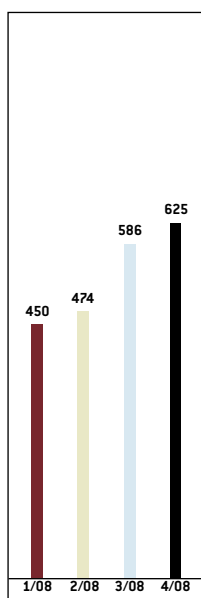


Financial highlights

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



**FREIGHT REVENUES IN
2008 QUARTERLY (NOK mill)**



	Ref	2008	2007	2006	2005	2004
PROFIT AND LOSS ACCOUNTS (NOK mill)						
Freight revenues		2 135	2 108	1 787	1 300	869
Other income / Gain on fixed assets		74	112	96	122	38
Operating result before depreciation/write-downs		1 318	1 398	1 040	833	435
Operating result		797	960	704	503	155
Net finance		-941	146	211	-201	-40
Ordinary profit before tax		-144	1 106	915	302	116
Net profit for the year		27	704	890	286	92
Hereof majority's share		46	680	866	261	64

BALANCE SHEETS

Long term assets	8 662	8 464	6 361	5 823	4 849
Current assets	1 551	1 851	1 933	1 214	708
Total assets	10 213	10 315	8 294	7 036	5 557
Equity	3 698	3 717	3 174	2 694	2 427
Deferred tax	-	25	17	24	55
Long-term liabilities	5 114	4 454	4 203	3 778	2 667
Current liabilities	1 402	2 118	901	540	408
Long-term interest bearing liabilities	5 267	5 328	4 487	3 858	2 564
Bank overdraft	439	410	-	120	84
Free and restricted bank deposits	830	1 618	1 939	1 102	674
Net interest-bearing liabilities	4 876	4 119	2 548	2 876	1 974

PROFITABILITY

Operating margin	1	60%	63%	55%	59%	48%
Earning on equity	2,6	-4%	32%	31%	12%	5%
Earning on capital employed	3	9%	12%	10%	9%	4%

LIQUIDITY

Liquid assets		830	1 053	1 291	702	467
Working capital		149	768	1 032	673	300
EBITDA	4	1 124	1 292	1 067	716	413
Current ratio	5	1,1	0,9	2,1	2,2	1,7

ASSETS

Total assets	10 213	10 315	8 294	7 036	5 557
Equity	3 698	3 717	3 174	2 694	2 427
Equity ratio	6	36%	36%	38%	44%



Key figures

PER SHARE

KEY FIGURES PER SHARE	Ref	2008	2007	2006	2005	2004
Result of the year	7	1,21	18,02	22,94	6,91	1,69
EBITDA	4	29,76	34,21	28,26	18,97	10,98
Booked equity	8	98,13	98,66	83,98	71,28	64,27
Price/Earnings (P/E)		50,98	8,46	5,95	13,89	40,14
Price/EBITDA		2,07	4,46	4,83	5,06	6,19
Dividend		2,00	4,00	4,00	2,00	1,00
Share capital (NOK mill)		75,59	75,59	75,59	75,59	75,59
Quoted share price 31.12. (NOK)		61,50	152,50	136,50	96,00	68,00
Market capitalisation (NOK mill)		2 324	5 764	5 159	3 628	2 570
Average number of shares inclusive adj. for stock of treasury shares.		37 767 314	37 762 786	37 751 392	37 751 392	37 553 373
N. of shares per 31.12 incl. Adj. For stock of treasury shares		37 682 466	37 677 966	37 791 266	37 791 266	37 778 766
REFERENCES:						
<ol style="list-style-type: none"> 1. Operating result before depreciation in percentages of total operating income. 2. Result before tax, in percentage of average equity including minority interests. 3. Operating result plus interest income and result from associated company divided by average book shareholders' equity and interest-bearing debt. 4. Operating result before depreciation adjusted for gain/(loss) on sale of fixed asset and other material noncash effects. 5. Current assets divided by current liabilities. 6. Booked equity including minority interests in percentage of total assets. 7. Result of the year for the Group divided by average number of shares. 8. Shareholders' equity divided by outstanding number of shares per 31.12. 						
<p>Joint ventures are gross consolidated as from 1.1.2006. Comparable figures for the profit and loss account for 2004 and 2005 and the balance sheet figures for 2005 are recalculated according to this.</p>						



Annual report

In 2008, Solstad Offshore ASA Group achieved operating revenue of NOK 2,209 million; NOK 64 million of which was gain on disposal of assets, which can be compared to operating revenue of NOK 2,219 million the previous year (which included NOK 106 million in profit on sale of assets). Profit after tax was NOK 27 million which was NOK 677 million less than 2007. Cash flow for the year was NOK 1,124 million (excluding profit on disposal) compared to NOK 1,292 for 2007.

2008 was another good year for the offshore industry with high activity in most global areas. The demand for offshore service vessels has been high in all segments. The level of global activity has absorbed the additional new builds. The number of ships in the North Sea has increased by 10% throughout the year but the market has continued to be tight and at times there have been record high rates on the spot market. In the charter market where the tendency is for longer-term charters the charter rate has remained good throughout the year.

The Group achieved their best ever safety result. This year's safety campaigns have been directed towards training methodology and systems to reduce pollution of the external environment. The company will continue to focus on this in future.

At the end of the year the fleet consisted of 35 wholly owned/jointly owned or leased vessels, together with 8 new builds (6 in Norway and 2 through Nor Offshore Ltd (NOR) in Singapore). At the beginning of 2009, two of the new builds in Norway were cancelled. This combination of vessels reflects the company's investment in modern construction service vessels (CSV's) and larger anchor-handling vessels (AHTS's)

Amongst the larger transactions in the accounts, the operating margin has been positively impacted by a one-time reversal of an offset of NOK 126 million. The finance costs are negatively impacted by a realised loss of NOK 335 million from the development of MPU Offshore Lift ASA and a net unrealized currency loss of NOK 238 million which is mainly due to the strengthening of the American dollar. Furthermore, NOK 130 million has been posted to tax (charged to expense in 2007) in respect of the tax due on Solstad's compulsory exit from the previous Norwegian Shipping Tax regime.

Compared to 2007 the Group's share of income from areas outside the North Sea market increased from 44% in 2007 to 58% in 2008.

1. COMPANY PHILOSOPHY, OBJECTIVES AND STRATEGIES

The company's philosophy is to run a profitable and integrated shipping company with high specification vessels in its market segment based on owned or chartered vessels. The company's core business is to primarily offer services to oil-related offshore activity.

It aims to be a major player and offer a wide spectrum of services based on high quality vessels, equipment and maritime competence. In the North Sea the aim is still to be one of the heavy weights in the industry

and on an international level, a significant presence in deep water, sub sea and construction activities.

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

The Company's strategy is to deliver a customer focus based solution and high quality services as well as actively developing customer services in close co-operation with new and existing customers.

In general, the company manages the total operation of the vessels including freight, crewing and technical support,

The company will evaluate where it is possible to achieve cost effective operations and an optimal return on capital employed in co-operation with new suppliers with a view to long-term strategic co-operation. Such collaboration is also evaluated with regard to risk and capital injection.

2. THE COMPANY'S ACTIVITIES

Solstad Offshore ASA's activities are almost 100% directed towards the offshore petroleum industry. Most of our vessels are equipped to carry out more complex projects than the traditional supply and anchor-handling services. In addition to international expansion, the company has focused on providing vessels and equipment for use with installations, monitoring and maintenance of equipment on sub sea installations. The ongoing renewal of the fleet combined with investment in NOR and REM Offshore ASA reflects this commitment.

In 2008 the company's net freight income was divided as follows: 55% from AHTS, 31% from CSV's and 14% from PSV's. Geographically freight income was divided: 42% from the North Sea, 9% from South America, 8% from West Africa, 7% from mid and North America, 15% from the Mediterranean and 19% from Asia.

At the end of the year the fleet consisted of 35 wholly owned/jointly owned and leased vessels together with 8 new builds (6 in Norway and 2 through NOR in Singapore). A total of 26 vessels are managed from offices in Skudeneshavn and Aberdeen. Of these 4 are currently on the Brazilian Continental Shelf, 1 in Mexico/US Gulf, 1 in West Africa, 3 in Asia, 5 in the Mediterranean and the remaining 12 vessels are operating in the North Sea. In addition 6 new builds are managed from Skudeneshavn. The remaining fleet which currently consists of 9 vessels and two new builds is managed and operated by NOR in Singapore.

Solstad Offshore ASA's new builds consist of 4 CSV's of various sizes and 2 larger AHTS's. The latter two were to be built by Karlsund Maritime Services AS (KMS); however on the 10th March KMS went into receivership after a period of financial difficulty and operational problems which were linked to the building of the vessels for Solstad. Solstad Offshore

ASA had bank guarantees for any instalments paid to the yard. When the yard went in to receivership, the contracts were cancelled and the guarantees called upon. A write-down of NOK 30 million is posted in the accounts at 31.12.2008. The remaining new build program is going according to updated plans. A long-term contract was entered with Subsea 7 for one of the new CSV's for a fixed period of 4,5 years (plus 4 x 1 year options). The remaining new builds are currently without contracts.

Through its 50% share in NOR, Solstad Offshore ASA currently operates 1 CSV (owned) and 8 newer AHTS's (ranging from 5,500 BHP to 11,000 BHP) 5 of which are owned and 3 are on bareboat lease. The company has options to purchase these leased ships during the leasing period. NOR has a further CSV, TBN Nor Australis (the previous Nor Vision) under construction for delivery in April 2009. The handover is delayed from the original delivery time as the ship is, on completion, to be equipped for a long-term project for Woodside Energy Ltd. In addition, NOR has 1 derrick lay barge (DLB) under construction. The hull of the DLB has been delayed and hand over from the yard is expected at the end of the year.

In addition to operating its own fleet and a 50% share of NOR, Solstad Offshore ASA has a significant investment (48.7% of the shares) in REM Offshore ASA (REM). The company has a new, diverse and forward-looking fleet which at the end of the year included 17 vessels including 4 new builds. REM is registered on the Oslo Stock Exchange.

For more details about the company's vessels, refer to the fleet overview at the back of the report.

3. THE OFFSHORE MARKET

In later years rising and high oil prices which where first and foremost driven by demand following strong global economic growth resulted in increased investment in both existing and new areas offshore. New and increased investment for exploration (seismic and drilling), development (installations and transport lines etc.) and production (supply, inspection, maintenance etc.) have had a positive impact on demand for offshore services generally, including maritime services. As growth in the world economy has now ceased with a significant fall in the oil price, it is likely that this will have a negative effect on future activity.

The main stay of offshore service vessels is the anchor-handling vessels (AHTS) and platform supply vessels (PSV). Technological development as resulted in a demand for services requiring the development of more advanced, multi-purpose and specialized vessels such as construction service vessels (CSV). The functional overlap between different types of vessel has become more fluid. The world fleet of AHTS's over 15,000 BHP at the end of the year was 140 vessels but there were also 393 PSV's with carrying capacity of over 3000 dwt. There were between 28 and 134 of these PSV's operating in the North Sea.

The great demand for offshore service vessels has resulted in several new owners/operators investing in the market, both Norwegian and foreign. At the end of the year there were 279 vessels on order; AHTS's over 15,000 BHP and PSV's over 3,000 DWT. Most of these are being built in Europe (Norway) and the Far East (Singapore, Vietnam, China, India and

Indonesia). The number of vessels in the CSV-segment has increased during the last 10 years, and the new building is still relatively high. At year end there were 58 CSV's on order, whereof around 70% are smaller vessels. In addition there are 36 ROV's and 33 DSV (Dive Support Vessels) on order for delivery by 2012.

4. THE COMPANY AND ITS SHAREHOLDERS

It is our aim to make the company attractive in the long-term by reflecting the increase in the value of the company through shares and 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 large currency fluctuations and minority shareholders. Therefore annual dividend shall always be evaluated in light of future income, cash flow, financial commitments and other conditions that may affect the company's position.

The total number of shares issued by the company at the end of the year was 37,794,160. The number of shareholders was 2,300 which is 89 more than the previous year. Foreign shareholders accounted for around 8%.

The Board of Directors will propose at the general meeting on 18th May that a share dividend of NOK 2.00 per share is paid for 2008. This payment will be made on the 5th June 2009.

In line with the general share fluctuation on the Oslo Stock Exchange (down 54%) and in the rest of the world, the company's share listing has been negative throughout the year. At the start of the year the share value was NOK 152.50 while at the end of the year it was NOK 61.50; a reduction of 59.7%. The company paid a share dividend of NOK 4 per share in 2008 (for the 2007 accounting year).

The Board has power of attorney until the next general meeting to acquire up to 10% of treasury shares. The Board has requested this power of attorney in order continuously assess this as both a strategic and short-term investment option. At 31 December 2008, the total number of treasury shares was 111,694 compared to 116,194 in 2007.

At the general meeting In May 2008, the Board of Directors extended their power of attorney in order to be able to increase share capital and acquire treasury shares. The Board of Directors will ask for the same renewal at the general meeting in May 2009.

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; the most important of which are: Solstad Rederi (100%), Solstad Offshore UK Ltd (100%), NOR (50%) and REM Offshore ASA (48.7%)

5. CORPORATE GOVERNANCE

Solstad Offshore ASA's corporate governance is based on the company's vision and strategy. As a company listed on the Oslo Stock Exchange and









subject to the laws governing Norwegian share ownership, stock exchange reporting and stocks and shares, Solstad Offshore ASA adopts the "Norwegian recommendation for ownership and company management" dated 4 December 2007. For further information on corporate governance, refer to the separate chapter in the Annual Report.

6. FINANCIAL – THE GROUP

The annual accounts for 2008 are prepared in accordance with IFRS (International Financial Reporting Standards) which are approved by the European Union, giving comparable figures for 2007.

Total operating income for the Group in 2008 was NOK 2,209 million; (NOK 64 million of which was profit on disposal of assets) which is comparable to last years figures of NOK 2,219 which included profit on disposal of assets of NOK 106 million. The Group's fleet capacity has increased by 7% when evaluated on the number of days compared to 2007. Contract cover in 2008 was 92% compared to 94% in 2007. Cash flow from operations (which is defined as the result before depreciation gain on disposal and reversal of offset) was NOK 1,124 million (1,292 million in 2007).

Annual operating result after depreciation was NOK 797 million compared to NOK 960 for the previous year. Included in 2008 operating expenses was a one-off reversal of offset, with a positive net effect of NOK 126 million. This reversal was related to increased costs on the acquisition of a leased vessel on a long-term rental contract. The vessel was taken over by the Group in 2008 on other terms than previously anticipated. The risk for further costs is significantly reduced and therefore the offset has been reversed.

The profit before tax was a negative NOK 144 million (positive 1,106 million in 2007) after posting NOK 941 million to net finance (positive NOK 147 million in 2007). Included in this net financial post is a loss posted to expense relating to the associated company MPU Offshore Lift ASA of NOK 335 million and a net currency loss of NOK 238 million (NOK 59 million currency gain in 2007). This net currency loss is mainly due to the strengthening of the American dollar against the Norwegian Kroner and consists of an unrealized currency loss of NOK 322 million which is tied to debt and a realized currency gain of NOK 84 million linked to liquidity.

In 2007, companies taxed under the shipping tax regulations in Norway were taxed on withheld profits for the last ten years which were earned under the previous shipping tax regime. A third of the deferred tax can be withheld on condition that the Group invests a similar amount on qualifying environmental measures over the next 15 years. The authorities have, the whole time, stated that the environmental share of tax should be considered as share capital but until the transition regulations were in place this could not be done. However, in 2008, the 15 year time limit for implementation of environmental investment has been repealed and the company has therefore a post to tax income of NOK 130 million (expensed in 2007).

