SOLSTAD OFFSHORE ASA

ANNUAL REPORT 2010

www.solstad.no

▸ OUR VISION *is to conduct profitable, integrated shipping operations with high specification vessels using both our own vessels and chartered vessels. The company's core business is petroleum-related operations.*

CONTENT

FINANCIAL CALENDAR 2011

Preliminary dates for quarterly reports and Ordinary General Meeting of SOFF are listed below.

Annual results 2010: **29 April 2011**

Results for 1st quarter 2011 / General Meeting: **23 May 2011**

Results for 2nd quarter 2011: **24 August 2011**

Results for 3rd quarter 2011: **09 November 2011**

Preliminary results 2011: **Ultimo February 2012**

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 Skudesneshavn, Norway.

During the Company's first ten years, it acquired and operated 14 dry cargo (liner type) vessels and also took delivery of three new build semi-container vessels. The size of these vessels ranged from 8,000 to 14,000 DW.

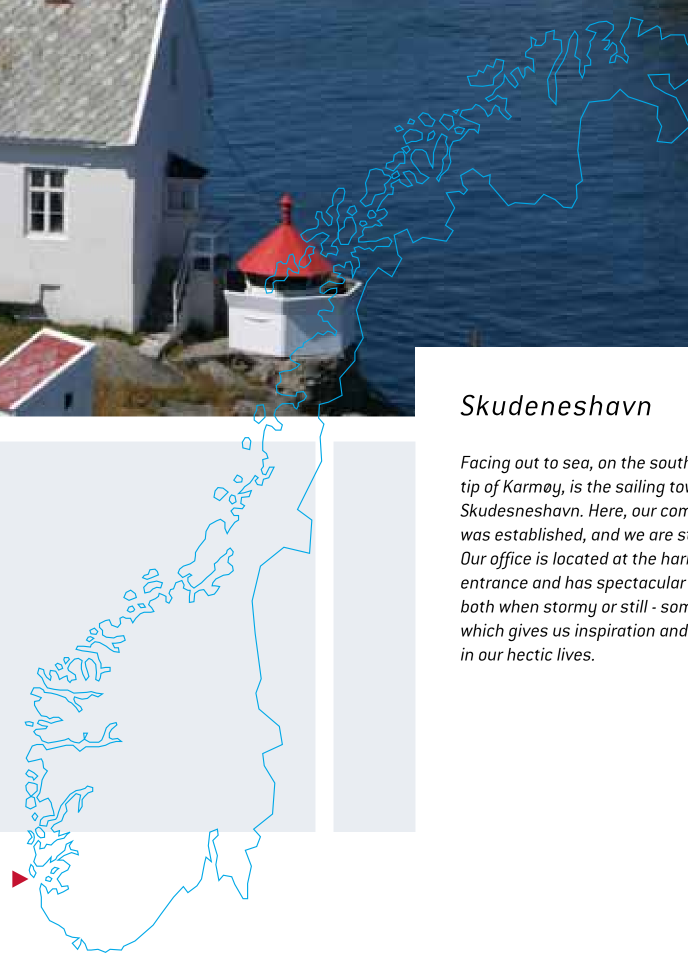
The Company's offshore activities began in 1973, when it ordered four supply vessels from a Dutch shipyard and by 1976, the Company operated 9 supply vessels of various types. Most of them were jointly owned with other Haugesund-based shipping companies and all were built at the same Dutch shipyard, 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 AHTS'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 ship was sold in 1982, and for the following 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 this year, the fleet consisted of 51 wholly owned, partly owned or leased vessels, including 3 new builds (2 in Norway and 1 through Nor Offshore Ltd in Singapore).
Our vessels operate world-wide and currently around 60% of our fleet are operating outside the North Sea.

Solstad Offshore ASA employs around 1,450 employees, 950 of which are Norwegian seafarers. In addition to its headquarters in Skudeneshavn, Solstad has subsidiaries in Aberdeen Singapore and Rio de Janeiro.



Skudeneshavn

Facing out to sea, on the southern tip of Karmøy, is the sailing town of Skudesneshavn. Here, our company was established, and we are still here! Our office is located at the harbour entrance and has spectacular views - both when stormy or still - something which gives us inspiration and energy in our hectic lives.

CORPORATE STRUCTURE

PER 31.12.2010

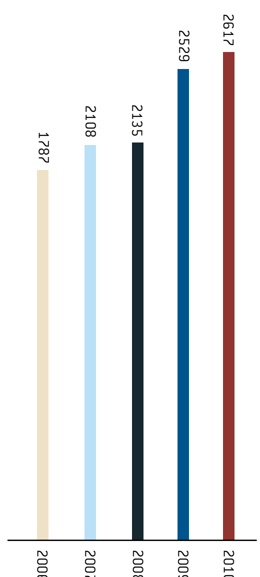
- SOLSTAD OFFSHORE ASA
  - NOR OFFSHORE LTD (59,1%)
    - NORCE OFFSHORE PTE LTD (100%)
  - SOLSTAD SHIPPING AS (100%)
  - SOLSTAD MANAGEMENT AS (100%)
  - SOLSTAD OFFSHORE UK LTD (100%)
    - SOLSTAD CABLE (UK) LTD (62,5%)
      - SOLSTAD CABLE HOLLAND LTD (62,5%)
      - SOLSTAD CABLE CUTTER LTD (62,5%)
      - SOLSTAD CABLE CLIPPER LTD (62,5%)
    - ADSI OFFSHORE UK LTD (100%)
    - SOLSTAD OFFSHORE SERVICE VESSEL UK LTD (100%)
      - PIONEER OFFSHORE LP (100%)
      - PROGRESS OFFSHORE LP (100%)
    - PIPRO (UK) LTD (100%)
      - PIONEER OFFSHORE LTD (100%)
      - PROGRESS OFFSHORE LTD (100%)
  - NORMAND DRIFT AS (100%)
  - SOLSTAD REDERI AS (100%)
    - TRYM TITAN AS (62,5%)
    - SOLSTAD REDERI II AS (100%)
      - SOLSHIP AS (100%)
  - ADSI INC (50%)
  - NISA INC (50%)
  - NORMAND SKARVEN AS/KS (72,1%)
  - SOLSTAD BRASIL AS (100%)
    - SOLSTAD OFFSHORE LTDA (100%)
  - NORMAND RANGER AS (100%)

Normand Prosper in action

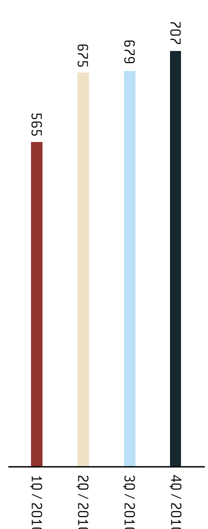
Normand Prosper in action moving the accomodation rig Safe Scandinavia. Accomodation rigs often require large storing capacity for wires and fiber ropes. Normand Prosper can store large quantities of both.