After adjustment for minority interests, the annual share earnings are NOK 1.21 (18.02 in 2007).

Apportioned by segments, the operating income primarily reflects the company's development of a modern fleet of CSV's and larger AHTS's in later years together with high revenue from the spot market. Operating

revenue before depreciation (excluding sale on disposal of assets and the one-off effect of reversing the offset) (operating margin) accounted for 55% of operating income.

The greatest impact on the Group balance in 2008 relates to the investment and loans to NOR and the payment of instalments on the contracted new builds, together with the development of ownership in MPU Offshore Lift ASA.

The book value of the vessels at 31.12.2008 was in total NOK 7,289 million (NOK 6,491 million in 2007) of which NOK 1,324 million (NOK 527 million in 2007) related to instalments on new builds. The Board of Directors has evaluated the book value of the vessels according to the regulations in IAS 36 relating to depreciation of fixed assets and has not found it necessary for further depreciation.

The Group's interest bearing debt at 31.12.2008 was NOK 5,301 million (NOK 5,365 million in 2007) of which NOK 473 million (1,339 million in 2007) is classified as short-term debt. This change to short-term debt is due to the refinancing of leased vessels during the year. The debt is divided as follows: 53% NOK, 39% USD, 7.5% GBP, and 0.5% EURO. At the end of the year, 2-5 year hedging agreements were entered into for approximately 11% of the total long-term debt. Furthermore some of the NOK debt is tied to the USD through financial instruments so that actual debt exposure is: 43% NOK, 50% USD, 7.5% GBP and 0.5% EURO.

Solstad Offshore ASA's planned investment in new builds totals NOK 4.4 billion (excluding NOR) and long-term finance has been agreed with the company's bankers for those vessels with planned delivery in 2009. No finance agreements have been entered for the three new builds to be delivered from the yards at the mid to end of 2010 and end of the first quarter in 2011 but discussions with the banks are ongoing. As two of the new builds with delivery in 2009 have now been cancelled, the company are seeking financial approval for the finance to be transferred to the remaining new builds. NOR has long-term finance agreements in place for its new builds.

The market value of the fleet at 31. 12 2008 was NOK 10,830 million; based on the average of 3 broker evaluations on vessels without contracts (excluding new builds). At the end of 2008, value adjusted equity per share before tax was NOK 232 compared to NOK 227 for 2007. The value of the vessels has decreased by 3% since mid 2008. Of other material assets are the shares in REM Offshore ASA value at NOK 56 per share (stock exchange valuation). Posted share capital at 31.12.2008 was NOK 3,721 million or NOK 98 per share.

The Group is exposed to various financial market risks in its activities. Financial market risks are changes in currency rates, interest rates and freight charges that impact the value of the Group's assets, liabilities and future cash flow. In order to reduce and control this risk, Solstad management periodically evaluate the Group's most significant risks on the financial market. When a risk factor is identified, measures are taken to reduce the specific risk. The Group is exposed to both interest and currency risks, mainly through long-term financing and freight contracts. The former risk is partially eliminated by hedging agreements. Currency risk is also partially eliminated by having the associated loan commitments and obligations in the same currency as the freight contracts.

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

7. HEALTH, SAFETY AND THE ENVIRONMENT (HSE) AND QUALITY ASSURANCE (QA)

The company's HSE System complies with international regulations and standards and is certified to ISM, ISO 9001, ISO 14001 and ISPS. The crew onboard are given training and familiarisation in accordance with the company's approved procedures which comply with STCW 95 (Seafarers Training, Certification and Watch-keeping Code). Internal audits are completed on all vessels on an annual basis.

The company places focus on preventative action to eliminate accidents and injury. In 2008 more than 4000 reports were processed in the company's HSE & QA System. The reports are managed in a database reporting system which assists in making any HSE implementation more user-friendly for all employees. This gives a good platform for preventative action to avoid these accidents and injuries in future.

When entering contracts on new vessels the company strives to ensure a safe work place and reduce emissions to the air and sea.

As part of the Company's work to improve its environmental accounting, routines were introduced in 2007 to measure the amount of waste handling in the industry. This accountability gives the company an overview of the quantity of waste which is generated and how this is processed and disposed of.

In 2008 the company has continued to focus on the external environment. Therefore the company has established a "green profile" to ensure that environmental measures are considered during operations. As a part of this the company has developed its existing reporting systems and methods to significantly improve environmental accounting. The company's aim is to have a system which gives accurate reporting so it can be used actively for decision-making to implement goal-orientated environmental measures.

The company also works continuously to increase the competence levels of the company's employees in this area.

Both vessels and the head office sort and report all waste. In 2008, the vessels reported 891 tons of sorted waste, 749 tons of which was delivered onshore for recycling which gives the company a recycling figure of 84%.

With effect from 2007 a Norwegian duty was introduced on NOx gas emissions. The company has therefore established throughout the company, a system for measuring and reporting. The authorities have since determined that this duty shall be used to support measures to reduce NOx emissions and other hazardous emissions to the external environment. All the company's vessels operating in Norwegian waters are enrolled in this fund. In 2008 several measures were identified to reduce hazardous exhaust gasses. In 2008 the company had 16 uncontrolled spills to the sea giving a total volume of 3,497 litres.

The company had 3 work-related accidents which led to lost time and this gives an H factor (number of lost time incidents per 1,000,000 working hours) of 0.67 for 2008. All involved are now in active duty again. Our aim is still zero lost time incidents. To prevent lost time incidents in future the company will strengthen its work by preventing injury onboard that requires medical attention.

At the end of the year the company had 1,019 employees, 954 of which are seafaring and 225 of which were subcontracted. The working environment both onshore and on the vessels is considered to be good. Sick leave amongst employees in the Group is around 4% for 2008.

The division between employees in the administration is 66% male and 34% women. Equal opportunity is an important criterion for recruitment of employees however the number of females who want a career at sea is limited both in Norway and internationally. The company is the leading shipping company in Norway with regard to recruitment and training of cadets and trainees and works actively to engage young Norwegians to take a maritime education. Despite this focus there has been little success, with through schools or shipping organizations, to persuade females to invest in a maritime education or profession.

8. EXPECTATIONS IN 2009

The development in the oil price is the deciding parameter for the demand for future offshore services. The current low oil price together with a lack of economic growth is expected to have a negative impact. Previous experience indicates that it will be at least 6-12 months before this impact is seen on approved or current projects. The total investment level offshore (E & P investment) has grown by 20% in later years. In 2008 investment was in the region of USD 200 billion, and it is anticipated that it will remain at this level in 2009. This level of investment is due to the number of projects that have already been committed to or which are already underway and because several operators are still optimistic about the development in the oil price. In the next 2-3 years, 100 new drilling rigs will be delivered from yards and around 60 floating production units are planned to be installed. An increase in the oil price to USD 70-80 dollars per barrel in the next 12 months will prevent a further downturn in offshore activity.

In the longer term it is anticipated that the oil price will rise. Even with a conservative estimate of the use of oil in the years ahead, the need to replace the produced volumes of oil with new reserves and production capacity will play a pivotal role. The company anticipates increased focus on deep water areas and sub sea activities. West Africa, Brazil, North America (incl. Mexico), Russia and parts of Asia and Australia are regions with the greatest growth potential in the offshore sector.

In later years the number of new builds has significantly expanded the charter market. However the market has absorbed the influx well and day rates have been good throughout 2008. With the expectation of zero growth for demand and with new builds still on the order books, it is anticipated that the high days rates experienced in latter years will not continue. Some new builds already on order may be cancelled due to lack of finance which may mitigate the position somewhat and in the

longer-term it is positive for the market balance that no more new vessels are ordered.

Solstad Offshore ASA has a diverse fleet offering services relating to exploration, development and installations as well as operations and maintenance activities. The increased requirement for specialized tonnage that can operate in far waters and at various depths is anticipated to be satisfactory. At the time of submission of the accounts contract cover for 2009, based on the number of days, is 60% for vessels in the Group (the comparable figure 12 months ago was 60%), and for 2010 it is currently 45% (33%). Including options, contract cover is 70% and 58% for 2009 and 2010 respectively.

9. FINANCIAL – PARENT COMPANY

Solstad Offshore ASA had an annual loss of NOK 160 million (165 million in 2007). Net financial postings are a negative NOK 180 million (plus NOK 162 million) including dividends from subsidiaries. The annual loss from operations is NOK 9 million (NOK 2.6 million).

The company's assets are primarily associated with the value of the shares in its subsidiaries, as well as bank deposits. Booked equity at the end of the year was NOK 966 million, NOK 829 million of which can legally be paid as dividend. Debt at the end of the year was NOK 400 million of which NOK 300 million is in bonds and NOK 75 million is offset for dividend in 2008.

The annual accounts are prepared on the basis that the company will continue its operations in compliance with § 3-3 of the Accounting Law. Based on the asset valuation of vessels owned by subsidiary companies, the Board of Directors are of the opinion that the actual value of the company's assets is significantly higher than the book value.

The Board will, at the next general meeting, propose a resolution for directors' fees for 2008 for NOK 1,025,000. The auditor fee for the holding company in 2008 will be recommended for acceptance as NOK 310,000.

The Board of Directors propose that the following disposals are made:

Offset for dividend	NOK	75,588,320
Transfer from other equity	NOK	235,795,627
Net disposal/transfer	NOK	160,207,307

Board of Directors of Solstad Offshore ASA
Skudeneshavn, 26th March 2009



Harald Eikesdal
Chairman


Johannes Solstad
Deputy Chairman


Toril Eidesvik
Board Member


Anette Solstad
Board Member


Arne Austreid
Board Member


Lars Peder Solstad
Managing Director

THE BOARD

Harald Eikesdal, Chairman (born 1946)

Harald Eikesdal is a lawyer with the firm Eikesdal, Meling, Nygård Lande and Sveinall. He previously held a position as Divisional Head with the Norwegian Ministry of Finance and as a deputy judge and notary public at Haugesund Magistrates Court. Harald Eikesdal has been our chairman since. He also holds a number of other directorships. He is independent of the Company's main shareholders. Shares in Solstad Offshore ASA: 0



Johannes Solstad, Deputy Chairman (born 1930)

Johannes Solstad is a former Captain. He is the founder of the Solstad Group and was Managing Director from its conception in 1964 until 2002. He has been Deputy Chairman since the company was listed on the Oslo Stock Exchange in 1997 and is up for re-election in 2009. Johannes Solstad has an interest in Solstad Offshore ASA's shareholding in SOFF Holding AS, Ivan II AS and Solhav Invest III AS. Shares in Solstad Offshore ASA: 18,126,268



Anette Solstad (born 1965)

Anette Solstad has been living in the USA since 1989. She has a BA in International Business and has worked for Wilhelmsen Lines, USA in operations and commercial analysis and as a systems developer for Prudential Securities. She does not hold any other directorships. Anette Solstad has been a board member since 2007 and is up for re-election in 2009. She has an interest in Solstad Offshore ASA's shareholding in SOFF Holding AS, SOFF Invest III AS and Solhav Invest X AS. Shares in Solstad Offshore ASA: 56,402



Arne Austreid (born 1956)

Arne Austreid is a Petroleum Engineer and also holds an MBA. He is CEO at Prosafe SE and previously worked for 16 years for Transocean ASA. Arne Austreid has been a board member since 2004. He is independent of the Company's main shareholders. Shares in Solstad Offshore ASA: 4000



Toril Eidesvik (born 1968)

Toril Eidesvik is Managing Director in Green Reefers ASA and worked previously as a lawyer in the firm Simonsen Musæus and for Gjensidige Nor Sparebank. Toril Eidesvik has been a board member since 2005 and is up for re-election in 2009. Toril Eidesvik is independent of the Company's main shareholders. Shares in Solstad Offshore ASA: 0



Corporate Governance and Management

Solstad Offshore ASA's corporate governance and 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, stock exchange reporting and stocks and shares. Solstad Offshore ASA adopts the "Norwegian recommendation for ownership and company management" dated 4 December 2007.

Accountability for corporate governance and management

The Company wishes to clarify the division of duties between the shareholders, the Board and the Managing Director and therefore accounts for its corporate governance and management in accordance with the "Norwegian Recommendation for corporate governance and company management". Solstad Offshore ASA has established ethical guidelines with the aim of securing values and an organizational 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. Solstad Offshore ASA's objectives and strategy are outlined in point 1 in the Board's Annual Report.

Company equity and dividend

Solstad Offshore ASA's posted share capital amounts to 36.0% at the end of 2008. 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. The dividend is always evaluated in the light of future income and cash flow, financing requirements and other conditions that may affect the Company's position. In 2008, Solstad Offshore ASA paid a dividend of NOK 4 per share for the 2007 accounting year. The Board will propose at the Company's General Meeting that a dividend of NOK 2 per share is paid for the 2008 accounting year.

The general meeting held on the 6 May 2008, 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 2009.

- 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 250 per share acquired by exercising this power of attorney. The power of attorney extends until the next general meeting in 2009.
- 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 determines the subscription rate and conditions. The power of attorney extends until the next General Meeting in 2009.

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 2008 there have not been any transactions between the Company and shareholders, board members, key personnel or any relatives of these, other than those stated in Note 15 of the Annual Accounts.

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 limit the transferability of the shares.

General meeting and elected committee

The Ordinary General Meeting is usually held in May. Shareholders with known addresses are invited by post. An agenda is issued with the invitation to attend. This contains all the necessary information for the shareholders to form an opinion on all matters to be reviewed. The Board of Directors and auditors are usually represented. An invitation to attend, together with the agenda for the general meeting is available on the Company's website (www.solstad.no) no later than 3 weeks before the general meeting is held and sent to shareholders in writing at least two weeks before the meeting. The Board wishes to give as many shareholders as possible the opportunity to attend. The

registration deadline is as close to the meeting date as possible. Any shareholders unable 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 elects a chair person. 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 elected committee. The Chairman and Deputy Chairman of the Board form the committee.

Composition and independence of the Board

The elected committee's primary objective is to propose candidates that ensures the Company has a Board that has 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 in which 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.

Risk Management and Internal Controls

Through its work the Board ensures that the Company has good internal controls and adequate systems for risk management in relation to the scope and type of industry and any regulations that apply. The company has established a system for operations and administration which includes procedures and job descriptions. This system also includes the Company's ethical guidelines. The Company prioritizes quality assurance. The Board collates information on the Company's operational, administrative and financial development through monthly reporting. The Board carries out an annual review of the Company's strategy and business plan including an analysis of the Company's risk exposure. The exposure is reviewed monthly in the management reports.

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 requirement 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. Guidelines for remuneration of key personnel are presented at the general meeting for information.

There is no requirement 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 programs 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 position. Presentation of the quarterly and annual accounts is done in accordance with the time plan stated in the financial calendar on the Company's website 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 that limit the possibility to purchase shares in the Company. If a bid is made for Company shares the Board will work to ensure that the shareholders have the information and time to make a decision on the bid and make a statement on the and recommendation as to whether it should be accepted or not.

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.



Group accounts

FOR SOLSTAD OFFSHORE ASA





Profit & loss account

1.1 - 31.12

GROUP	Notes	[NOK 1 000]	
		2008	2007
Freight income	4	2 134 860	2 107 544
Other operating income	2,5	74 019	111 507
Total operating income		2 208 880	2 219 051
Personnel costs	5,6	-608 292	-490 732
Ordinary depreciation	8	-416 641	-339 840
Depreciation on capitalised periodic maintenance	8	-104 210	-97 444
Other operating expenses	5	-323 288	-341 848
Income from investment in associated companies	9	40 799	11 277
Total operating costs		-1 411 632	-1 258 587
Operating profit/loss		797 248	960 464
Other interest income	7	56 312	81 210
Other financial income	7,11	126 979	441 232
Other interest charges	7	-315 493	-221 894
Other finance costs	7,11	-809 112	-154 795
Net financing		-941 313	145 753
Ordinary profit before taxes		-144 065	1 106 217
Tax on ordinary result	12	170 994	-402 612
Net profit for year		26 929	703 605
Minority shares		-18 632	23 276
Majority shares		45 561	680 329
Earnings and diluted earnings per share (NOK)	14	1,21	18,02



Balance sheet

GROUP		(NOK 1 000)	
	Notes	31.12.08	31.12.07
Long-term assets			
Intangible fixed assets			
Deferred tax asset	12	24 244	
Long-term fixed assets			
Vessels and new build contracts	2,8	7 289 858	6 491 230
Capitalized periodic maintenance	8	201 928	130 855
Other tangible fixed assets	8	33 338	38 172
Total long-term fixed assets		7 525 125	6 660 256
Financial assets			
Loan to associated companies	15		12 262
Investments in associated companies	9	4 135	220 567
Investments in stocks and shares	9	1 083 396	959 708
Tied bank deposits	11		565 651
Other long-term receivables	20	15 072	45 432
Pension funds	6	9 954	
Total financial assets		1 112 557	1 803 619
Total long-term assets		8 661 925	8 463 875
Current assets			
Stock	22	19 358	25 954
Receivables			
Account receivables	21	497 218	509 840
Other short-term receivables	21	187 949	202 257
Total receivables		685 167	712 097
Investments			
Marked based shares	9	16 972	60 028
Bank deposits and cash equivalents	16,18	829 936	1 052 715
Total current assets		1 551 432	1 850 794
TOTAL ASSETS		10 213 357	10 314 669

Balance sheet

GROUP		(NOK 1 000)	
	Notes	31.12.08	31.12.07
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital [37.794.160 at NOK 2.00]	13	75 588	75 588
Treasury shares	13	-223	-232
Other paid-in capital		111 648	111 648
Total restricted equity		187 013	187 004
Earned equity			
Other equity		3 494 676	3 494 850
Total earned equity		3 494 676	3 494 850
Minority interests			
		15 934	35 604
Total equity		3 697 624	3 717 459
Liabilities			
Provisions			
Deferred tax	12		25 417
Taxes payable	12	214 817	356 733
Deferred income	23		20 100
Pension liabilities	6		3 573
Other provisions	10	67 768	46 699
Total provisions		282 585	452 522
Other long-term liabilities			
Other long-term loans		37 338	39 117
Debt to credit institutions/leasing obligations	11	4 793 870	3 987 948
Total long-term liabilities		4 831 208	4 027 065
Current liabilities			
Accounts payable		167 399	135 337
Bank overdraft	3	438 694	409 824
Taxes payable	12	50 966	56 335
Accrued salaries and related taxes		40 855	43 275
Other current liabilities	24	231 004	133 228
Current interest bearing liabilities	10,11	473 023	1 339 624
Total current liabilities		1 401 941	2 117 623
Total liabilities		6 515 734	6 597 210
TOTAL EQUITY AND LIABILITIES		10 213 357	10 314 669
Mortgages			
	11		
Guarantees etc.	3,7,11		


Skudeneshavn, 26th March 2009

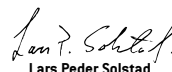

 Harald Eikesdal
 Chairman


 Johannes Solstad
 Deputy Chairman


 Toril Eidesvik
 Board Member


 Anette Solstad
 Board Member


 Arne Austreid
 Board Member


 Lars Peder Solstad
 Managing Director



Rio de Janeiro, Brazil - an exciting growth market

Brazil has quickly developed into one of the World's most important and prosperous areas for the exploration and production of oil. Solstad Offshore has therefore established a branch office in the city of Rio de Janeiro. The company

Solstad Offshore Ltda is currently recruiting staff and building an organization of about 6 people to assist those of the company's vessels trading in Brazil.

Changes in equity

GROUP	(NOK 1.000)								
	Share capital	Treasury shares	Other paid-in capital	Translation adjustments	Value changes	Other equity	Total majority shares	Minority shares	Total equity
Equity 01.01.2007	75 588	-6	111 648	1 170	28 730	2 941 939	3 159 070	14 718	3 173 788
Annual result						680 329	680 329	23 276	703 605
Net gain on available for sale financial assets					17 349		17 349		17 349
Translation adjustments				-7 301			-7 301		-7 301
Net income and expense included directly in equity and result				-7 301	17 349	680 329	690 378	23 276	713 654
Purchase treasury shares		-250				-17 911	-18 161		-18 161
Sale treasury shares		23				1 710	1 733		1 733
Paid-out dividend/ surplus						-151 177	-151 177	-2 390	-153 567
Unallocated dividend on treasury shares						12	12		12
Equity 31.12.2007	75 588	-232	111 648	-6 131	46 080	3 454 902	3 681 855	35 604	3 717 459
Equity 01.01.2008	75 588	-232	111 648	-6 131	46 080	3 454 902	3 681 855	35 604	3 717 459
Annual result						45 561	45 561	-18 632	26 929
Net gain on available for sale financial assets					50 472		50 472		50 472
Translation adjustments				46 741			46 741		46 741
Other adjustments						8 808	8 808	-172	8 636
Net income and expense included directly in equity and result				46 741	50 472	54 369	151 583	-18 804	132 779
Purchase treasury shares		-40				-2 505	-2 545		-2 545
Sale treasury shares		49				1 380	1 429		1 429
Paid-out dividend/ surplus						-151 177	-151 177	-866	-152 043
Unallocated dividend on treasury shares						545	545		545
Equity 31.12.2008	75 588	-223	111 648	40 610	96 552	3 357 514	3 681 690	15 934	3 697 624



Statement of cash flow

1.1 - 31.12

GROUP		[NOK 1 000]	
		2008	2007
CASH FLOW FROM OPERATIONS			
Result before tax		-144 065	1 106 217
Taxes payable		-45 933	-8 659
Ordinary depreciation and write downs		520 851	437 284
Loss/ gain long-term assets		275 150	-176 863
Interest income		-56 312	-81 210
Interest expense		315 493	221 894
Effect of change in pension assets		-13 527	-9 240
Unrealised currency gain/loss		321 539	-248 132
Change in short-term receivables/payables		63 809	-174 443
Change in other accruals		-127 678	-4 218
Net cash flow from operations	(A)	1 109 326	1 062 629
CASH FLOW FROM INVESTMENTS			
Investment in tangible fixed assets (vessels)		-1 107 865	-1 571 189
Payment of capitalized periodic maintenance		-175 284	-107 388
Sale of fixed assets (vessels)		80 656	182 033
Investments in other shares		-75 472	-1 080 359
Realized shares and interests		61 463	216 138
Net cash flow from investments	(B)	-1 216 501	-2 360 765
CASH FLOW FROM FINANCING			
Payment to/from minority interests		-866	-2 390
Payment of dividends		-150 632	-151 165
Paid-in interests		57 725	80 661
Paid-out interests		-301 974	-217 286
Purchase/ sale treasury shares		-1 116	-16 428
Change in restricted bank deposits		565 651	82 016
Payment of long-term receivables		-95 796	-23 164
Bank overdraft		28 870	409 824
Long-term debt		1 500 693	2 042 421
Repayment of long-term debt		-1 718 157	-1 144 743
Net cash flow from financing	(C)	-115 603	1 059 745
Net change in cash and cash equivalents	(A+B+C)	-222 779	-238 391
Cash and cash equivalents at 01.01		1 052 715	1 291 106
Cash and cash equivalents at 31.12	(Note 18)	829 936	1 052 715



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 26th of March 2009, and will be presented for approval in the annual general meeting.

Statement of compliance and basis for preparation

The consolidated financial statements have been prepared in accordance with the Norwegian Accounting Act, International Financial Reporting Standards (IFRS) and interpretations by the International Accounting Standards Board (IASB) which is approved by the European Union (EU).

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

During 2008, the Group has used the following new and amended IFRS and IFRIC interpretations. These amendments have not had any material impact on the profit and loss account but more detailed information is given in the notes.

IFRIC 14 – IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interactions. The interpretation limits the recognition of pension funds where legal or contractual minimum funding requirements paid exceeds the pension obligation. The implementation of IFRIC 14 has not lead to material changes in the Group's financial statement.

Approved IFRS and IFRIC interpretations not yet implemented

IAS 1 (Revision) – Presentation of Financial Statements. The revised standard requires changes in the presentation of the Financial Statement, especially the Changes in Equity, where a statement of non-owners transactions shall be included in the Changes in Equity. The Group will implement IAS 1 (R) from January 1st, 2009.

IAS 14 – Segment reporting will be replaced by IFRS 8 – Operating Segments.

The information in segment reporting shall, according to IFRS 8, be the same as the Group use internally to evaluate the results from the different segments. Furthermore, the basis for the preparation of segment information shall be disclosed. The Group will implement these changes from 1st January 2009. The change will not have material effect on the Group's financial statement

IAS 19 (Appendix) – Employee benefits. The appendix to this standard relates to the result of changes to defined benefit pension plans. Changes to plans involving the exclusion of, or limits to, future wages increases in the calculation of pension benefits shall be considered a curtailment of benefits whilst an amendment that changes any pension benefits attributable to past service will result in a negative cost in respect of the previously earned pension benefit if it results in a reduction of the current value of the defined pension obligation. This appendix will not have a material effect on the Group's financial statement.

IAS 27 (Revision) – Consolidated and separate Financial Statements. Compared to the current IAS 27 the new, revised standard includes further

guidelines for accounting of changes in shares in subsidiaries and disposal of subsidiaries. Furthermore, the current rules for apportionment of losses between majority and minorities have been amended and any deficit shall be charged to the minority even if it is negative. The Group plan to implement IAS 27 (R) from 1st January 2010.

IAS 36 (Appendix) – Impairment of assets. The appendix states that if discounted cash flows are used to estimate actual value, additional information must be given relating to the choice of discounting rate. This is in addition to the current requirement to use a discounted rate when estimating the remaining asset value. The change will take effect from 1st January 2009 and no material effect in Group's financial statement is expected.

IAS 38 (Appendix) – Intangible assets. This appendix states that a prepayment shall only be posted if the payment results in a firm right to receive goods or services. The change is effective from 1st January 2009. No material effect is expected in the Group's financial statement.

IFRS 3 (Revision) – Business consolidation. This revised standard states that all payments relating to the acquisition of a business shall be recorded as the fair value at the acquisition date. Contingent payments shall be classified as debt, and any subsequent evaluation is recorded through profit and loss. All acquisition costs shall be expensed. These changes will come into effect on 1 July 2009. The Group will adopt this standard for any business consolidation from this date.

IFRS 5 (Appendix) – Non- current assets held-for-sale. The appendix states that, if a planned partial sale of a subsidiary lead to loss of control, all assets and debt in a subsidiary should be classified as held-for-sale. This change is effective from July 1st, 2009. The Group will use this appendix on future transaction.

CONSOLIDATION The consolidated financial statements comprise of the financial statements of Solstad Offshore ASA and its subsidiaries as at 31st December each year. Any deviating accounting principles are adjusted for in this consolidation.

The Group accounts state the total profit & loss and financial position of Solstad Offshore ASA and its controlling interests as a whole. The consolidated accounts include companies in which 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

Notes

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.

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 profit and loss for the Group reflects the associates' share of profits under operating costs. If a change in equity is identified in an associated company, the Group makes an adjustment and discloses this, where applicable, in the statement of changes in equity. Profit and loss on transactions in the associated company are eliminated in the Group accounts in the Group's 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 of the balance day, they are classified as current assets. The investments are initially valued at fair value. Impairment is booked through profit and loss. All changes in fair value, including reversal of previously booked impairment, are booked directly to equity.

- Held to maturity investments

Non-derivative financial assets with a fixed maturity date and which it is the management's intention to retain until maturity are included 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.

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 market value 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-agreement. 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 the obligation is fulfilled, cancelled or matured in accordance with the contract.

CLASSIFICATION OF ITEMS IN THE BALANCE SHEET Current assets and short term debt are posts which mature within one year of the balance sheet date as well as any posts relating to stock turnover if this occurs later. The short-term portion of the long-term debt is classified as current liability. Investments in shares not considered as strategic are classified as current assets. All other assets are classified as long-term assets.

FOREIGN CURRENCY TRANSLATION The functional and reporting currency of Solstad Offshore ASA is Norwegian Kroner (NOK). Transactions in foreign currencies are posted at the currency rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet date. Non-monetary items such as 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 in companies where the functional currency deviates from the reporting currency are measured at the exchange rate at the date of the balance sheet.

The Group's most used currencies had the following exchange rates at the balance sheet date:

	GBP	USD	Euro	BRL
Pr 31.12.07	10,810	5,4110	7,9610	3,0370
Pr 31.12.08	10,121	6,9989	9,8650	3,0024

SEGMENT INFORMATION The Group's primary reporting format is business segments and its secondary format is geographical segments. The Group's three main business activities are anchor-handling vessels (AHTS), supply vessels (PSV) and construction service vessels (CSV). Any

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other activities, including vessels under construction, are included in a separate segment. Overhead costs are apportioned between these segments in the same way as any other operating expenses.

The Group's geographical segments are determined by the location of the Group's vessels and operations throughout the year.

PROPERTY, PLANT AND EQUIPMENT Property, plant and equipment acquired by Group companies are stated at historical cost, except the assets of acquired subsidiaries that are stated at the fair values at the date of acquisition. Depreciation is calculated on a straight-line basis and adjusted for residual value and impairment, if any. Residual value is the current estimated amount that 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 lifespan. 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 in the period in which they are incurred. The cost of major conversions and periodic maintenance of vessels is capitalised and depreciated over the useful lifespan of the parts replaced. The useful lifespan of periodic maintenance will normally be the period until the next docking.

The booked values of plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the booked value may not be recoverable. If any such indications exist and where the book 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 their recoverable value. When assessing recoverable value, 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 inflow, a recoverable amount is calculated for the cash-generating unit to which the asset belongs. Any previously calculated depreciation is reversed if there are any amendments to the estimates used to calculate the recoverable amount. Reversal of previously calculated depreciation is limited to the book value of the asset if its value had not been impaired.

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 any profit or loss is 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 from the yard, the depreciation begins.

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 amount for depreciation of these receivables. The amount for depreciation of trade receivables is calculated when there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original terms and conditions.

CASH AND CASH EQUIVALENTS Cash and cash equivalents comprise of cash in hand, short-term deposits and other short-term highly liquid investments with maturity dates of less than three months. 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 cover its liabilities and if the amount can be accurately estimated. All provisions shall be reviewed on the balance sheet date and adjusted, if necessary, to reflect a more accurate estimate. In instances where the timeframe may be of significance, a provision is made for the current value of future payments to cover liabilities. Provisions are not made for future operating losses.

TAX The tax expense in the Financial Statement consists of payable tax and changes in deferred tax.

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Companies taxed under The Norwegian Shipping Tax Regime will not be taxed on its net operating profit. Taxation under the shipping tax regime requires compliance to stringent requirements, and voluntary or compulsory exit from the regime will result in taxation of net profits based on ordinary taxation. 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.

Deferred tax is calculated for assets and liabilities for which future realization will lead to payable tax.

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.

The treatment of the exit-taxation from the former Shipping Tax Regime in Norway is explained in Note 12.

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 charter contracts are apportioned according to the number of days for each contract occurring before and after the end of the accounting period. The contract begins when the vessel is "delivered" to the charterer, and ends when the vessel is "redelivered". Freight revenue is posted net after deduction for direct, contract-related freight costs. Any loss on contracts is accrued when a loss is probable.