FINANCIAL HIGHLIGHTS

FREIGHT REVENUES LAST FIVE YEARS (NOK mill)



FREIGHT REVENUES 2010 QUARTERLY (NOK mill)



	Ref	2010	2009	2008	2007	2006
PROFIT AND LOSS ACCOUNTS (NOK mill)						
Freight revenues		2 614	2 519	2 135	2 108	1 787
Other income / Gain on fixed assets		3	11	74	112	96
Operating result before depreciation/write-downs		981	1 195	1 318	1 398	1 040
Operating result		342	466	797	960	704
Net finance		-209	401	-941	146	211
Ordinary profit before tax		133	866	-144	1 106	915
Net profit for the year		19	1 038	27	704	890
Hereof majority's share		48	1 027	46	680	866
BALANCE SHEETS						
Deferred tax asset		17	-	24		
Long term assets		13 856	9 974	8 638	8 464	6 361
Current assets		1 693	2 293	1 551	1 851	1 933
Total assets		15 566	12 267	10 213	10 315	8 294
Equity		4 989	4 630	3 698	3 717	3 174
Deferred tax		-	27	-	25	17
Long-term liabilities		8 584	6 414	5 114	4 454	4 203
Current liabilities		1 884	1 176	1 402	2 118	901
Long-term interest bearing liabilities		9 606	6 379	5 267	5 328	4 487
Bank overdraft		103	100	439	410	-
Free and restricted bank deposits		872	1 445	830	1 618	1 939
Net interest-bearing liabilities		8 837	5 035	4 876	4 119	2 548
PROFITABILITY						
Operating margin	1	37 %	47 %	60 %	63 %	55 %
Earnings on equity	2,6	3 %	21 %	-4 %	32 %	31 %
Earnings on capital employeed	3	3 %	5 %	9 %	12 %	10 %
LIQUIDITY						
Liquid assets		872	1 445	830	1 053	1 291
Working capital		832	1 117	149	768	1 032
EBITDA	4	981	1 195	1 124	1 292	1 067
Current ratio	5	0,9	1,9	1,1	0,9	2,1
ASSETS						
Total assets		15 566	12 267	10 213	10 315	8 294
Equity		4 989	4 630	3 698	3 717	3 174
Equity ratio	6	32 %	38 %	36 %	36 %	38 %

KEY FIGURES

PER SHARE

KEY FIGURES PER SHARE	REF	2010	2009	2008	2007	2006
Result of the year	7	1,29	27,28	1,21	18,02	22,94
EBITDA	4	26,10	31,72	29,76	34,21	28,26
Booked equity	8	132,73	123,09	98,13	98,66	83,98
Price/Earnings (P/E)		90,05	3,96	48,49	8,46	5,95
Price/EBITDA		4,45	3,40	1,97	4,46	4,83
Dividend		2,00	2,50	2,00	4,00	4,00
Share capital (NOK mill)		75,59	75,59	75,59	75,59	75,59
Quoted share price 31.12. (NOK)		116,00	108,00	58,50	152,50	136,50
Market capitalisation (NOK mill)		4 384	4 082	2 211	5 764	5 159
Average number of shares inclusive adj. for stock of treasury shares.		37 587 310	37 659 312	37 767 314	37 762 786	37 751 392
N. of shares per 31.12 incl. adj. For stock of treasury shares		37 589 593	37 617 495	37 682 466	37 677 966	37 791 266

REFERENCES:

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 assets and other material non-cash 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.

Operations in Brazil

Normand Seven has been on charter to Subsea 7/ Petrobras since 2007. The vessels main task is installation of flexible pipes and umbilicals. These are loaded in Vitoria and installed in deep waters outside the coast of Brazil.

ANNUAL REPORT

In 2010, Solstad Offshore ASA Group achieved revenues of NOK 2,617 million compared to NOK 2,529 million last year. Profit after tax was NOK 19 million compared to NOK 1,019 million in 2009. Cash flow (EBITDA) for the year was NOK 981 million compared with NOK 1,195 in 2009.

Despite the improvement in the global economy and higher oil prices, the aftermath of the economic downturn in 2008 dampened the market for offshore services in 2010. The weak demand for shipping services led to low earnings and utilization of vessels on the spot market in the North Sea. In other geographical areas, Brazil is the most positive, with a strong demand, whilst the after-effects of the Macondo incident had a negative impact on the market in the U.S. Gulf. The supply of new builds was also high in 2010 – generally as a result of orders placed before the onset of the economic crisis in 2008.

Through a campaign called Solstad Green Operations, the Group achieved significant reductions in emissions of greenhouse gases to the environment during the daily operations of its vessels. In addition, the company also achieved an excellent safety performance in 2010.

At the end of the year, the fleet consisted of 51 wholly / partly owned or leased vessels, including 3 new builds (2 in Norway and 1 through Nor Offshore Ltd (NOR) in Singapore). The fleet had the following composition (including new builds): 18 Construction Service Vessels (CSV's), 23 Anchor-Handling Vessels (AHTS's) and 10 Platform Supply Vessels (PSV's).

Solstad Offshore ASA completed several significant transactions in 2010. The single largest transaction related to the acquisition of four new builds at a cost of approximately NOK 2,735 million. In addition, NOR was 100% consolidated in to the Group accounts with effect from 30.9.2010, after Solstad Offshore ASA increased its stake to 56.1%. As of 31.12.2010, this has increased to 59.1%. In 2011 the remaining share in NOR was purchased.

1. COMPANY PHILOSOPHY, OBJECTIVES AND STRATEGY

The company's philosophy is to operate a profitable and integrated shipping company with high specification vessels within its market segment, based on owned or chartered vessels. The company's core business is primarily to provide services to petroleum-related offshore activities. Its goal is to be a major player and offer a wide spectrum of services based on high quality vessels, equipment and crew with high maritime competence. In the North Sea, its objective is to be among the leading offshore shipping companies. Internationally, the company aims to be a major player in activities in deep water areas and sub sea and construction services.

The company continues to focus on security, safety, and profitability and meeting the targets set for these areas. The most important targets relate to health and safety; preventing injuries to personnel or damage to equipment, whilst the most important environmental objective is to continuously reduce harmful emissions from the vessels.

The company's strategy is to deliver customer focus-based solutions, high quality services, and to actively develop these services in close cooperation with both new and existing customers.

Generally, the company manages the overall operation of the vessels, including chartering, crewing and technical support. In order to achieve cost-effective operations and maximize the return on capital employed, the company will evaluate whether it is possible enter in to long-term strategic collaboration with other partners. Such collaboration is also evaluated in relation to risk and capital injection.

2. COMPANY BUSINESS

Solstad Offshore ASA's activities are almost 100% focused on offshore petroleum activities. Most of the vessels are equipped to perform more complex projects than traditional supply, anchor handling, shipping and construction services.

The company's net freight income in 2010 was distributed as follows: 45% from CSV's, 41% from AHTS's and 14% from PSV's. Geographically distributed, freight income is divided as follows: 41% from the North Sea, 21% from South America, 4% from West Africa, 5% from the U.S. Gulf, 7% from the Mediterranean / Europe and the remaining 22% from Asia.

At the end of the year the fleet consisted of 51 wholly / partly owned or leased vessels, including 3 new builds (2 in Norway and 1 through NOR Offshore Ltd in Singapore). A total of 39 vessels operated from offices in Skudeneshavn and Aberdeen. Of these, seven currently operate on the Brazilian Continental Shelf, 4 in the Mexico / US Gulf, 2 in Argentina, 2 in West Africa, 3 in Asia, 1 in the Mediterranean Sea, 5 in the Baltic Sea, whilst the remaining 15 ships operate in the North Sea area. In addition, one new build is managed from Skudeneshavn. The remaining fleet, currently consisting of 9 ships and a Derrick Lay Barge (DLB), are managed by NOR Offshore Ltd (59.1% of which is owned by Solstad Offshore ASA) in Singapore.