DIVIDENDS Dividends are calculated when the shareholder's right to receive the payment is established (by resolution at the 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 financial derivatives such as foreign currency contracts and interest rate swaps to reduce the risk associated with interest rates and foreign currency fluctuations. Such financial derivatives are stated at fair value. Gains and losses on derivatives are booked directly to profit and loss

RELATED PARTY TRANSACTIONS All transactions and agreements 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.

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 lifespan and residual value of vessels, depreciation of planned maintenance, pensions, contingent liabilities and taxes are items where the use of estimates may have significant impact 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 at the balance sheet date. Steel prices used for 2008 and 2007 are USD 280 and USD 500 per ton respectively.

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 impacted by several assumptions. The discounted 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 discounted rate is based on Norwegian 10 year state obligation interest rate, adjusted for average remaining time to maturity. Posted pension liability for 2007 was NOK 3.6 million whilst at the end of 2008 there was an over-funding of NOK 9.9million.

Provision for contingent liabilities and taxes is based on collating 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.

Impairment testing is based on numerous estimates. Main elements are future revenues (rates), expected prolonging of existing contracts, level of running costs, expected return on equity, general marked prospects and useful life of fixed assets.

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





Notes

NOTE 2 MAJOR TRANSACTIONS/EVENTS

Major transactions/ events in 2008:

In 2008 the Group took delivery of one construction service vessel (CSV) and three anchor-handling vessels (AHTS). The vessels are 50% owned through Nor Offshore Ltd (NOR). The CSV was delivered in July 2008 with a cost price of USD 23.8 mill. The AHTS's were delivered in February, March and April and their cost prices were USD 19 million, 15 million and 26.9 million respectively.

NOR sold one smaller AHTS in 2008. The ship was delivered to the buyer in October. Gain on disposal was NOK 49 million.

The Group's investment in MPU Offshore Lift ASA was booked as a loss in 2nd quarter of 2008, as the company filed for a bankruptcy petition. Total loss was NOK 335 million, divided between shares and a convertible shareholders loan.

One third of the tax related to the exit from the former tonnage tax system, expensed in 2007, has been reversed in 2008. An amount of NOK 130 mill has been booked as tax income. For further details, refer to note 12.

Major transactions/ events in 2007:

During 2007, the Group contracted 3 new ships on a 100%-basis, and one vessel (Derrick Lay Barge) on a 50%-basis through Nor Offshore Ltd (NOR). The vessels consist of: one platform supply vessel (PSV) at NOK 441 million, one CSV at NOK 1,215 million and one combined diving-support/ construction service vessel at NOK 720 million. The delivery dates are July 2010, March 2011 and September 2010 respectively. The vessel contracted through NOR has a cost price at USD 130 million, and is expected to be in operation in the second quarter of 2009.

The Group took delivery of one anchor-handling ship (AHTS) in May 2007. The vessel's cost price was NOK 497 mill. One CSV at a cost price of NOK 719 mill was delivered in July 2007.

Three older AHTS's were sold from the Group during 2007. Two were delivered to their respective buyers in May, while the last ship was delivered in June. Gain on disposal was approximately NOK 105 million.

In the second quarter the Group purchased a significant share in the listed company Rem Offshore ASA. This acquisition led to a mandatory offer to buy the remaining shares in the company. At the end of the year the Group controls approx 46% of the company. The cost price for the shares was NOK 911 million.

The Group participated in a private share emission in MPU Offshore Lift ASA in October 2007. The Group's ownership is maintained, and the total investment in the company is NOK 200 million at the end of the year. The Group increased its share to 30.2% in the first quarter of 2008.

In December, the Group sold its shares in Deep Sea Supply PLC. The gain was NOK 71 million.

The Norwegian Government proposed a bill to amend the Norwegian tonnage tax system in the autumn of 2007. The changes were adopted in October, and resulted in taxation of profit earned during the last 10 years. The Group has calculated the tax impact to be NOK 388 million. For further details, refer to note 12.

Notes

NOTE 3 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

General. The Group is exposed to different financial market risks. Financial market risk is the impact of fluctuations on currency rates, interest rates and freight rates on 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.

Once a risk factor is identified, action is taken to reduce this risk. The main strategy to reduce financial market risk is the use of financial derivatives, both for the specific exposure and for the net exposure of the Group. If financial derivatives are appropriate, only conventional derivatives are used. The Group only uses recognized financial institutions.

Derivates are only used to manage the risk to fluctuations in interests and currency rates. The Group does not use financial derivatives to achieve financial income if no underlying exposure exists.

Management performs a continuous evaluation of the effect of financial instruments on the accounts with a view to hedge accounting. Based on this evaluation, hedge accounting is not used.

The use of financial instruments is not significant when compared to the Group's level of activity, revenues and equity.

CREDIT RISK. The Group is exposed to possible losses on trade accounts receivables. However, no material losses are anticipated.

As at December 31, 2008, accounts receivables were NOK 497.2 million.

The Group is also exposed to losses if a counter party in a financial derivative contract fails to fulfil their payment obligations on the settlement date. Nonfulfilment of such contracts is not anticipated as the Group only uses well known conventional derivatives with recognized financial institutions.

The following table shows the ageing trade accounts receivables:

	0 - 1 month	1- 3 months	Older than	
per 31.12.2008	Not yet due	over due	over due	3 months
Trade accounts receivable	318 406	131 007	35 950	11 855

There are no accruals for bad debt at 31.12.2008 or at 31.12.2007. Over due receivables are not considered bad debt.

INTEREST RISK. The Group's exposure to fluctuations in interest rates is mostly due to its long-term liabilities with floating interest rates. With regard to interest rate fluctuations, the strategy is to limit the impact on cashflow due to fluctuations in the interest rate level. Depending on the development in the interest market, the Group enters into different types of interest rate contracts.

As at December 31, 2008 the Group has entered 4 fixed interest rate contracts, with 1-5 years maturity, for approximately 11% of total debt. The remaining 89% of the debt has floating interest. As at December 31, 2008 the interest swaps have a negative value value of NOK 2 million. The Group has entered interest and currency swap agreements with 1-10 years maturity.

At December 31, 2008 these agreements have a net negative value of NOK 71 million.

The following table shows the sensitivity of the Group's result before taxes at a reasonable change in the interest rate, while all other variable are unchanged.

Increase/ decrease		Effect on result
of basis points		before tax
+ / - 100	2008	+ / - 49.603
+ / - 100	2007	+ / - 44.150

FOREIGN CURRENCY RISK. The Group's reporting currency is NOK. Revenues are divided into NOK, USD, GBP and EUR. The Group's future freight revenues are partly hedged using foreign currency loans. Furthermore, some revenue is sold forwards. This hedging reduces the effect of any fluctuation in currency rates on the profit and loss account. The Group's long-term debt has the following allocation as at December 31, 2008; NOK 53%, USD 39%, GBP 7% and Euro 1%. Accordingly, the currency exposure related to the new-build program, for ships already contracted to a charterer, is partly hedged using currency swaps. At year end, the Group has 6 new ships on contract from Norwegian shipyards, with a total contract price of approx NOK 4,1 billion. As at 31.12.2008, one of these ships has a charter party in GBP. On delivery of the ship, the mortgage will be arranged in GBP. Around 50% of the ship's contract price was hedged through sale of GBP on forward contract as per 31.12.2008. There are no similar contracts for the remaining ships as per year end.

The following table shows the sensitivity of the Group's profit and loss before tax due to changes in USD, GBP and EUR versus NOK. All other variables remain unchanged. These variations are mainly due to changes in the Group's freight income.

Increase/decrease		Effect on result
in all currencies		before tax
+ / - 10%	2008	+ / - 161.442
+ / - 10%	2007	+ / - 108.135

Increase/decrease		Effect on result
in USD		before tax
+ / - 10%	2008	+ / - 99.689
+ / - 10%	2007	+ / - 45.416

Increase/decrease		Effect on result
in GBP		before tax
+ / - 10%	2008	+ / - 59.411
+ / - 10%	2007	+ / - 58.742

Notes

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 used to maintain this balance. Furthermore, the Group's objective is that unrestricted equity shall, at all times, exceed 12 months liability of interest and instalments. This objective was met both at the end of 2007 and 2008. The Group monitors the risk of lack of available capital by thorough evaluation of the maturity of its financial investments, financial assets and projected cash flows from operations. Risk management includes maintenance of sufficient liquid assets and the possibility of financing through credit facilities.

The following table shows the maturity for the Group's financial obligations based on contractual, un-discounted cash flows.

	Less than	3 to 12	1 to 5	over 5	
per 31.12.2008	3 months	months	years	years	Total
Interest bearing loans	529 767	381 950	2 876 458	2 381 723	6 169 899
Other debt		26 367	10 971		37 338
Trade accounts payable	167 399				167 399
Financial derivatives	28 961	351 885			380 846
	726 127	760 202	2 887 429	2 381 723	6 755 481

CAPITAL MANAGEMENT. One of the Group's main goals is to maintain its strong creditworthiness and solidity to support the Group's business and to maximize the share value. The Group manages and adjusts its capital structure based on changes in economical structures and assumptions. Its policy is to maintain or adjust the Group's capital structure by changes in dividend to the shareholders, issuing of new shares or sale of assets to reduce debt.

The Group monitors the capital based on equity versus total assets. The ratio is calculated as booked equity divided by total assets. The aim is to have a ratio above 30%.

	December 31st	
	2008	2007
Total equity	3 698	3 717
Total assets	10 213	10 315
	36%	36%

FAIR VALUE. Estimated market values on financial instruments are determined using suitable market information and evaluation methods. Nominal value of cash and loan obligations are a reasonable 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 the balance sheet date. The value of the Group's financial derivatives is fixed at the market value at the balance sheet date. A thorough evaluation must be done prior to fixing the estimated market value.

The estimates used therefore do not necessarily indicate the current value that can be realised. The fair value of the shares in a non registered organisation are estimated on the organisations latest financial report and therefore a thorough evaluation is required prior to estimating the market value.

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	Yearly				Value as at	Value as at
Fixed rate	value	regulation	Currency	Interest rate	Maturity	31-12-08	31-12-07
Contract 1	240 000	30 000	NOK	4,29%	05-11-11	-2 489	6 436
Contract 2	75 000	8 000	NOK	3,70%	03-09-09	436	1 632
Contract 3	30 000		USD	3,01%	07-07-11	-1 057	
Contract 4	30 200	2 100	USD	3,56%	21-01-14		

	Nominal	Yearly				Value as at	Value as at
Rente- og valutabytteavtaler	value	regulation	Currency	Maturity		31-12-08	31-12-07
Interest- and currency swaps NOK/USD	540 000	45 000	NOK	05-07-19		-67 768	27 035

Net value as at December 31, 2008 is classified as current assets/ liabilities.

Notes

FINANCING RISK

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

	Mortgage loan	Drawn	Maturity	Duration	Interest
Loan 1 Floating interest - NOK	66 667	66 667	03-09-13	55	7,00
Loan 2 Floating interest - NOK	68 750	62 701	14-02-13	49	6,99
Loan 3 Floating interest - NOK	229 167	233 884	05-03-10	14	6,07
Loan 4 Floating interest - NOK	729 000	698 327	28-05-15	75	5,98
Loan 5 Floating interest - NOK	333 500	349 131	13-05-13	51	5,45
Loan 6 Floating interest - NOK	495 000	495 000	06-07-19	124	4,93
Loan 7 Floating interest - NOK	30 000	30 000	06-07-15	77	6,22
Loan 8 Floating interest - NOK	500 000	332 280	30-09-09	9	7,89
Loan 9 Floating interest - NOK	337 500	337 500	30-09-15	79	5,99
Loan 10 Floating interest - NOK	29 350	29 350	20-12-12	47	4,93
Loan 11 Floating interest - NOK	191 667	191 667	22-04-13	51	6,74
Loan 12 Floating interest - NOK	112 000	104 442	16-09-13	55	5,01
Loan 13 Floating interest - NOK	12 500	12 500	22-04-11	27	7,44
Loan 14 Floating interest - NOK	3 600	3 600	27-10-11	33	7,11
Loan 15 Floating interest - GBP	12 578	12 578	14-01-14	59	6,74
Loan 16 Floating interest - USD	24 497	24 497	14-01-14	59	4,44
Loan 17 Floating interest - USD	125 000	125 000	18-07-16	89	4,18
Loan 18 Floating interest - USD	20 800	20 800	14-01-11	24	3,55
Loan 19 Floating interest - USD	6 067	6 067	16-04-12	39	5,83
Loan 20 Floating interest - USD	15 383	15 383	16-04-12	39	4,72
Loan 21 Floating interest - USD	90 000	63 500	07-10-15	80	4,96
Loan 22 Floating interest - USD	22 500	11 250	07-10-12	44	4,89
Loan 23 Floating interest - USD	23 500		30-09-15	79	0,00
Total mortgage loan in NOK	5 559 870	4 939 535			
Obligations	300 000	300 000	19-05-11	28	5,31
Bank overdraft - USD	17 500	1 235	31-12-09	12	4,78
Bank overdraft - NOK	500 000	429 997	15-12-09	11	8,01

FOREIGN CURRENCY RISK The following table shows the booked value of forward contracts. All forward contracts are entered after January 1, 2006.

	Value based on forward contract	Value as at 31.12.08	Value as at 31.12.07	Value based on forward contract
Purchase / sale currency				
Currency contract GBP/USD			1 179	85 643
Currency contract NOK/GBP	351 885	45 388	21 520	348 501
Currency contract NOK/USD	28 961	1 034		
Currency contract USD/GBP			-360	1 848
Total currency contracts	380 846	46 422	22 339	435 993

Net value is classified as current asset/ liability.

FAIR VALUE The following table shows the booked value of financial assets and obligations. Booked value corresponds to fair value.

Financial assets	Note	2008	2007
Cash at bank	11,18	829 936	1 618 366
Investments in shares (long-term)	9	1 087 531	1 180 275
Other long term financial investments	15,20	15 072	57 694
		1 932 539	2 856 334
Financial obligations	Note	2008	2007
Short-term part of long-term debt	11	473 023	1 339 624
Mortgage loan with floating interest	11	4 283 171	2 335 197
Mortgage loan with fixed interest	11	495 000	540 000
Leasing obligation with floating interest	11	15 699	1 112 752
		5 266 894	5 327 573

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 three segments 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 both sub sea and floating installations.

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

	AHTS		PSV	
	2008	2007	2008	2007
Revenues				
Net revenue	1 179 539	1 080 750	291 258	344 900
Deferred income from assets	68 761	108 727	531	934
Total operating income	1 248 300	1 189 477	291 788	345 834
Results				
Operating result	541 807	618 417	96 253	169 788
Result from associated companies	43 290	17 714		
Assets and liabilities				
Fixed assets	2 064 584	2 095 295	729 667	761 795
Investments in associated companies	4 135	29 533		
Total assets	2 068 719	2 124 828	729 667	761 795
Segment liabilities	2 009 666	1 758 336	466 121	517 957
Total liabilities	2 009 666	1 758 336	466 121	517 957
Other segment information				
Annual investment	72 132	609 839	9 758	1 812
Depreciations and write-downs (1)	190 232	166 768	55 995	52 167
	CSV		Other	
	2008	2007	2008	2007
Revenues				
Net revenue	664 064	681 894		
Deferred income from assets	4 728	1 846		
Total operating income	668 792	683 740		
Results				
Operating result	152 237	168 700	-37 735	-7 719
Result from associated companies			-2 491	-6 437
Assets and liabilities				
Fixed assets	3 196 509	3 087 760	1 331 312	567 392
Investments in associated companies				191 034
Total assets	3 196 509	3 087 760	1 331 312	758 426
Segment liabilities	2 414 841	2 464 824	19 299	26 040
Unallocated liabilities				
Total liabilities	2 414 841	2 464 824	19 299	26 040
Other segment information				
Annual investment	240 813	724 767	785 162	234 771
Depreciations and write-downs (1)	236 889	210 630	37 735	7 719



Notes

	Total	
	2008	2007
Revenues		
Net revenue	2 134 860	2 107 544
Deferred income from assets	74 019	111 507
Total operating income	2 208 880	2 219 051
Results		
Operating result	752 560	949 187
Result from associated companies	40 799	11 277
Assets and liabilities		
Fixed assets	7 322 073	6 512 241
Investments in associated companies	4 135	220 567
Unallocated assets	2 887 150	3 581 861
Total assets	10 213 357	10 314 669
Segment liabilities	4 909 927	4 767 157
Unallocated liabilities	356 967	560 415
Total liabilities	5 266 894	5 327 573
Other segment information		
Annual investment	1 107 865	1 571 189
Depreciations and write-downs (1)	520 851	437 284

(1) Depreciation 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 operate in several geographical areas during a year. Allocation between the different areas is based on freight revenue. In 2008, PSV revenue is mainly from activity in the North Sea and the Mediterranean, while revenues for AHTS and CSV activity are divided over all geographic areas.

Net revenues are allocated to the following areas:		2008		2007
North Sea	42%	898 832	56%	1 182 723
North- and Central America	7%	149 005	5%	107 191
Mediterranean/remainder of Europe	15%	313 323	5%	109 631
West Africa	8%	176 117	6%	132 230
South America	9%	197 110	10%	209 951
Asia	19%	400 473	17%	365 819
Totalt	100%	2 134 860	100%	2 107 544

The Group's vessels generally operate in more than one geographic region during the year. Therefore assets cannot be allocated per segment in accordance with IAS 14 69

Notes

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

Other operating income	2008	2007
Gain on sale of vessels	63 550	105 801
Other income	10 470	5 705
Total other operating income	74 019	111 507
Other operating expenses	2008	2007
Technical cost	292 549	227 616
Bunkers and lube oil	24 392	16 404
Administration expenses - vessels	13 105	4 817
Insurance	48 698	35 562
Accrued liabilities (reser note 12)	-126 227	
IT, communications and other costs	70 770	57 449
Total other operating expense	323 288	341 848
Wages and personnel costs	2008	2007
Employees, vessels	545 770	443 995
Employees, administration	62 521	46 738
Total employee cost	608 292	490 732
Wages and employee cost	2008	2007
Wages	427 852	366 584
Social security	47 309	37 270
Pension costs	12 632	6 813
Other benefits	14 000	12 624
Travelling costs, courses and other personnel costs	106 499	67 441
Total employee cost	608 292	490 732
Average number of employees	808	813

The Group has received grants in respect of crew subsidiaries and net wage agreements totalling NOK 90 million (2007 NOK 86 million) which have been booked as a reduction of personnel costs.

REMUNERATION TO DIRECTORS, MANAGING DIRECTOR AND AUDITORS

Charged cost during the year	Director's fee	Wages	Other benefits	Pension cost
Key personnel:				
2008	10	3 666	219	141
2007	10	2 883	214	107

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.

	2008	2007
Auditor, audit fees	1 428	1 325
Auditor, tax counselling	1 499	733
Auditor, other consultancy	803	171
Total	3 730	2 229

Audit fees relates to statutory audit of accounts. Fee for tax counselling includes, amongst other, assistance related to tax reporting to authorities in other countries. Auditor-related services include consultancy, reports and assistance on accounting matters.

Notes

NOTE 6 PENSION

The Group has one defined benefit pension plan both for administrative and seafaring personnel employed in Norway. The pension plan is insurance based. As at December 31, 2008 there are 794 members of the pension plan. The scheme is based on the following assumptions: discounted interest 3,8% (4,7%), expected return 5,8% (5,75%), regulation of salaries 4% (4,5%) and regulation of pensions 3,75% (4,25%). The Group also has a contribution plan for its administrative staff. Personnel employed prior to 1.1.2007 could choose membership of either scheme. Employees joining the firm after 1.1.2007 are automatically members of the contribution plan. At 31st December 2008 the plan had 44 members.

Changes in pension obligation	2008	2007
Estimated liability at beginning of the year	95 449	90 396
Interest expense	4 441	3 761
Annual pension earnings	11 661	10 367
Changes in pension plan - contribution plan		-11 339
Benefits paid	-1 918	-1 703
Actuarial (gain)/ loss on the obligation	21 284	3 967
Estimated liability at year end	130 917	95 449

Changes in plan assets		
Opening value of plan assets	73 210	59 853
Expected return	4 843	3 513
Contributions by employer	24 368	14 911
Benefits paid	-1 918	-1 703
Administration expense	-406	-359
Changes in pension plan - contribution plan		-3 894
Actuarial gain/ (loss)	-14 082	890
Estimated plan assets at year end	86 015	73 210

Expected contribution by employer in 2009 is NOK 27 million.

Net plan assets/liabilities		
Pension liabilities	-130 917	-95 449
Plan assets	86 015	73 210
Unrecognized changes in assumptions	53 625	19 107
Social security	-1 230	442
Net plan assets/ (liabilities)	9 954	-3 573

Pension cost		
Present value of pension obligation	11 661	10 367
Interest expense on obligation	4 441	3 761
Expected return on plan assets	-4 843	-3 513
Administration expense	406	359
Changes in assumptions charged	967	966
Changes in pension plan - contribution plan		-5 127
Social security	1 645	961
Pension cost	14 276	7 774

Payments on contribution plan	1 246	896
Actual return on plan assets	-9 239	4 402
Total pension cost	15 522	8 670

Pension liability for 2008 and 2007 is based on table K2005.

Plan assets are invested in a wide portfolio by an external insurance company. The insurance company is responsible for 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 5,75% to 5,8% in 2008.

The effect of changes of estimates between actual and return is charged over a 11 year amortisation period, when the changes exceed 10% of the higher of the pension liability or fair value of the plan assets.

Notes

NOTE 7 FINANCIAL ITEMS

Financial items	2008	2007
Interest expense	-315 493	-221 894
Interest income	56 312	81 210
Currency loss	-844 356	-334 004
Currency gain	606 300	392 964
Gain financial derivatives (ref note 3)	8 178	179 203
Loss financial derivatives	-125 749	-58 424
Gain sale shares (ref note 2)	8 982	71 086
Loss on sale of stocks, shares and other investments (1)	-219 849	-24
Dividends	28 204	46 962
Other financial expense (2)	-143 844	-11 326
Net financial items	-941 313	145 753

(1) Includes loss on the investment in MPU Offshore Lift ASA of NOK 198 million

(2) Includes loss on the convertible loan to MPU Offshore Lift ASA of NOK 138 million

NOTE 8 TANGIBLE FIXED ASSETS/INTANGIBLE FIXED ASSETS

	Vessels	Vessels under Construction	Machinery and equipment	Total
Cost price 01.01.2007	6 799 834	296 836	56 668	7 153 339
Acc depreciations/ write downs 01.01.2007	-1 744 052		-12 875	-1 756 927
Book value 01.01.2007	5 055 783	296 836	43 793	5 396 412
Additions	1 051 521	517 429	2 240	1 571 189
Transfer	284 897	-284 897		
Disposals	-48 006		-80	-48 086
Translation adjustment	-47 747	-2 526		-50 274
Cost price 31.12.2007	8 040 499	526 841	58 828	8 626 168
Acc depreciations/ write downs 31.12.2007	-2 076 110		-20 657	-2 096 767
Book value 31.12.2007	5 964 389	526 841	38 172	6 529 401
Depreciation/ write down current period	-332 059		-7 781	-339 840
Cost price 01.01.2008	8 040 499	526 841	58 828	8 626 168
Acc depreciations/ write downs 01.01.2008	-2 076 110		-20 657	-2 096 767
Book value 01.01.2008	5 964 389	526 841	38 172	6 529 401
Additions	264 659	840 239	2 967	1 107 865
Transfer	58 044	-58 044		
Disposals	-37 813		-35	-37 848
Translation adjustment	125 286	15 134		140 420
Cost price 31.12.2008	8 450 674	1 324 170	61 761	9 836 604
Acc depreciations/ write downs 31.12.2008	-2 454 852	-30 133	-28 422	-2 513 408
Book value 31.12.2008	5 995 822	1 294 036	33 338	7 323 196
Depreciation/ write down current period	-378 742	-30 133	-7 766	-416 641



Notes

Capitalized periodic maintenance	2008	2007
Capitalized periodic maintenance at 01.01	130 855	120 911
Additions this year	175 284	107 388
Depreciation of planned periodic maintenance this year	-104 210	-97 444
Capitalized periodic maintenance at 31.12	201 928	130 855

The vessels are divided into the following categories with different depreciation profiles:

Useful life	
Hull	30 year
Anchor-handling-, loading- and unloading equipment	20 year
Main/auxiliary engine	20 year
Thruster, DP and cranes	15 year
Other equipment	15 year

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

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

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

The yard, in which two of the new builds are contracted, filed for a bankruptcy petition in the first quarter of 2009 (refer note 26). Paid instalments are secured by bank guarantees. The new builds are written down by NOK 30 million in 2008. Book value equals the guaranteed payback.

Vessels with a book value of NOK 6,122 million are held as a guarantee for the Group's loans, see Note 11. Included in these additions is capitalized interest of NOK 38.9 million. The applied interest rate is 6.19%.

Impairment valuation of fixed assets

Once a year the Group evaluate any issues that might indicate impairment of fixed assets. During 2008 the Group's stock value has declined to a level below book value of equity. This is an indicator for impairment. Management has therefore estimated the vessels value based on the Group's approved budgets for 2009 and for the period 2010-2013. Discounted rates between 6 and 12% are used to evaluate the sensitivity of the value in use calculations. The impairment tests show that the value in use exceeds the book value of the fixed asset, therefore no write down is necessary.

NEW BUILD CONTRACTS

As at 31.12.2008 the following ships are under construction (100%):

New build contracts	Delivery	Owner	Solstad	Contract	Paid	Remaining	Due Date
			Share	Price	Instalments	31.12.2008	2009
Normand TBN1 "IMR"	August 2009	Solstad Rederi AS (*)	100%	703 450	477 000	226 450	226 450
Normand TBN2 "030" (1)	October 2009	Solstad Rederi AS (*)	100%	594 000	111 300	482 700	482 700
Normand TBN3 "031" (1)	May 2010	Solstad Rederi AS (*)	100%	594 000	85 850	508 150	24 450
Normand TBN4 "069"	July 2010	Solstad Rederi AS (*)	100%	464 900	62 455	402 445	20 819
Normand TBN5 "730"	March 2011	Solstad Rederi AS (*)	100%	1 250 000	124 625	1 125 375	98 500
Normand TBN6 "167"	September 2010	Solstad Rederi AS (*)	100%	780 000	35 608	744 393	106 823
NOR Australis	March 2009	NOR Offshore Ltd	50%	\$41 230		\$41 230	\$41 230
NorCE Endeavour	December 2009	NorCE Offshore Pte.Ltd	50%	\$162 778	\$81 637	\$81 141	\$81 141

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.

(*) All new build contracts are entered in to by Solstad Rederi AS. On delivery ownership can be transferred to other companies in the Group.

(1) Refer note 26.

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 (liquidated)	Oslo	30%	
Rig Supporter KS (under liquidation)	Skudeneshavn	21%	31-12-08
Trym-Titan KS (liquidated)	Oslo	30%	12-12-08

Associated companies	Rig Supporter KS	Trym-Titan KS	MPUO ASA	Total
Cost price	5 210	12 420	200 070	217 700
Acc result and adjustments	-1 348	13 251	-9 036	2 867
Book value 01.01.2008	3 862	25 671	191 034	220 567
Share of result 2008	273	24 965	-2 491	22 747
Other adjustments 2008		-50 636	-188 543	-239 179
Book value 31.12.2008	4 135			4 135

Share of balance sheet:

Current assets	6 907			6 907
Long-term assets				
Short-term liabilities	-353			-353
Long-term liabilities				
Net assets	6 554			6 554

Share of revenues and profit:

Revenues	1 713	31 424		33 136
Operating expense	-784	-7 749	-2 491	-11 024
Financial expense	-655	1 291		635
Result	273	24 965	-2 491	22 747

Other adjustments include capital injection, dividend, change in calculation basis, booked loss and liquidations.

At 31.12.2008, Solstad's share of uncalled joint venture capital in associated companies was NOK 0.

Investments available for sale - long term

Unlisted shares	Share	Book value
ResQ AS	22,35%	2 750
Skudenes Næringsutvikling AS	33,34%	302
Karm-Med AS	23,40%	171
Deep Well AS	18,00%	1 307
Listed shares		
Rem Offshore ASA	48,70%	1 078 866
		1 083 396

Based on, amongst others, lack of board representatives, the Group does not have significant influence on the above mentioned companies.

Investments available for sale - current

Listed shares	Cost price	Share	Book value
Farstad Shipping AS	35 266	0,6 %	16 972

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

Shares in listed companies are valued at fair value at year end. Fair value of shares in unlisted companies is based on the companies latest financial report.

Notes

Net change in value on available for sale financial assets:	2008	2007
Opening balance	46 080	28 730
Sale/ change in value Deep Sea Supply shares		-28 730
Change in value Rem Offshore shares	50 026	44 581
Change in value Farstad Shipping shares		1 945
Change in value/ sale DeepOcean shares	446	-446
Ending balance	96 552	46 080

NOTE 10 PROVISIONS

	2008	2007
Unrealized loss financial instruments (note 3)	67 768	
Accrual long-term leasing agreements		46 699
Total other provisions	67 768	46 699

Long-term leasing agreements have been entered in to with the British owners of 3 of the Group's vessels (Normand Cutter, Normand Clipper and Normand Installer) The two first vessels had lease agreements until July 2008, and the Normand Installer had a lease agreement until April 2012. At the end of the fixed leasing period, the agreements could either be extended or the Group could take over by transferring ownership at an agreed cost.

In 2005, there was a proposal to amend UK tax legislation relating to long-term leasing agreements. These changes have a negative impact for British investors; because of the terms of the lease agreements, the remaining lease period and the risk that changes in legislation that may affect the agreed cost, a provision has been made in the financial statements.

In 2008 these vessels were transferred to the Group. The take-over was completed using different assumptions than previously anticipated, and the risk for a further change in the liability of the previous owners was significantly reduced. The additional expense was around NOK 126 million lower than the provision as per 31.12.2007 (NOK 232 million, NOK 46 million of which was classified as long-term). The remaining provision was reversed as per 31.12.2008.

NOTE 11 MORTGAGE DEBT AND OTHER LONG-TERM LIABILITIES

	2008	2007
Mortgages	4 778 171	2 875 197
Leasing obligations	15 699	1 112 752
Total long-term debt	4 793 870	3 987 948
Short-term portion of long-term debt (1st year installment)	473 023	1 339 624

The change to the short-term portion of long-term debt is mainly due to the cessation of the lease period for 2 of the Group's vessels in 2008.

Book value of assets	2008	2007
Bank deposits		565 651
Account receivables	497 218	509 840
Vessels	6 122 458	4 636 280
Total booked value	6 619 675	5 711 771

Some vessels are placed as security for the mortgages. In addition, accounts receivables and bank deposits (2007) are tied. As security for completion of the lease agreements, guarantees from the Parent Company and subsidiary are secured.

The Group's long-term debt was apportioned 53% NOK, 39% USD, 7,5% GBP and 0,5% Euro at 31.12.2008. The long term debt in NOK is partly linked to the USD through financial instruments. Actual apportionment is 50% USD, 42% NOK, 7,5 GBP and 0,5% Euro.

The loan agreements are subject to the owner's working capital being positive at all times and that the market value of the vessels amounts to at least 110-125% of the outstanding loans. The first year's loan instalments are exempt from calculation of working capital. The company satisfies all conditions of the loan agreements at 31.12.08. In addition to the tied assets/negative security clauses the agreements include re-assignment of factoring agreements and insurance terms.