At the end of the year Solstad Offshore ASA's had two new builds under construction in Norway; one a CSV for delivery in April 2011 and a PSV LNG for delivery in November 2011. The first of these new builds will be the company's largest and most modern vessel aimed at the construction market. The investment in a PSV, with LNG propulsion, indicates the company's focus on environmentally friendly operations. There is no agreed long-term financing for this PSV. The new builds are currently without long-term charter contracts.

The fleet of ships operated by NOR Offshore Ltd in Singapore is composed of two CSV's (owned) and 7 AHTS's (from 5,500 to 11,000 BHP) 5 of which are owned and 2 chartered (bare boat). The company has options to purchase the leased vessels during the rental period. In addition, NOR owns a Derrick Lay Barge (DLB). This was delivered from the shipyard in April 2011.

For more details on the company's vessels, refer to the Fleet Overview in the Annual Report.

3. OFFSHORE MARKET

Investment in the offshore market is consistent with high oil prices, but historically there is always a time lag during periods of increased oil prices. The willingness to invest is also driven by developments in the global economy in general, as well as regional conditions. The positive development in oil prices as well as growth in the global economy has positively increased the demand in 2010. It is estimated that the total investment rose by 8-9% in the past year, giving a total level of approximately $ 200 billion (around $ 185 billion in 2009). Investments, including demand for maritime services, were made in both existing oil fields (to increase production and the extraction rate) and in new exploration areas. The need for shipping services is present in all the "investment phases", i.e., in the exploration, development and production phases.

The main categories of offshore service vessels are AHTS's, PSV's and CSV's. Within each of the main categories there are sub categories based on the vessel's engine power, load capacity and technical equipment.

The world fleet of AHTS's vessels of over 15,000 BHP at the year end, was around 187 vessels, whilst there were 497 PSV's with loading capacity of over 3,000 dwt. There were approximately 58 and 177 respectively of these vessel types operating in the North Sea.

At the end of the year there were 51 AHTS's over 15,000 BHP under construction and 155 PSV's of over 3000 DWT. Most are built in Europe (Norway) and Asia (Singapore, Vietnam, China, India and Indonesia). In the CSV segment there are relatively few ships on order. Above a certain size (100m +), there are only around 20 ships under construction at shipyards in Europe and Asia.

Generally, the investment in the offshore market in 2010 was not enough to sufficiently improve earnings and the utilization of vessels on either the spot or contract markets, which was mainly due to the large influx of new builds delivered from the shipyards. Brazil stands out positively as it has a lot of activity, whilst the after-effects of the Macondo accident dampened demand in the U.S. Gulf.

4. COMPANY INFORMATION

The aim is to make the company attractive in the long-term by reflecting the increase in its value through the performance of its shares and dividends. The Board's objective is to ensure that the dividends will, on average, amount to around 20% of the company's net profit, adjusted for any major currency fluctuations and minority interests. Therefore, annual dividend should always be evaluated in light of future income, cash flow, financial commitments and other factors affecting 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 2,382, which is 680 less than the previous year. Foreign ownership accounted for around 8%.

The Board will propose at the Annual General Meeting on 23 May 2011, that a dividend of NOK 2.00 per share is paid for 2010. Payment will bemade on 10 June 2011.

The company's share price has developed positively throughout the year. At the beginning of the year, the share price was NOK 106 and at year-end was NOK 116, which is an increase of 9%. The company paid NOK 2.50 per share in dividends in 2010 (for the 2009 financial year).

The Board has power of attorney until the next Annual General Meeting to acquire up to 10% of treasury shares. The Board has requested this power of attorney in order to continually assess this as a short-term placement option, as well as a strategic investment. As of 31st December 2010, the total number of treasury shares held was 190,069 shares compared to 207,619 the previous year.

At the General Meeting in May 2010, the Board extended their power of attorney in order to increase share capital by up to NOK 4 million. This power of attorney is in effect until the next general meeting. In April 2011, this power of attorney was used to issue 893,217 shares related to the purchase of the remaining 40% ownership in NOR Offshore Ltd.

At the General Meeting on 23 May 2011, the Board will propose the extension of their power of attorney to be able to increase share capital and acquire treasury shares.

Solstad Offshore ASA has been listed on the Oslo Stock Exchange since 1997. As the holding company for the Group, its main activity is ownership of shares in subsidiaries and other strategic corporate investments; the most important of which is Solstad Rederi AS (100%) with its subsidiaries, Solstad Offshore (UK) Ltd (100%), NOR Offshore Ltd. (59%) in Singapore and Solstad Offshore Ltda (100%) in Brazil.

5. CORPORATE GOVERNANCE AND MANAGEMENT

Solstad Offshore ASA's corporate governance is based on the company's vision and strategy. As a company listed on the Oslo Stock Exchange, the company is subject to the legislation governing Norwegian share ownership and securities. Solstad Offshore ASA adopts the Norwegian Code of Corporate Governance dated 21 October 2010. Refer to the separate report on corporate governance included in the relevant chapter in the Annual Report.

6. FINANCIAL POSITION AND DEVELOPMENT - THE GROUP

The Annual Accounts for 2010 are prepared in accordance with IFRS (International Financial Reporting Standards), which are approved by the European Union, and give comparable figures for 2009.

Operating revenue in 2010 was NOK 2,617 million compared to NOK 2,529 million last year. The Group's fleet capacity measured by the number of charter days, compared to 2009 has increased by about 15%. Utilization in 2010 was 81% (85% in 2009). Cash flow from operations (defined as earnings before depreciation and adjusted for capital gains and reversal of provisions) was NOK 981 million for the year (NOK 1,195 million).

Annual operating profit after depreciation was NOK 342 million compared to NOK 466 million in 2009. There have been no impairment charges on ships in 2010 (NOK 80 million in 2009).

Group profit after tax for 2010 was a profit of NOK 19 million (NOK 1,038 million in 2009, including net financial income of NOK 400 million and a one-off reversal to income tax of NOK 312 million relating to provisions for Norwegian shipping tax). Net income includes, in addition to tax charges of NOK 114 million, a net financial loss of NOK 209 million which is primarily a net interest charge of NOK 344 million and NOK 117 million in gains on the acquisition of Nor Offshore Ltd (acquisitions from joint ventures to a subsidiary).

Net earnings per share: NOK 1.29 (NOK 27.28).

Operating income per segment reflects the company's investment in larger and more modern CSV's and AHTS's. Operating income (excluding capital gains and the one-off effect of the reversal of provisions) before depreciation and amortization (operating margin) accounted for 38% of revenues compared to 47% in 2009.

The greatest impact on the consolidated Group Balance Sheet in 2010 relates to the acquisition of 4 new builds (2 large AHTS's, 1 PSV / CSV and a CSV) as well as the100% consolidation of NOR after Solstad Offshore ASA increased its stake in the company (from 50% to 59 % by year-end).