Borrowing cost	2008	2007
Capitalized borrowing cost	12 116	8 510

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

Notes

Operational lease

Some of the Group's ships are rented out on long-term charter parties. Revenues from these vessels is posted as operational leases.

	2008		2007	
	Minimum	Present value	Minimum	Present value
	payment	minimum payment	payment	minimum payment
Next year	2 108 629	2 057 199	826 102	805 953
Next 2-5 years	3 600 999	3 431 850	2 188 205	2 069 446
Over 5 years	239 738	204 204	436 903	367 626
Finance cost		256 113		208 184
Total minimum lease payment	5 949 366	5 949 366	3 451 210	3 451 210

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 had a leasing agreement until July 2008, and Normand Installer until 2012.

These vessels transferred to the Group during 2008. The Group's remaining lease agreement is for offshore crane placed on one of the Group's vessels.

	2008		2007	
	Minimum	Present value	Minimum	Present value
	payment	minimum payment	payment	minimum payment
Next year	7 850	7 658	878 957	857 519
Next 2-5 years	7 850	7 471	195 164	168 612
Over 5 years			38 631	33 311
Finance cost		570		53 310
Total minimum lease payment	15 699	15 699	1 112 752	1 112 752

Other lease agreements:

The Group has entered the following lease agreements:	Yearly payment	Maturity	Extension	Adjustment of rent
Offices Skudeneshavn	3 250	2026	4 times 5 years	Consumer price and 5 years swap-rate
Workshop Husøy, Karmøy	525	2016		Consumer price
Offices Aberdeen	439	2018		Fixed for the next 5 years

Future minimum payments of lease agreements:

During the next year	4 214
In next 2-5 years	16 856
Beyond 5 years	43 870
Total minimum lease payments	64 940

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

Solstad Offshore UK Ltd	331	- for purchase of vessels
Solstad Offshore Service Vessel UK Ltd	299	- for purchase of vessels
Trym Titan AS	437	- for put-option of vessels
Nor Offshore Ltd	33	- for bare-boat rental and purchase of vessels
Normand Drift AS	12	- for financial lease of fixed assets and loans
ADSI Inc	392	- for financial lease of vessels
Deep Well AS	10	- for financing of fixed assets

Solstad Rederi AS has furnished the following guarantees (NOK mill):

Trym Titan KS	3	- for ownership of General Partner
---------------	---	------------------------------------

Solstad shipping AS has furnished the following guarantees (NOK mill):

Training Vessel M/S Gann	2	- for purchase of vessels
ResQ AS	2	- for bank loanS

Notes

NOTE 12 TAXES	2008	2007
Taxes payable (incl. correction tax)	11 347	17 688
Under/over accrual of tax payable	-2 004	-11 393
Exit tax - old shipping tax regime	-130 676	387 504
Change in deferred taxes	-49 660	8 813
Tax on ordinary result	-170 994	402 612
Apportionment of tax on ordinary result		
Norwegian exit tax - old shipping regime	-130 676	387 504
Norwegian tax - ordinary	-49 434	13 165
Foreign	9 117	1 943
Total tax	-170 994	402 612
Outside Shipping Tax Regime		
Temporary differences:		
Shares/ownership (current assets)	2 025	13 957
Over funding of pension	25 653	14 591
Fixed assets/provisions	-337	82 502
Unrecovered loss carried forward	-113 926	-20 277
Total temporary differences	-86 585	90 773
Tax effect of temporary differences:		
Shares/ownership (current assets)	567	3 908
Over funding of pension	7 183	4 085
Fixed assets/provisions	-94	23 101
Unrecovered loss carried forward	-31 899	-5 677
Deferred tax, net	-24 244	25 417
Changes in deferred tax in the balance sheet		
Opening balance deferred tax	25 417	16 604
Booked to profit and loss	-49 660	8 813
Ending balance deferred tax	-24 244	25 417
Payable tax in the balance sheet consist of		
Payable exit tax - old shipping tax regime - long term	214 817	356 733
Payable exit tax - old shipping tax regime - current	34 823	34 656
Other payable corporation tax	16 142	21 679
Total payable tax in the balance sheet	265 783	413 068
Analysis of effective tax rate		
28% of pre-tax result	-40 338	309 741
Payable exit tax - old shipping tax regime	-130 676	387 504
Different tax rate foreign entities	-36 171	-8 598
Permanent differences/ Shipping Tax Regime	36 192	-286 035
Estimated tax	-170 994	402 612

The Norwegian Shipping Tax Regime was changed from 1.1.2007. Companies subject to the old regime exit must this regime, before they enter into the new regime. On exit, any gain or surplus earned under the old regime is taxed at 28%. 2/3 of the calculated tax is payable and at least 10% per year is payable over ten years (first payment will be in 2008). The remainder may be exempt from payment if the company invest an equivalent amount in qualifying environmental measures in the coming 15-year period.

The 15-year period for investment in qualifying environmental measures was cancelled in January 2009. An unlimited time frame reduce the value of the tax liability for the 1/3-part close to zero. The tax expense linked to this part, booked in 2007, is reversed in 2008.

28% of the exit gain was booked as a tax expense in 2007. 2/3 of this tax is discounted at 6%, based on equal payments over the next ten years. The booked tax liability at 31.12.2008 is NOK 249 million.

Deferred tax on deviating values in associated companies with foreign partnerships has been included in the Group accounts. Further, deferred tax is calculated on scenarios where a future realization will lead to a tax liability.

Deferred tax assets from losses carried forward are recognized under the assumption that companies under ordinary tax regime will have taxable income in the future. This taxable income is related to gain from sale of fixed assets and taxable financial income.

Notes

NOTE 13 SHARE CAPITAL, SHAREHOLDERS AND TREASURY SHARES

	Share capital	Treasury shares
31-12-07	75 588	-232
Purchase treasury shares (20.000)		-40
Sale treasury shares (24.500)		49
31-12-08	75 588	-223

At 31.12.08, the Company's share capital represents 37,794,160 shares at NOK 2. The number of shareholders at 31.12.08 was 2,300. The Board have the power of attorney to implement a capital appreciation of up to 140,000 shares at NOK 2 for employees of the Group. Furthermore, the Board has power of attorney to increase the share capital by NOK 4 million by issuing 2 million shares. The Board also have the power of attorney to acquire treasury shares in line with current legislation (10%). These powers of attorney are valid until the next General Meeting.

As at 31.12.2008 the Group had 111,694 treasury shares with cost price of NOK 15,9 million

NOTE 14 EARNINGS PER SHARE

The earning 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.

	2008	2007
Majority result from ordinary operations	45 561	680 329
Average number of shares	37 873	37 879
Treasury shares	112	116
Average number of shares to calculate earnings per share	37 762	37 763
Earnings per share (NOK)	1,21	18,02

NOTE 15 TRANSACTIONS WITH RELATED PARTIES

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

Name	Country:	Solstad Offshore ASA share	
		2008	2007
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%
Pioneer Offshore Ltd	UK	100%	100%
Progress Offshore Ltd	UK	100%	100%
PIOPRO (UK) Ltd	UK	100%	100%
Solstad Cable Cutter Ltd	UK	63%	0%
Solstad Cable Clipper Ltd	UK	63%	0%
Solstad Cable Holland BV	UK	63%	0%
ADSI Offshore (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 (merger/ liquidated)	Norway	0%	100%
Trym Titan AS	Norway	63%	100%
Trym Titan KS (liquidated)	Norway	0%	30%
Solstad Shipping AS	Norway	100%	100%
Normand Skarven AS	Norway	100%	100%
Normand Skarven KS	Norway	71%	70%
Solstad Brasil AS (former Rig Supporter AS)	Norway	100%	100%
Rig Supporter KS (under liquidation)	Norway	21%	21%
ADSI INC (gross consolidated JV)	Switzerland	50%	50%
NISA INC (gross consolidated JV)	Switzerland	50%	0%
Nor Offshore LTD (gross consolidated JV)	Singapore	50%	50%
Normand Edda AS (gross consolidated JV)	Norway	50%	50%
MPU Offshore Lift ASA (liquidated)	Norway	0%	28%

Notes

Solstad Offshore UK LTD is the parent company of Solstad Cable UK LTD, Solstad Offshore Service Vessel UK LTD, ADSI Offshore UK Ltd, and PIOPRO UK Ltd. Solstad Cable UK Ltd is the parent company of Solstad Cable Cutter, Ltd, Solstad Cable Clipper Ltd and Solstad Cable Holland BV. Solstad Offshore Service Vessel UK Ltd is the parent company of Pioneer Offshore LP and Progress Offshore LP, while PIOPRO UK Ltd is the parent company of Pioneer Offshore Ltd and progress Offshore Ltd. Solstad Rederi AS is the parent company of Trym Titan AS. Solstad Offshore AS is the parent company of the remaining companies, and is also the ultimate controlling unit of all companies.

The Group has performed the following transactions with related parties:

	Sale (-) / purchase (+)		Receivables		Payables	
	2008	2007	2008	2007	2008	2007
Associated company						
Trym Titan KS (liquidated)	-24 070	-61 843		19 792		
MPU Offshore Lift ASA (liquidated)	-2 342	-1 720		1 720		
Rir Supporter KS (under liquidation)	-349	-342				
Management and Board of Directors						
Managing Director						
Chairman of the Board	34					
Other related parties						
Owner of office premises	3 519	3 554				
Owner of shipyard for repairs	805	613			-115	-167

The Group's affiliation with related parties:

Trym Titan KS was an associated company in which the Group had a 30% interest. The company's operations were managed by the Group. The company has since been liquidated. MPU Offshore Lift ASA was an associated company in which the Group had a 30% interest. The Group performs management services for the company related to building supervision. The company is liquidated.

Rig Supporter KS is an associated company in which the Group has a 21% interest.

The Group manages a vessel on a bare-boat contract. The company is under liquidation.

The Chairman of the Board is a legal adviser for the Group.

The Group rents offices and a warehouse at market price from a company controlled 100% by the main shareholder.

The Group also uses a shipyard for repairs and conversions of the Group's vessels where the main shareholder controls 100%.

The Managing Director is Chairman of the Board of Normand Skarven KS.

The Deputy Managing Director is a board member in Rig Supporter and Normand Skarven KS.

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 22,6 million (NOK 29,6 million) on which tax is withheld. Furthermore, some bank deposits are secured. Refer to Note 11. As at December 31, 2008 the balance of cash and cash equivalents in the cash flow statement consist of the following:

	2008	2007
Cash and bank deposits	829 936	1 052 715

NOTE 17 ENVIRONMENTAL CONDITIONS

All of the company's vessels comply with current environmental requirements. In 2008, none of the company's vessels had conditions imposed for upgrading or improving technical equipment or any other measures necessary to satisfy current environmental standards. 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 31.12.2008 are tied bank deposits of NOK 22,6 million relating to withheld taxes.



Notes

NOTE 19 PAID OUT AND PROPOSED DIVIDEND

Approved and paid out during the year:	2008	2007
Ordinary dividend	151 177	151 177
Proposed dividend to General Assembly:	2008	2007
Ordinary dividend	75 588	151 177
Per share (NOK)	2,00	4,00

NOTE 20 OTHER LONG-TERM ASSETS

	2008	2007
Loan to other companies	14 016	13 320
Other receivables	1 056	32 112
Total other long-term assets	15 072	45 432

The loans are secured convertible loans. Interest rates during 2008 have been between 6% and 8%.

NOTE 21 ACCOUNTS RECEIVABLE AND OTHER SHORT-TERM RECEIVABLES

	2008	2007
Accounts receivable	497 218	500 590
Other receivables associates		9 250
Total Accounts receivable	497 218	509 840
Prepaid expense	67 496	92 499
VAT raceivable	5 121	2 226
Other short-term receivables	115 331	107 531
Total short-term receivables	187 949	202 257

NOTE 22 STOCK

Stock consists of provisions, bunkers and lube oil on the Group's vessels:

	2008	2007
Provisions	7 976	8 183
Bunkers	3 124	11 179
Lube oil	8 258	6 592
Total stock	19 358	25 954



Notes

NOTE 23 DEFERRED INCOME

Deferred income consists of:

	2008	2007
Interest on Normand Clipper (lease)		1 866
Internal gain on the sale of Normand Trym and Normand Titan		18 234
Total deferred income		20 100

The interest agreement linked to the leasing contract for Normand Clipper was terminated in 2008.

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. In 2008 the ships was sold by the Group, and the associated company was liquidated. The internal gain has been posted in full in 2008.

NOTE 24 OTHER CURRENT LIABILITIES

Other current liabilities consist mainly of accrued interests, provision for unrealized loss on financial instruments and accrued expenses for dry docking in progress at year end.

NOTE 25 LINE-BY-LINE CONSOLIDATION OF JOINT VENTURES

The joint ventures (JV) ADSI Inc (50%) and Nor Offshore Ltd (50%) are consolidated line-by-line in the financial statement.

The joint ventures contribute to the Group accounts as follows:

	2008	2007
Revenues	362 522	171 221
Expenses	-164 167	-109 966
	2008	2007
Current assets	204 060	64 602
Long term assets	1 085 170	798 814
Current liabilities	287 440	81 340
Long term liabilities	724 949	744 035

The JV's runs similar business to the rest of the companies in the Group.

Their businesses are based in Switzerland and Singapore, but they operate ships all over the world.

NOTE 26 SUBSEQUENT EVENTS

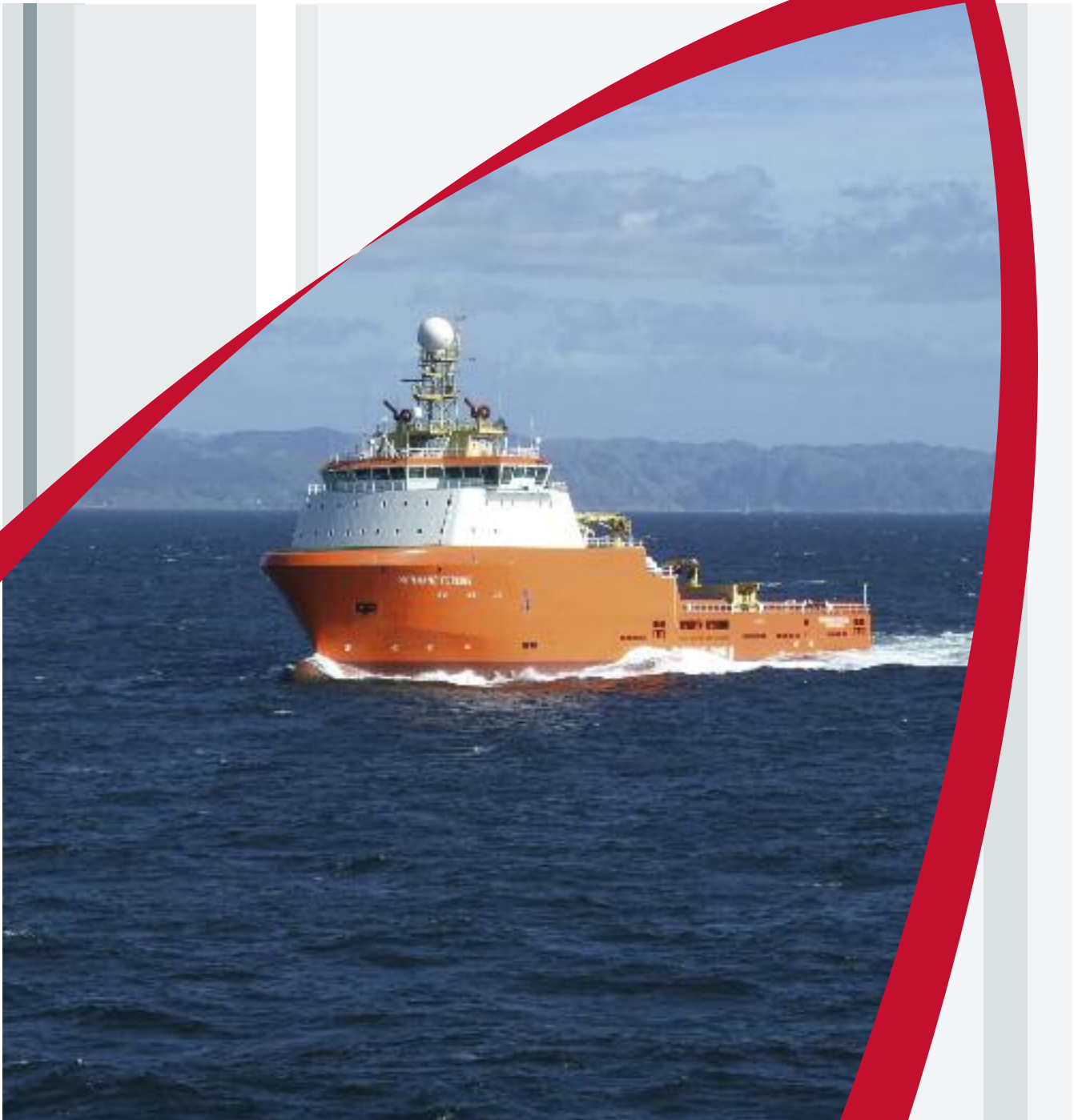
As per 31.12.2008 the Group had two new build projects at a yard that filed for a bankruptcy petition during the first quarter of 2009. Paid instalments are secured by bank guarantees. The new builds are written down by NOK 30 million in 2008. Book value equals the guaranteed payback.