The market value of the Group's fleet at 31st December 2010 is NOK 16,126 million (13,269 million at 31.12.2009). This value is based on the average of three broker evaluations on vessels without contracts (excluding ships under construction). At the end of 2010, value adjusted equity before tax, and adjusted for minority interests, is NOK 224 per share, compared to NOK 227 for the same period last year. The average value of the vessels has reduced on average by 2.5% since the first half of the year. Booked equity at 31st December 2010 was NOK 4,989 million, i.e., NOK 132 per share. The Board has evaluated the book value of the vessels in accordance with IAS 36 relating to impairment of fixed assets and has not found it necessary for further write-downs or reversal of previous write-downs at 31.12.2010.

Interest-bearing long-term debt at 31st December 2010 was NOK 9,606 million (6,980 million), NOK 1,022 million of which (566 million) is classified as current liabilities and distributed by 59% in NOK, 32% in USD and 9% in GBP. At the end of the year, 1-7 year hedging agreements were entered into for approximately 16% of the total long-term debt. Furthermore, some of the NOK debt is tied to financial instruments so that actual debt exposure is 55% NOK, 36% USD and 9% GBP. The increase in liabilities is primarily due to the acquisition of four new builds during the year and the impact of 100% consolidation of NOR.

Net interest-bearing debt at the end of 2010 was NOK 8,837 million (NOK 5,636 million). The Group is exposed to financial risk in their activities. Financial market risks are fluctuations in exchange rates, interest rates and freight charges which affect the value of the Group's assets, liabilities and future cash flows. In order to reduce and control these risks, Solstad's management periodically evaluates the Group's most significant risks on the financial market. When a major risk factor is identified, measures are taken to reduce the specific risk. The Group is exposed to both interest rate and currency risks, primarily through long-term financing and long-term charter contracts. The former risk is partially eliminated through hedging agreements. Currency risk is also partially eliminated by having loans and liabilities in the same currency as the freight contracts.

Under Financial Key Figures and Key Figures per Share there are definitions of the different economic principles used, along with an overview of the key figures in the Group accounts.

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

The company operates in accordance with international regulations and standards and is certified to ISM, ISO 14001:2004, ISO 9001:2008 and ISPS (International Ship and Port Facility Security) The crew is given familiarization and training in accordance with the company's approved processes that comply with STCW 95 (Seafarer Training, Certification and Watch-Keeping Code). Internal audits are conducted on all vessels and offices on an annual basis.

The company focuses on preventive and deterrent measures to eliminate incidents and accidents. In 2010, around 5,200 HSE reports were processed in the company's HSE & QA system. These reports are registered, managed and analyzed in a database reporting system and form a platform for preventive measures to avoid future incidents and accidents.

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

The company's onshore and offshore facilities report all sorts of waste. In 2010, the company's vessels reported 1,233 tons of waste in total. Of this, 1,037 tons was shipped to shore for recycling or other treatment, giving a recovery rate of 84%.

In 2010, the main focus on the environmental side was to continue the Solstad Green Operations campaign to increase awareness of fuel consumption in the fleet. Through involvement and cooperation with the crew on board, this achieved a reduction of more than 10% in the fleet's overall fuel consumption, with a corresponding reduction in air emissions. In addition, it is expected that this will bring savings on maintenance costs in the fleet. It is estimated that the total savings in 2010 were approximately NOK 75 million in fuel and maintenance costs, which in turn has resulted in reducing CO2 emissions by approximately 50,000 tons.

In 2010, the company's vessels had a total of 14 uncontrolled spills of oil products to the sea with a total volume of 441 liters.
The company had a total of five injuries, resulting in an H-factor (number of injuries per 1,000,000 hours worked) of 0.83 for 2010. None of the incidents resulted in serious injuries and those involved are back in active service. The company still has a target of zero injuries for 2011. In addition to preventing LTI's, the company focuses on its evaluation, preparation, planning and preventive work to avoid all types of personnel-related incidents in the company.

The working environment onshore and on board vessels, is considered to be good, and measures for improvement in working conditions are implemented on an ongoing basis, including avoiding any form of discrimination related to age, sex, religion, colour or the like. Sick leave amongst employees was 4.4% in 2010.

The company's management is divided in to approximately 70% men and 30% women. There were 31 women onboard our vessels at the end of the year. Equal opportunity is an important factor in our recruitment. The supply of female seagoing personnel is still very limited both in Norway and internationally. The company is the leading shipping company in Norway for recruitment and training of cadets and trainees and works actively to encourage young Norwegians to take maritime education. Despite this focus, there has been limited success through schools and shipping organizations to persuade more women to invest in a maritime education and the profession.

The company has a clear recruitment policy that gender, nationality, religion, etc., shall not impact on its recruitment process. The main criteria in the employment process are that the candidate has the relevant professional qualifications, combined with previous experience, and that candidate's references and other documentation meet the conditions required for the actual work.

8. EXPECTATIONS IN 2011

Solstad Offshore ASA has a diverse fleet designed to offer various services within offshore activities relating to exploration, development, installation, operation and maintenance. A strong demand is anticipated for modern tonnage that can adapt to work in far waters and at greater depths. At the time of reporting, contract cover for the remainder of 2011, is 67% for vessels in the Group (the comparable figure for 2009 was 65%), and for 2012 coverage is 46% (44%). Including options, contract cover for the remainder of 2011 and 2012, is 76% and 63%, respectively.

The company expects to see a gradual improvement in the market balance in 2011. Rate-wise, the market is likely to be volatile, but the company anticipates a tight spot market in the North Sea in summer. Today, there are about 75 new floating drilling rigs and drill ships under construction and more than 50 jack ups planned for delivery up to 2014. In addition, a large number of floating production units are due to be installed. The company expects a significant increase in activity in 2012, but record-high investment on the Norwegian shelf in 2011, may provide positive surprises in earnings for ships in the spot market already this coming summer. Solstad Offshore ASA has entered into several contracts with satisfactory day rates and the number of tenders is increasing.

In the longer term, it is anticipated that oil prices will remain high. Most estimates by market analysts on the consumption of oil in the coming years, confirm that it is essential to replace these volumes of oil with

new reserves and new production capacity. The company expects a strong focus on deep-water areas and sub sea activity. West Africa, Brazil, Gulf of Mexico and parts of Asia and Australia stand out as regions with the greatest growth potential in the offshore sector. In addition, it is expected that there will be consistently high activity in the North Sea.

It is positive in terms of market balance that over the last two years, there are less contracts for the construction of new ships than in previous years.

9. FINANCE – PARENT COMPANY

Solstad Offshore ASA had a loss of NOK 14 million in 2010 (profit of NOK 1,602 million in 2009). Net financial postings of NOK19 million (profit of NOK 1,620 million in 2009) were mainly related to net interest costs of NOK 46 million. Net financial postings include guarantee commission and Group contribution of NOK 23.6 million. Profit in 2009 consisted mainly of dividend from subsidiaries of NOK 1,639 million. This year's operating loss was NOK 8.7 million (NOK -3 million).

Company assets are primarily related to the value of shares in subsidiaries and associated companies and loans to companies in the Group. Booked equity at the end of the year was NOK 2,377 million, NOK 1,999 million of which, in accordance with company law, can be distributed as dividend. Debt at the end of the year was NOK 1,073 million, NOK 837 million of which was bonds, NOK 102 million was short-term credit and NOK 76 million was the provision for dividend for 2010.