A prospective reclassification from fixed assets (new build) to current asset will be done in 2009, and depends on negotiations whether the Group will still be involved in the finalizing and take-over of the vessels.



Parent company accounts

FOR SOLSTAD OFFSHORE ASA





Profit & loss account

1.1 - 31.12

PARENT COMPANY		(NOK 1 000)	
	Notes	2008	2007
Other operating income		1 700	5 194
Total operating income		1 700	5 194
Personnel costs	4	-6 262	-5 063
Other operating expenses	4	-4 461	-2 689
Total operating costs		-10 722	-7 752
Operating loss		-9 022	-2 559
Interest income from companies in the Group		17 120	16 145
Other interest income		9 788	8 568
Other financial income	5	167 746	194 653
Other interest charges		-22 546	-16 681
Other financial charges	5,7	-352 224	-41 002
Net financing		-180 116	161 684
Ordinary profit before taxes		-189 139	159 125
Tax on ordinary result	10	28 932	5 892
Net profit for year		-160 207	165 018
Transfers and disposable income			
Dividends	11	75 588	151 177
Transfer from other equity	11	-235 796	13 841
Total transfers and disposable income		-160 207	165 018



Balance sheet

PARENT COMPANY		(NOK 1 000)	
	Notes	2008	2007
ASSETS			
Fixed Assets			
Intangible fixed assets			
Deferred tax asset	10	34 459	5 528
Financial fixed assets			
Investments in subsidiaries	6	876 525	875 525
Loan to companies in the Group	9	261 931	259 711
Investment in jointly-owned companies	7	59 096	58 801
Investment in associated companies	7	3 433	203 408
Investments in stocks and shares		1 307	
Other long-term receivables	8	82 489	35 660
Total financial fixed assets		1 284 781	1 433 105
Total fixed assets		1 319 240	1 438 633
Current assets			
Investments			
Marked-based shares	7		17
Receivables			
Other short-term receivables	9	31 859	15 815
Bank deposits and cash equivalents	15	14 045	204 484
Total current assets		45 904	220 315
TOTAL ASSETS		1 365 144	1 658 948

Balance sheet

PARENT COMPANY		(NOK 1 000)	
	Notes	2008	2007
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital [37.794.160 at NOK 2.00]		75 588	75 588
Treasury shares		-223	-232
Share premium reserve		111 648	111 648
Total restricted equity	11	187 013	187 004
Earned equity			
Other equity	11	778 576	1 014 951
Total earned equity		778 576	1 014 951
Total equity	11	965 589	1 201 956
Liabilities			
Other long-term liabilities			
Obligation Loan		300 000	300 000
Total long-term liabilities		300 000	300 000
Current liabilities			
Accounts payable	9	10 603	2 723
Bank overdraft		8 696	
Dividends	11	75 588	151 177
Other current liabilities		4 668	3 092
Total current liabilities		99 555	156 992
Total liabilities		399 555	456 992
TOTAL EQUITY AND LIABILITIES		1 365 144	1 658 948
Guarantees etc.	14		

Skudeneshavn, March 26th, 2009

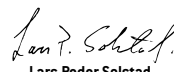

Harald Eikesdal
Chairman


Johannes Solstad
Deputy Chairman


Toril Eidesvik
Board Member


Anette Solstad
Board Member


Arne Austreid
Board Member

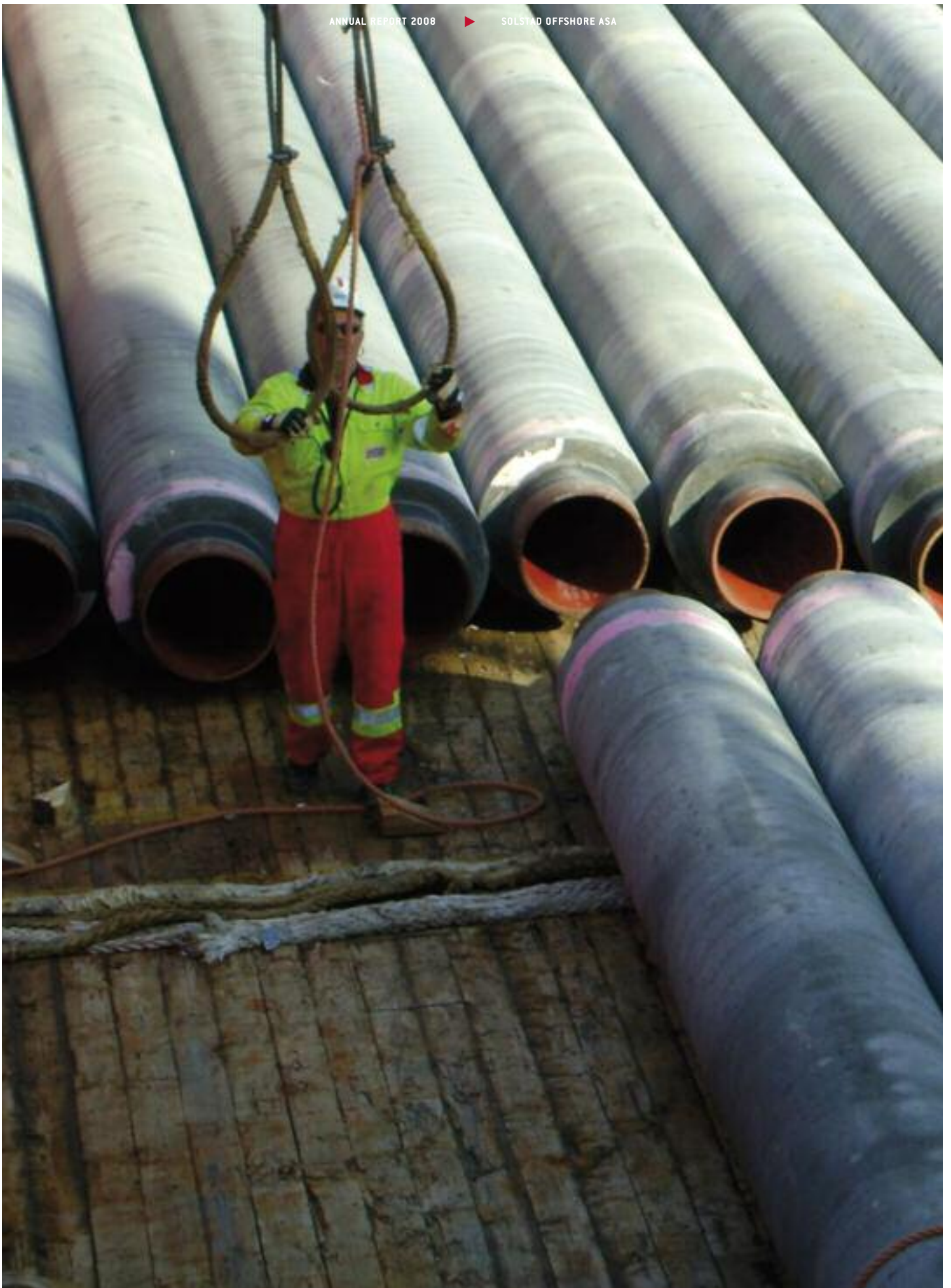

Lars Peder Solstad
Managing Director



Cash flow

1.1 - 31.12

PARENT COMPANY		[NOK 1 000]	
		2008	2007
CASH FLOW FROM OPERATIONS			
Profit/loss before taxes		-189 139	159 125
Taxes payable			-201
Write downs of fixed assets		-96	2 093
Loss/gain fixed assets		347 752	-78 378
Unrealised currency gain/loss		271	10 490
Change in short-term receivables/payables		7 880	-1 112
Change in other accruals		-14 468	85 148
Net cash flow from operations	(A)	152 199	177 165
CASH FLOW FROM INVESTMENTS			
Investment in other shares		-11 850	-132 488
Disposal of other shares			207 254
Net cash flow from investments	(B)	-11 850	74 766
CASH FLOW FROM FINANCING			
Payment of dividends		-150 632	-151 165
Purchas/Sales		-1 116	-16 428
Payment of long-term receivables		-187 737	-176 412
Bank overdraft		8 696	
Repayment of long-term debt			-1 020
Net cash flow from financing	(C)	-330 788	-345 025
Net change in cash and cash equivalents	(A+B+C)	-190 438	-93 094
Cash and cash equivalents at 01.01		204 484	297 578
Cash and cash equivalents at 31.12	(Note 15)	14 045	204 484



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 the preparation of the accounts, estimates and assumptions are used which affect the accounts. 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
Pr 31.12.07	10,810	5,4110	7,9610
Pr 31.12.08	10,121	6,9989	9,8650

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 debt.

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

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

SHARES IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY-OWNED COMPANIES Shares in subsidiaries, associated and jointly-owned companies are posted in the parent company accounts at cost and written down to the extent that there is a significant deficit value which is not considered temporary.

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

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



Notes

NOTE 2 MAJOR TRANSACTIONS/EVENTS

Major transactions and events in 2008:

The company's investment in MPU Offshore Lift ASA was booked as a loss in the 2nd quarter of 2008, as the company filed for a bankruptcy petition.

Total loss was NOK 335 million, divided between shares and a convertible shareholders loan.

Major transactions and events in 2007:

During the autumn of 2007, the company sold its share in Deep Sea Supply PLC. The gain on disposal was NOK 78 million.

In October, the company participated in a private emission in MPU Offshore Lift ASA. The company's ownership was maintained and the total investment in the company is NOK 200 million. During the first quarter of 2008, ownership has increased to 30.2%.

NOTE 3 FINANCIAL RISK

The company is exposed to various financial risks in its activities. Financial risk is the risk that any changes in currency and interest rates together with counter parties ability to pay, impact the value of the company's assets, liabilities and future cash flows.

NOTE 4 OTHER EXPENSES, WAGES, EMPLOYEES AND DISTINCTIVE CONTRIBUTIONS

	2008	2007
Wages	4 416	3 770
Employer's National Insurance	695	577
Pension costs	141	107
Other benefits	21	102
Travelling costs, courses and other personnel costs	989	507
Total employee costs	6 262	5 063
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 (Managing Director)	6	1 904	133	56
Sven Stakkestad (Deputy Managing Director)	4	1 762	86	86
Board of Directors:				
Harald Eikesdal, Chairman	250			
Johannes Solstad, Deputy Chairman	144			
Toril Eidesvik	144			
Arne Austreid	144			
Anette Solstad	96			
Per Gunnar Solstad	48			

There are no distinctive agreements regarding remuneration for the Chairman of the Board and nor are there any distinctive bonus or 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 2008, NOK 310.000 and NOK 522.543, 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 Management AS.

NOTE 5 FINANCIAL ITEMS

Other financial income, totalling NOK 158 mill, includes dividend of NOK 150 mill from subsidiaries, payments from limited partnerships NOK 2 mill and received group contributions NOK 6,3 mill. Comparative figures of NOK 195 mill include gain on disposal of shares NOK 78,4 mill, dividend from subsidiaries NOK 57 mill, dividend from shares 47,1 mill, NOK 5,4 mill from limited partnerships and received group contributions NOK 6,6 mill.

Other financial costs, totalling NOK 352 mill, include loss of shares and shareholders loan to associated company NOK 348 mill, impairment of financial investments NOK 2 mill and realized currency loss NOK 2 mill. Comparable figures, totalling NOK 41 mill, includes impairment of shareholders options NOK 1,7 mill, impairment of other financial assets NOK 0,6 mill and currency loss NOK 38,7 mill.

Notes

NOTE 6 SHARES IN SUBSIDIARIES

	Business	Place of ship	Owner-Shares	Number of Nominal Value	Share Capital	Cost price/Book value
Solstad Shipping AS	Skudeneshavn	100%	10 000	1 000	10 000	10 000
Solstad Rederi AS	Skudeneshavn	100%	60 150	100	6 015	673 486
Normand Drift AS	Skudeneshavn	100%	150	1 000	150	150
Solstad Offshore UK Ltd	Aberdeen	100%	11 000 100	GBP 1	GBP 11.000.100	145 284
Solstad Cable Invest AS	Skudeneshavn	100%	2 000	1 000	2 000	10 000
Normand Skarven AS	Skudeneshavn	100%	1	950 000	950	1 250
Solstad Brasil AS [1]	Skudeneshavn	100%	480	1 000	480	1 554
Normand Skarven KS	Skudeneshavn	70%				34 800
Total						876 525

[1] Former Rig Supporter AS

NOTE 7 SHARES IN JOINTLY OWNED AND ASSOCIATED COMPANIES

Shares in jointly owned and associated companies

	Business	Place of ship	Owner-Shares	Number of Nominal Value	Equity 31.12.2008	Result 2008 (100%)
NorOffshore PTE (JV)	Singapore	50%	5 837	57 390	535 766	254 976
ADSI Inc. (JV)	Marly, Switzerland	50%	250 050	1 337	-10 810	-111 292
NISA Inc. (JV)	Marly, Switzerland	50%	501	295	589	
Normand Edda AS (JV)	Haugesund	50%	75	75	160	3
Total				59 096	525 705	143 686

Rig Supporter KS (in liquidation)	Skudeneshavn	11%		3 433	31 211	869
Total				3 433	31 211	869

Investments available for sale - long term

Un-listed shares	Owner-ship	Booked value 31.12.2008
Deep Well AS	18%	1 307

NOTE 8 OTHER LONG TERM ASSETS

Other long term assets include:	31.12.2008	31.12.2007	Interest
Shareholders loan ADSI Inc	32 396	23 880	4,82%
Shareholders loan Nor Offshore Ltd	36 338		5,33%
Loan to DeepWell AS	13 343	11 216	5% - fixed
Posted financial cost	413	564	
Total	82 489	35 660	

The loans are convertible subordinated loans.