The Board is of the opinion that the company is a going concern and the annual accounts are prepared on this basis in accordance with § 3-3 of the Accounting Act.

At the Annual General Meeting, the Board will propose a resolution for directors fees for 2010 total of NOK 1,025,000, -. The audit fees for 2010 for the parent company of NOK 430,000 will be presented for approval and are entirely related to audit fees.

The Board proposes the following disposals are made:

Offset for dividend	NOK 75,588,320
Transferred to other equity	NOK 89,947,376
Net disposal / transfer	NOK -14,359,056

Board of Directors of Solstad Offshore ASA
Skudeneshavn 29 April 2011

Harald Eikesdal
Chairman

Johannes Solstad
Deputy Chairman

Toril Eidesvik
Director

Anette Solstad
Member of the Board

Ketil Lenning
Director

Lars Peder Solstad
Managing Director

Statement by the Board and CEO

We confirm that the financial statements for the period 1 January - 31 December 2010, are to the best of our knowledge, prepared in accordance with current accounting standards and that the information given in these accounts gives a true and fair view of the entity and Group assets, liabilities, financial position and result.

Furthermore, we confirm that the annual accounts give a true and fair view of the development, result and position of the entity and the Group, together with a description of the principal risks and uncertainties the Group is exposed to.

Board of Directors of Solstad Offshore ASA
Skudeneshavn 29 April 2011

Harald Eikesdal
Chairman

Johannes Solstad
Deputy Chairman

Toril Eidesvik
Director

Anette Solstad
Member of the Board

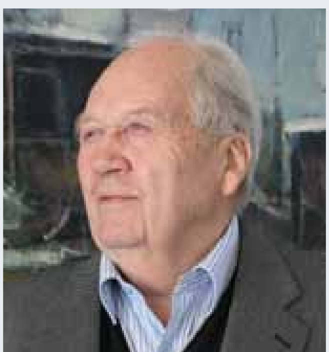
Ketil Lenning
Director

Lars Peder Solstad
Managing Director

THE BOARD

Harald Eikesdal, Chairman *(born 1946)*
Harald Eikesdal runs his own law practice, Eikesdal, Meling, and Nygård Lande. He previously worked as Divisional Head with the Norwegian Ministry of Finance and as a deputy judge and notary public at Haugesund's Magistrates Court. Harald Eikesdal has been our chairman since 2002. In addition, Harald Eikesdal holds a number of other directorships. He is independent of the company's main shareholders.
> **SHARES IN SOLSTAD OFFSHORE ASA: 0**

Toril Eidesvik *(born 1968)*
Toril Eidesvik is Managing Director of Green Reefers ASA. She previously worked as a lawyer for the firm Simonsen Musaeus and for Gjensidige Nor Sparebank. Toril Eidesvik has been a director since 2005 and is up for election in 2011. She is independent of the company's main shareholders.
> **SHARES IN SOLSTAD OFFSHORE ASA: 0**



Johannes Solstad, Vice Chairman *(born 1930)*
Johannes Solstad is a former Captain. He is the founder of the Solstad Group and was Managing Director from its inception in 1964 until 2002. Johannes Solstad has been Deputy Chairman since the Company was listed on the Oslo Stock Exchange in 1997. Johannes Solstad is up for election in 2011 and holds an interest in Solstad Offshore ASA's shareholdings in SOFF Holding AS, Ivan II AS and Solstad Invest AS.
> **SHARES IN SOLSTAD OFFSHORE ASA: 18.126.268**

Anette Solstad *(born 1965)*
Anette Solstad has been living in the US since 1989. She has a B.A. in International Business and previously worked for Wilhemsen Lines, US, in operations and commercial analysis and as a system developer for Prudential Securities. She does not hold any other directorships. Anette Solstad has been a director since 2007 and is up for election in 2011. She holds an interest in Solstad Offshore ASA's shareholdings in SOFF Holding AS, Solstad Invest AS and Solhav Invest X AS.
> **SHARES IN SOLSTAD OFFSHORE ASA: 56.402**

Ketil Lenning *(born 1950)*
Ketil Lenning currently works for a consultancy firm as an independent consultant. Until the autumn of 2010, he worked as Managing Director for Oddfjell Drilling Ltd. and has extensive national and international experience from various companies and positions within the oil industry. He has a degree in Petroleum Engineering from NTNU, Texas A & M University, US. Ketil Lenning holds several other directorships. He has been director since 2010 and 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, stock exchange reporting and securities legislation. Solstad Offshore ASA adopts the "Norwegian Code of Corporate Governance" dated 21 October 2010.

Accountability for corporate governance and management

The company wishes to clarify the division of roles between the shareholders, the Board and the Managing Director, and therefore accounts for its corporate governance in accordance with the "Norwegian Code of Practice for Corporate Governance". Solstad Offshore ASA has established guidelines for ethics and social responsibility with the aim of securing values and an organizational culture in the company that provides a basis for value creation, secure and environmentally-friendly operations, a pleasant workplace, 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 within its segments, using owned or chartered vessels. The company's core business is to provide services to oil-related offshore industry. The company's Articles of Association are available in their entirety on the company website www.solstad.no. Solstad Offshore ASA's objectives and strategy are outlined in Point 1 of the Directors' Report.

Equity and dividend

Solstad Offshore ASA's posted share capital amounts to 32% at the end of 2010. The company maintains a solid financial position which supports the company's declared strategy and dividend policy. The company wants to give its shareholders a high and stable yield. The return on shareholders' capital is understood to include the total of the earnings per share and paid dividend.

The company's objective is to distribute annual dividends to its shareholders. The dividend will normally constitute 20% of the company's net income, adjusted for any major currency fluctuations and minority interests. However, the dividend is always evaluated in the light of future income and cash flow, financing and other factors that may affect the company's position. In 2010, Solstad Offshore ASA paid a dividend of NOK 2.50 per share for the 2009 fiscal year. The Board will propose at the Annual General Meeting that a dividend of NOK 2.00 per share is paid for the 2010 fiscal year.

The Annual General Meeting held on 7 May 2010, gave the Board authority to:

- Increase the share capital of Solstad Offshore ASA by up to NOK 4,000,000 by issuing 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 AGM in 2011.

- Acquire treasury shares for a total nominal value of up to NOK 7,558,832 i.e., up to 10% of share capital. The Board has the authority to acquire and dispose of treasury shares. The Company shall pay a minimum of NOK 1 and maximum NOK 250 per share acquired by exercising this power of attorney. The power of attorney extends until the next AGM in 2011.

- Propose an increase of share capital up to NOK 280,000 by subscription of up to 140,000 shares at a nominal value of NOK 2. Within these parameters, the Board decides whether there should be one or more share emissions, and the size of these emissions. The capital injection is limited to company employees, and shareholders relinquish their rights to subscribe to these shares. The Board determines the terms and conditions of the subscription. The power of attorney extends until the next AGM in 2011.

Equality of shareholders and transactions with associates

Solstad Offshore ASA has only one class of share. The Articles of Association do not limit 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 2010, there have not been any transactions between the company and shareholders, board members, key personnel or any relatives of such, other than those provided in Note 15 of the Annual Accounts.

The company has the right to ensure that the board members and key personnel notify 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 have no restrictions on transferability.

General meeting and elected committee

The Annual General Meeting is normally held in May. According to the Articles of Association, documents to be reviewed at the general meeting are posted on the company website. They contain all the relevant information so that shareholders can decide on the matters to be addressed. The Chairman of the Board participates in the general meeting together with the company's auditor. The invitation to attend, together with the agenda for the AGM, is available on the company's website (www.solstad.no) no later than 3 weeks before the meeting. The Board wants to give as many shareholders as possible the opportunity to attend. The registration deadline is as close to the meeting as possible. Any shareholders, who are unable to attend, are encouraged to vote by proxy. The invitation to the general meeting contains information on the procedures the shareholders must follow to participate and vote at the general meeting. This also relates to the use of a proxy. Two people are appointed to vote for the shareholders as a proxy. This power of attorney is prepared, as far as possible, to include a voting right for each individual point raised and for the selection of candidates. 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 meeting, and elects a chairman. The protocol from the General Meeting is published as a stock exchange notice and made available on the company 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 ensure the company has a Board with the best possible relevant expertise, capacity and diversity. Furthermore, the Board is composed so that it can act independently of special interests and have 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, in addition to relevant competence and capacity. Board members are elected for a period of 2 years. Representatives from the executive management are not members of the board.

The Board's work

The Board prepares an annual plan for its work. Normally there are 6 to 8 ordinary board meetings. In addition, teleconferencing is used when necessary. Instructions for the Board and executive management are prepared. The company's internal controls are practiced in accordance with approved guidelines and are reviewed annually by the auditor of the board. The Board receives monthly financial reports giving a review of the company's economic and financial status. The elected Deputy Chairman of the Board deputizes if the chairman is absent. An audit committee has been established to act as a preparatory and advisory committee to the Board. The Audit Committee consists of 2 members that are independent of the enterprise and elected by, and from amongst, the board members. The Board conducts an annual self-evaluation of its work and expertise when required.

Risk management and internal controls

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

Remuneration to the Board

The Board's remuneration reflects its responsibilities, expertise, time spent and complexity of the business and is not dependent on results. Any remuneration to the Board is listed in the notes to the annual accounts. No options are allocated to the Board. In cases where the board members undertake significant work for the company, the whole Board must be informed and the fee approved by the Board. Remuneration for such projects must be highlighted in the annual accounts. All transactions between board members or employees (or companies they represent or are associated with) shall be in accordance with the "arm's 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 the board members. Remuneration to the board members is considered to be at market level for the industry.

Remuneration of key personnel

The Managing Director's remuneration is fixed by the Board at a meeting. Other elements of the remuneration of the Managing Director are stated in the notes to the annual accounts. Guidelines for remuneration to 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 option programs for employees.

Information and communication

To ensure equal treatment of shareholders, the company aims to ensure that the stock 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 financial calendar on the Company's website www.solstad.no and submitted as a stock exchange notice to the Oslo Stock Exchange. In addition, there is continuous dialogue with, and presentations to, analysts and investors. Information is provided via stock exchange notices, by dialogue with analysts and general presentations to investors as well presentations to brokers and potential investors.

Takeovers

Solstad Offshore ASA has no defense mechanisms against acquisitions in its Articles of Association relating to share acquisition and has no other measures in place that restrict the opportunity to purchase shares in the company. If a bid is made on its shares, the Board will work to ensure that shareholders have the information and time to evaluate the bid and give their evaluation of the bid and a recommendation as to whether or not the shareholders should accept it.

Auditors

The auditors shall present an annual audit plan to the audit committee outlining the audit work. Furthermore, the auditors will prepare a report on their observations relating to adherence to accounting principles, areas of risk, internal control routines etc. The auditors will provide written confirmation each year that they remain independent and objective. The auditors will also attend the board meeting relating to the annual accounts as well as the Company's Annual General Meeting.

If the auditors are to be involved in a prolonged advisory capacity, this must be approved by the Board. The auditor's fees are stated in the notes to the annual accounts. The audit committee and auditor meet annually without the Managing Director or a representative from the administration being present.

CONSOLIDATED
FOR SOLSTAD OFFSHORE ASA

Operations in the North Sea

Normand Subsea in action in the North Sea. The charterer is Subsea 7 and the vessel is being utilized on a subsea standby contract with Shell. The main operations are inpection and maintenance on the Ormen Lange field. The capacity of this field covers up to 20% of Great Britains gas demand.

STATEMENT OF COMPREHENSIVE INCOME

1.1 - 31.12

GROUP			(NOK 1 000)
	Notes	**2010**	**2009**
Freight income	4	2 613 557	2 518 532
Other operating income	4,5	3 308	10 851
Total operating income		**2 616 866**	**2 529 383**
Personnel costs	5,6	-960 795	-804 252
Ordinary depreciation and write downs	8	-446 002	-583 523
Depreciation on capitalised periodic maintenance	8	-192 591	-145 425
Other operating expenses	5	-697 784	-565 559
Insurance claims	10	20 051	32 571
Income from investment in associated companies	9	2 511	2 413
Total operating costs		**-2 274 610**	**-2 063 775**
Operating profit/loss		**342 256**	**465 608**
Interest income		26 928	13 753
Other financial income		789 234	1 314 342
Interest charges		-370 654	-254 153
Other finance costs		-654 591	-673 200
Net financing	**7**	**-209 083**	**400 742**
Ordinary profit before taxes		**133 173**	**866 350**
Tax on ordinary result	12	-114 158	171 441
Net profit for year		**19 015**	**1 037 791**
Comprehensive income			
Translation adjustments foreign currency		-4 193	-46 029
Net gain on available for sale financial assets		15	30 713
Comprehensive income		**14 837**	**1 022 475**
Net profit attributable to:			
Minority shares		-29 404	10 333
Majority shares		48 419	1 027 458
Comprehensive income attributable to:			
Minority shares		-29 404	10 333
Majority shares		44 241	1 012 141
Earnings and diluted earnings per share (NOK)	14	1,29	27,28

BALANCE SHEETS

GROUP		(NOK 1 000)	
	Notes	**31.12.10**	**31.12.09**
ASSETS			
Long-term assets			
Intangible fixed assets			
Deferred tax asset	**12**	**17 362**	
Long-term fixed assets			
Vessels and new build contracts	2,8	13 490 052	9 678 572
Capitalized periodic maintenance	8	252 378	177 386
Other tangible fixed assets	8	28 420	28 986
Total long-term fixed assets		**13 770 849**	**9 884 944**
Financial assets			
Investments in associated companies	9	21 300	18 789
Investments in stocks and shares	9	4 552	2 793
Other financial assets	3	40 038	44 068
Other long-term receivables	19	9 589	5 971
Pension funds	6	9 350	17 074
Total financial assets		**84 829**	**88 695**
Total long-term assets		**13 873 041**	**9 973 639**
Current assets			
Stock	**21**	**59 377**	**39 471**
Receivables			
Account receivables	20	521 736	466 456
Other short-term receivables	20	215 586	264 653
Other current financial assets	3	11 834	77 348
Total receivables		**749 156**	**808 458**
Investments			
Market based shares	9	321	306
Bank deposits and cash equivalents	**16**	**871 718**	**1 444 672**
Total current assets		**1 680 572**	**2 292 906**
Asset held for sale	**8**	**12 790**	
TOTAL ASSETS		**15 566 404**	**12 266 546**