Notes

NOTE 9 INTER COMPANY GROUP

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

	31.12.2008	31.12.2007	Rentesats
Solstad Cable (UK) Ltd	43 945	47 049	7,30%
Solstad Offshore (UK) Ltd	209 026	210 781	7,30%
Solstad Shipping AS	2 327		8,10%
Solstad Management AS	2 336		8,10%
Normand Skarven AS	378		8,10%
Normand Drift AS	1 886		8,10%
Rig Supporter AS	2 033	1 881	7,91%
Inter company loans	261 931	259 711	
Rig Supporter AS	1 704		
Solstad Shipping AS	23 970	13 662	
Normand Drift AS	1 940	1 794	
Normand Skarven AS		359	
Other companies	4 244		
Other current assets	31 859	15 815	
Solstad Management AS	-10 603	-2 723	
Trade account payable	-10 603	-2 723	

Group receivables, due more than one year after expiry of the financial year, are around NOK 254 million.

NOTE 10 TAX

	2008	2007
Taxable income		
Result before tax	-189 139	159 125
Changes in temporary differences	9 584	1 925
Permanent differences	784	659
Share of result in limited partnerships	27 751	6 580
Dividends/ repayments from limited partnerships	-152 059	-109 665
Gain on sale of shares		-78 402
Loss on disposal	209 335	24
Taxable income	-93 743	-19 754
Tax payable		
Adjustment to 2006 tax accrual		177
Change in deferred taxes	-28 932	-6 070
Tax on ordinary result	-28 932	-5 892
Shares/ownership (current assets)	-7 573	11
Long term receivables	-2 000	
Unrecovered loss carried forward	-113 496	-19 754
Total temporary differences	-123 069	-19 742
Deferred tax (-)/ tax asset	34 459	5 528
Analysis of effective tax rate		
28% of Profit before Tax	-52 959	44 555
Dividends and gain/ loss sale of shares	23 808	-50 632
Permanent differences	220	185
Estimated tax	-28 932	-5 892

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

Notes

NOTE 11 EQUITY, SHAREHOLDERS AND TREASURY SHARES

	Share Capital	Treasury shares	Other restricted Equity	Other Equity	Total Equity
Equity 31.12.2007	75 588	-232	111 648	1 014 951	1 201 956
Purchase of treasury shares (20.000)		-40		-2 505	-2 545
Sale of treasury shares (24.500)		49		1 380	1 429
Unallocated dividend on treasury shares				545	545
Annual result				-160 207	-160 207
Allocated dividend				-75 588	-75 588
Equity 31.12.2008	75 588	-223	111 648	778 576	965 589

At 31.12.08, the Company's share capital represents 37,794,160 shares at NOK 2. The number of shareholders at 31.12.08 was 2,300.

The Board have the power of attorney to implement a capital appreciation of up to 140,000 shares at NOK 2 for employees of the Group.

Furthermore, the Board has power of attorney to increase the share capital by NOK 4 million by issuing 2 million shares.

The Board also have the power of attorney to acquire treasury shares in line with current legislation (10%). This power of attorney is retained until the next General Meeting.

Shareholders with more than 1% holding at 31.12.2008:

	Number of shares	Share
Solstad Holding AS	13 907 506	36,79%
Odin Norden	2 594 497	6,57%
Ivan II AS	2 358 158	6,23%
Skagen Vekst	2 186 200	5,57%
SOFF Invest I AS	1 862 604	5,38%
Pareto Aksje Norge	1 859 900	4,92%
Brown Brothers Harriman & Co	1 250 000	3,30%
Pareto Aktiv	1 109 800	2,38%
Odin Offshore	800 000	1,52%
Solhav Invest X AS	563 080	1,48%
MP Pensjon	460 000	1,21%
	28 948 745	76,59%

BOARD OF DIRECTORS AND MANAGING DIRECTORS SHARE INTEREST IN THE COMPANY

In accordance with the definition in corporation law, the Directors had the following holdings at 31.12.08:

Harald Eikesdal	0	shares
Johannes Solstad	18 126 268	shares
Per Gunnar Solstad	563 080	shares
Anette Solstad	56 402	shares
Toril Eidesvik	0	shares
Arne Austreid	0	shares

The Deputy Managing Director Sven Stakkestad owned 2,575 shares at 31.12.2008.

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

On 31.12.2008 the company acquired 111,694 treasury shares at a cost price of NOK 15.9 million.



Notes

NOTE 12 EARNINGS PER SHARE

In 2008, earnings per share was NOK -4.25. The equivalent value in 2007 was NOK 4.39

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 13 TRANSACTIONS WITH RELATED PARTIES

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.

Inter-company debt/receivables are interest-bearing.

NOTE 14 GUARANTEES

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

Solstad Offshore UK Ltd	331 - for purchase of vessels
Solstad Offshore Service Vessel UK Ltd	299 - for purchase of vessels
Trym Titan AS	437 - for purchase of vessels
Nor Offshore Ltd	33 - for bare-boat rental and purchase of vessels
Normand Drift AS	12 - for financial lease of fixed assets and loans
ADSI Inc	392 - for financial lease of vessels
Deep Well AS	10 - for financing of fixed assets

NOTE 15 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 8 employees at this division office.



To the Annual Shareholders' Meeting of
Solstad Offshore ASA

Auditor's report for 2008

We have audited the annual financial statements of Solstad Offshore ASA as of 31 December 2008, showing a loss of NOK 180 207 million for the Parent Company and a profit of NOK 26 929 million for the Group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss. The financial statements comprise the 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 changes in 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 2008, 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 2008, 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 coverage of the loss is consistent with the financial statements and complies with law and regulations.

Stavanger, 28 March 2009

ERNST & YOUNG AS

Joachim Johannessen

State Authorised Public Accountant (Norway)

(sign)

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

A brief look at 2008

IMPORTANT EVENTS

JANUARY

As a consequence of increasing turbulence in the world stock markets it was decided to postpone the listing of NOR Offshore Ltd in Singapore.

FEBRUARY

Trym Titan KS, 30% of which is owned by Solstad Offshore ASA (SOFF), entered an agreement for the sale of the vessels the Normand Titan and Normand Trym. These vessels were built in 1984 and 1985 respectively and were amongst the company's oldest tonnage. The total sale price reflected the current broker values for the vessels and gave SOFF a profit on disposal of NOK 45 million.

APRIL

CNR International (UK) exercised its option to extend the charter for the Normand Vester for one year from May 2008.

MAY

The company Normand Skarven KS, 71% of which is owned by SOFF, entered an agreement for sale of the AHTS Normand Skarven to foreign buyers. The vessel is built in 1986, and is agreed to be delivered to new buyer during the 3rd quarter of the year (The sale is later cancelled when the buyer did not comply with the payment obligations under the sales agreement).

Nor Offshore Ltd, where SOFF owns 71% enters into an agreement with Neptun Marine Services Ltd regarding the sale of the AHTS vessel Nor Sea. Nor Sea (5,500 bhp) was built in 2005. Handover was agreed in the 3rd quarter and the sale gave Nor Offshore a profit on disposal of USD 17.5 million.

JUNE

The company MPU Offshore Lift ASA (MPUO), around 30% of which was owned by SOFF, announced problems with the progress of the vessel which was being built at Keppel Verolme in Rotterdam. On 30 June, MPU Offshore Lift ASA announced it was bankrupt as the company's Board had not managed to raise the required capital for continued operations. SOFF noted a total loss of NOK 335 million divided between injected share capital and convertible shareholders loans.

Solstad Offshore ASA entered a long-term agreement with the company EDT Offshore Egypt S A E for the AHTS vessel, Normand Neptun. The term of the contract was 1.5 years plus a 2.5 year option for extension.

JULY

The company Nor Offshore Ltd in Singapore, 50% of which is owned by SOFF, entered a contract with Petroleum Marine Services (PMS) in Egypt for a CSV, the Nor Valiant.

AUGUST

NorCE Offshore (NorCE) was awarded a 5 year contract with 2 year option for extension by Woodside Energy Ltd (Woodside) for various support services to Woodside's IMR Campaign in Australia. NorCE will be responsible for operation of Nor Vision and installation and engineering support whilst i-Tech 7 is responsible for integration of the ROV and any engineering services. The joint venture project's activities will be managed from a project office in Perth.

SEPTEMBER

Acergy exercised the option to extend the contract for the CSV Normand Mermaid with one year from November 2008. This is the second of 3 annual options.

OCTOBER

The vessel Nor Sea was delivered to Neptun Marine Services Ltd in accordance with the agreement.

SOFF entered a long-term contract with ConocoPhillips Skandinavia AS for the AHTS Normand Mjolne. The contract has a fixed term of 2.5 years and 3 times two month options.

Technip UK Ltd (Technip) exercised its option as part of a frame agreement with Solstad Offshore ASA for the use of the Normand Progress for a fixed period of two years on a project for Petrobras in Brazil. The project was to start in November 2008.

Karmsund Maritime Services AS (KMS), where SOFF has two anchor handling vessels under construction, announced it had financial difficulties (The contracts were cancelled in March 2009 when KMS filed for bankruptcy).

DECEMBER

Clough exercised its option to extend the contract for the CSV Normand Clipper by one year from 2009. This is the first of 2 yearly options for the company.



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 26 employees at this division office.



The Fleet

PER. APRIL 24th, 2009

		Built year	Design	Reg.	HP	DWT	Deck m²	Winch power	Bollard pull	A-frame Cap. t.	Constr. crane t	DP class	Cabin cap.	Dry bulk	Other equipment
CONSTRUCTION SERVICE VESSEL															
1	Normand tbn 4	2011	OSCV 06L		26 000	11 300	2 100				400	3	140		
2	Normand tbn 3	2010	ST 256L		20 560	4 500	1 000				200	3	120		
3	Normand tbn 2	2010	PSV/ROV 06CD		12 000	4 100	100				100	2	69		
4	Normand tbn 1	2009	VS 4710		21 000	6 100	750				150	2	90		
5	Normand Seven	2007	VS 4420	NIS	26 000	10 000	1 350				250	3	100		
6	Normand Installer	2006	VS 4204	NIS	31 500	8 600	1 300	500	275	300	250	3	102		
7	Normand Flower	2002	UT 737	IOM	10 600	4 500	960				100	3	155		2
8	Normand Mermaid	2002	P 103	IOM	11 000	4 000	780				100	2	69		2
9	Normand Cutter	2001	VS 4125	IOM	22 000	10 000	1 300		120	60	300	2	114		
10	Normand Clipper	2001	VS 4125	NIS	22 000	10 000	1 500		120	60	250	2	102		
11	Normand Pioneer	1999	UT 742	IOM	27 800	5 000	1 000	500	286	150	140	2	75		
12	Normand Progress	1999	UT 742	IOM	27 800	5 000	1 000	500	304	250	100	2	70		
13	Normand Tonjer	1983	UT 705	NOR	7 200	3 200	573				50	2	60		
LARGE AHTS															
14	Normand Ferking	2007	VS 490	NOR	20 000	5 000	700	500	250			2	32	X	1,2,3
15	Normand Master	2003	A101	NOR	23 500	3 700	600	500	282	150*		2	52		2
16	Normand Mariner	2002	A101	NOR	23 500	3 700	600	500	282	150*		2	52		2
17	Normand Ivan	2002	VS 180	NOR	20 000	4 140	600	500	240	250*		2	52	X	1,2
18	Normand Borg	2000	UT 722	NIS	16 800	2 873	570	500	202			1	35	X	2
19	Normand Atlantic	1997	UT 740	NOR	19 400	4 200	560	500	220			2	15	X	1,2,3
20	Normand Neptun	1996	UT 740	NOR	19 400	4 200	560	500	222			2	40	X	1,2,3
SMALLER AHTS															
21	Normand Mjolne	1985	UT 718	NOR	18 000	2 500	590	300	170			2	22	X	1,2,3
22	Normand Draupne	1985	UT 718	NOR	18 000	2 500	590	300	170			2	16	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	1986	UT 716	NOR	13 000	2 500	570	250	156			2	21	X	1,2,3
25	Normand Drott	1984	UT 712	NIS	12 000	2 000	536	300	148			-	30	X	1,2,3
PSV															
26	Normand Aurora	2005	P 105	NOR	10 000	4 900	960					2	25	X	
27	Normand Skipper	2005	VS 4420	NOR	9 500	6 400	1 220					2	23	X	2,3
28	Normand Flipper	2003	UT 745E	NOR	9 000	4 500	960					2	17	X	2
29	Normand Vester	1998	UT 745	NOR	10 300	4 590	956			25		2	37	X	2,3
30	Normand Carrier	1996	UT 745	NOR	10 300	4 560	956			25		2	37	X	2,3
NOR OFFSHORE LTD. CSV / AHTS / DLB															
31	Tbn Nor Australis	2009	CSV	SIN	5 500	2 500	780				50	X	120		1,4
32	Nor Valiant	2008	CSV	SIN	5 500	2 500	700				50	X	120		1
33	Nor Chief	2008	Kiam Chian	SIN	10 880	2 500	450	300	135			2	40	X	1
34	Nor Sky [1]	2008	Kiam Chian	SIN	5 500	1 800	475	150	70	50	30	2	60	X	1
35	Nor Spring [1]	2008	SasaShip	SIN	8 000	2 200	500	200	100			2	60	X	1
36	Nor Captain [1]	2007	Kiam Chian	SIN	10 800	2 300	450	300	143			2	40	X	1
37	Nor Tigerfish	2007	Kiam Chian	SIN	5 500	1 800	475	150	73	50	30	2	58	X	1
38	Nor Sun	2006	Kiam Chian	SIN	8 000	1 700	490	200	101			2	54	X	1
39	Nor Star	2005	Kiam Chian	SIN	5 500	1 800	475	150	71			2	42	X	1
40	Nor Supporter	2005	Kiam Chian	SIN	8 000	1 800	475	200	93			2	42	X	1
41	Tbn NorCe Endeavour	2009	DLB	SIN	10 800	25100	3 300	1 100					284		

Annet utstyr: 1 = Brannslukking / FiFL 2 = Oljeoppsamlng. 3 = Standby / Resque. 4 = dykkesystem.
* A-ramme deles, [1] Bareboat.[in].

Contract coverage

PER. APRIL 24th, 2009

		2009	2010	2011	2012	2013
CONSTRUCTION SERVICE VESSEL						
Normand tbn 1	Delivery March 2011					
Normand tbn 2	Delivery September 2010					
Normand tbn 3	Delivery July 2010					
Tbn Normand Subsea 7	Delivery September 2009					
Normand Seven	09/2015 + option					
Normand Installer	200 days/8 year + option					
Normand Flower	03/2009 + option					
Normand Mermaid	11/2008 + option					
Normand Cutter	05/2013 + option					
Normand Clipper	06/2009 + option					
Normand Pioneer	150 days/5 year + option					
Normand Progress	150 days/5 year + option					
Normand Tonjer	03/2011 + option					
LARGE AHTS						
Normand Ferking	09/2012 + option					
Normand Master	Spot					
Normand Mariner	Spot					
Normand Ivan	12/2010					
Normand Borg	10/2009					
Normand Atlantic	12/2010					
Normand Neptun	12/09					
SMALLER AHTS						
Normand Mjolne	03/2011 + option					
Normand Draupne	06/2009 + option					
Normand Jarl	Spot					
Normand Skarven	12/2009					
Normand Drott	07/2013					
PSV						
Normand Aurora	02/2012 + option					
Normand Skipper	04/2010 + option					
Normand Flipper	02/2012 + option					
Normand Vester	02/2012 + option					
Normand Carrier	02/2012 + option					
NOR OFFSHORE LTD. CSV / AHTS / DLB						
Nor Valiant	04/2009					
Nor Australis	05/2009					
Nor Chief	Spot					
Nor Sky	06/2010					
Nor Spring	Spot					
Nor Captain	07/2009					
Nor Tigerfish	05/2012					
Nor Sun	07/2009					
Nor Star	06/2009					
Nor Supporter	07/2009					
Tbn NorCe Endeavour	Delivery 11/2009					

Contract

Charters option

Under construction

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

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