BALANCE SHEETS

GROUP		(NOK 1 000)	
	Notes	**31.12.10**	**31.12.09**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital (37.794.160 at NOK 2.00)	13	75 588	75 588
Treasury shares	13	-380	-415
Other paid-in capital		111 648	111 648
Share premium reserve		1 541 815	1 541 815
Total restricted equity		**1 728 671**	**1 728 636**
Earned equity			
Other equity		2 836 129	2 883 158
Total earned equity		**2 836 129**	**2 883 158**
Minority interests	**25**	**424 643**	**18 525**
Total equity		**4 989 443**	**4 630 320**
Liabilities			
Provisions			
Deferred tax	12		26 970
Taxes payable	12	77 543	
Deferred income	22		8 596
Other financial liabilities	3	31 660	10 392
Total provisions		**109 202**	**45 959**
Other long-term liabilities			
Other long-term loans		33 600	34 668
Debt to credit institutions/leasing obligations	11	8 550 448	6 379 214
Total long-term liabilities		**8 584 047**	**6 413 882**
Current liabilities			
Accounts payable		311 048	162 735
Bank overdraft	3	102 734	100 332
Taxes payable	12	105 677	91 845
Accrued salaries and related taxes		50 650	49 756
Other current financial liabilities	3	5 909	
Other current liabilities	23	285 735	205 851
Current interest bearing liabilities	10,11	1 021 957	565 866
Total current liabilities		**1 883 711**	**1 176 384**
Total liabilities		**10 576 960**	**7 636 225**
TOTAL EQUITY AND LIABILITIES		**15 566 404**	**12 266 546**
Mortgages	11		
Guarantees etc.	3,7,11		

Skudeneshavn, April 29, 2011

Harald Eikesdal
Chairman

Johannes Solstad
Deputy Chairman

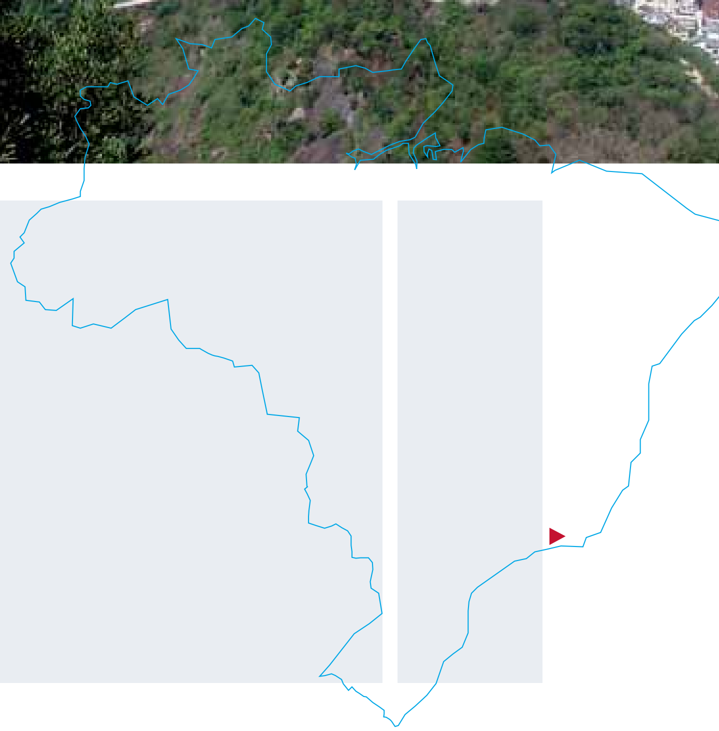
Toril Eidesvik
Director

Anette Solstad
Member of the Board

Ketil Lenning
Director

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 currently employees around 15 office personell to assist company's vessels operating in Brazil.

STATEMENT OF CHANGES IN EQUITY

GROUP (NOK 1.000)

	Note	Share capital	Treasury shares	Share premium reserve	Other paid-in capital	Translation adjustments	Value changes	Other equity	Total majority shares	Minority shares	Total equity
Equity 01.01.2009		**75 588**	**-223**		**111 648**	**40 610**	**96 552**	**3 357 514**	**3 681 690**	**15 934**	**3 697 624**
Annual result								1 027 458	1 027 458	10 333	1 037 791
Translation adjustments						-46 029			-46 029		-46 029
Value changes in assets											
available for sale	9						30 713		30 713		30 713
Comprehensive income						**-46 029**	**30 713**	**1 027 458**	**1 012 141**	**10 333**	**1 022 475**
Purchase treasury shares	13		-229					-10 105	-10 335		-10 335
Sale treasury shares	13		37					1 939	1 977		1 977
Capital injection				1 541 815				-1 541 815			
Paid-out dividend/ surplus								-75 588	-75 588	-7 945	-83 533
Unallocated dividend on treasury shares								223	223		223
Other adjustments (*)								1 687	1 687	203	1 890
Equity 31.12.2009		**75 588**	**-415**	**1 541 815**	**111 648**	**-5 419**	**127 265**	**2 761 313**	**4 611 795**	**18 525**	**4 630 320**
Equity 01.01.2010		**75 588**	**-415**	**1 541 815**	**111 648**	**-5 419**	**127 265**	**2 761 313**	**4 611 795**	**18 525**	**4 630 320**
Annual result								48 419	48 419	-29 404	19 015
Translation adjustments						-4 193			-4 193		-4 193
Value changes in assets											
available for sale	9						15		15		15
Comprehensive income						**-4 193**	**15**	**48 419**	**44 241**	**-29 404**	**14 837**
Sale treasury shares	13		35					1 796	1 831		1 831
Minority from business combin.	25							1 146	1 146	440 272	441 419
Paid dividend/ surplus								-94 485	-94 485	-4 256	-98 742
Unallocated dividend on treasury shares								519	519		519
Other adjustments (*)								-247	-247	-494	-741
Equity 31.12.2010		**75 588**	**-380**	**1 541 815**	**111 648**	**-9 612**	**127 280**	**2 718 461**	**4 564 800**	**424 643**	**4 989 443**

* Other adjustments consist mainly of excess-/ less value on minority acquisitions.

STATEMENT OF CASH FLOW

1.1 - 31.12

GROUP		(NOK 1 000)	
		2010	**2009**
CASH FLOW FROM OPERATIONS			
Result before tax		**133 173**	**866 350**
Taxes payable		-82 503	-44 410
Ordinary depreciation and write downs		638 593	728 949
Loss/ gain long-term assets		-119 494	-152 789
Interest income		-26 928	-13 753
Interest expense		370 654	254 153
Effect of change in pension assets		7 724	-7 120
Change in value of financial instruments		96 721	-156 632
Unrealised currency gain/loss		-25 562	-260 140
Change in short-term receivables/payables		85 648	145 659
Change in other accruals		85 802	-16 522
Net cash flow from operations	**(A)**	**1 163 828**	**1 343 746**
CASH FLOW FROM INVESTMENTS			
Investment in tangible fixed assets (vessels)		-2 983 160	-885 674
Payment of periodic maintenance		-267 583	-120 883
Sale of fixed assets (vessels)		372	229 077
Write-down of financial assets			-430
Investments in other shares/ interests		-1 759	-12 482
Realized shares and interests			31 277
Net cash flow from investments	**(B)**	**-3 252 130**	**-759 114**
CASH FLOW FROM FINANCING			
Payment to minority interests		-4 256	-7 945
Payment of dividends		-93 966	-75 365
Paid-in interests		27 892	16 303
Paid-out interests		-358 142	-284 973
Purchase/ sale treasury shares		1 831	-8 358
Paid-in long-term receivables			9 101
Payment of long-term receivables		-3 618	
Bank overdraft		2 402	-338 362
Long-term debt		2 883 221	2 809 205
Repayment of long-term debt		-940 016	-2 089 502
Net cash flow from financing	**(C)**	**1 515 349**	**30 104**
Net change in cash and cash equivalents	**(A+B+C)**	**-572 954**	**614 735**
Cash and cash equivalents at 01.01		**1 444 672**	**829 936**
Cash and cash equivalents at 31.12	**(Note 16)**	**871 718**	**1 444 672**

Onboard

Chief Engineer Bjørn Sindre Skår has full control of the engine room of Normand Prosper.

NOTES

NOTE 1 Accounting Principles
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 29th of April 2011, and will be presented for approval at 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 are 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, and are presented in Norwegian Kroner.

CHANGES IN ACCOUNTING PRINCIPLES During 2010, 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.

IAS 1 (Amendment) – Presentation of Financial Statements. The revised standard provides clarification stating that classification (short or long-term) of a liability shall not be affected by a whether the liability can be settled by issuing new equity. The Group has used the amended IAS 1 (R) with effect from January 1st 2010.

IAS 27 (Revision) – Consolidated accounts and separate Financial Statements. Compared to the current IAS 27 the new, revised standard includes further guidelines for accounting for changes in shares in subsidiaries and disposal of subsidiaries. Furthermore, the current rules for apportionment of loss between majority and minorities have been amended and any deficit shall be charged to the minority even if it is negative. The Group implemented IAS 27 (R) with effect from 1st January 2010.

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. The Group has used the revised IFRS for acquisitions after July 1st, 2009.

IFRS 5 (Appendix) – Non-current assets held-for-sale. This appendix states that, if a planned partial sale of a subsidiary results in the loss of controlling interest all assets and debts in the subsidiary should be classified as held-for-sale. The Group has used the IFRS 5 (Appendix) from July 1st, 2009.

APPROVED IFRS AND IFRIC INTERPRETATIONS NOT YET IMPLEMENTED

IFRS 9 (Appendix) – Financial Instruments. IFRS 9 replaces the classification and measurement rules in IAS 39 Financial Instruments - recognition and measurement for financial instruments. According to IFRS 9, financial assets with standard loan terms shall be measured at amortized cost, unless one opts to measure these assets at fair value. All other financial assets shall be measured at fair value. The classification and measurement of financial liabilities under IFRS 9 is a continuation of IAS 39, with the exception of financial liabilities designated at fair value through profit or loss (fair value option), where a change in fair value relating to own credit risk shall be identified and shall be presented in other income. IFRS 9 comes in to effect on or after 1 January 2013, but the standard is not yet approved by the EU. The Group expects to apply IFRS 9 as of 1 January 2013.

IAS 24 (revised) Related Party Disclosures. The revised IAS 24 clarifies and simplifies the definition of a related party, compared to the current IAS 24. IAS 24 (R) is effective for annual periods beginning on or after 1 January 2011, but the revised standard is not yet approved by the EU. The Group expects to implement IAS 24 (R) as of 1 January 2011.

IFRIC 14 (Amendment) IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - Prepayments of a Minimum funding Requirement The amendment to IFRIC 14 intends to correct an unintended consequence of IFRIC 14 IAS 19 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. This amendment will allow entities to recognise a prepayment of pension contributions as an asset rather than as an expense. The amendment is effective for annual periods beginning on or after 1 January 2011. The Group expects to implement the amendment as of 1 January 2011.

Annual improvements project 2010 The IASB issued amendments to its standards and the related Basis for Conclusions in its annual "improvements to IFRSs". The improvement project is an annual project that provides a mechanism for making necessary but non-urgent amendments. The improvements are effective for annual periods beginning on 1 July 2010 or later, but the improvements are not yet approved by the EU. The Group plans to implement the amendments from 1 January 2011.

- *IFRS 3 Business Combinations:* Clarifies that the amendments to IFRS 7, IAS 32 and IAS 39, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3(R).

Introduces a limit on the scope of the measurement choices for components of non-controlling interests.

Clarification regarding the requirements of an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transaction. If the entity replaces the acquiree's awards that expire as a consequence of the business combination, these are recognised as post-combination expenses.

- IFRS *7 Financial Instruments – Disclosures:* Emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. In addition changes are made to disclosure requirements relating to quantitative information and to credit risk.
- IAS 1 *Presentation of Financial Statements*

Clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

- IAS 27 *Consolidated and Separate Financial Statements:*

Clarifies that the consequential amendments from IAS 27 made to IAS 21, IAS 28 and IAS 31, apply prospectively for annual periods beginning on or after 1 July 2009 or earlier when IAS 27 is applied early.

None of the above mentioned changes are expected to have material effect on the profit and loss accounts.

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

NOTES

indirect ownership of more than 50% of the voting shares, or otherwise has direct control. Share options, convertibles and other equity instruments are evaluated when assessing whether control exists.

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

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

Subsidiaries and joint ventures are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Acquisitions of subsidiaries and joint ventures are accounted for using the purchase method of accounting. The cost of an acquisition is calculated as the fair value of assets acquired, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. Any excess cost of acquisition over the fair value of the net assets of the subsidiary or joint venture acquired calculated at the date of handover, will be posted as goodwill.

All inter-company transactions, receivables, liabilities and unrealized profits, as well as intra-group profit distributions, are eliminated. In the consolidation, the profit and loss accounts of foreign subsidiaries and joint ventures are translated using the exchange rate on the day of the 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 as 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 principles 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. Changes posted directly in the associates' comprehensive income or equity, are recognized pro-rata in the Group accounts, and are, where applicable, disclosed in other income and 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 amortizsed 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 the 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. Any translation adjustments are included in comprehensive income.

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

	GBP	USD	EUR	BRL
Per 31.12.09	9,3170	5,7767	8,3150	3,3200
Per 31.12.10	9,0680	5,8654	7,8125	3,5292

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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 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. All accounting policies applied in the segment reporting are the same as used in the Group reporting.

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

PROPERTY, PLANT AND EQUIPMENT – WRITE-OFFS AND DEPRECIATION 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 value 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 is separately identified and depreciated over that component's useful lifetime. The ships are divided into the following components: hull, anchor handling, loading and unloading equipment, thrusters, DP and lifting equipment and other equipment. Based on the Group's periodic maintenance program and running replacement the vessels vital parts, the depreciation profile is set to 30 years for all of the components, except for planned periodic maintenance. 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, which usually is 24-36 months.

The book 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. The business segments are the Group's strategic units of control. However, while calculating the recoverable amount, each vessel is treated as one cash-generating unit. 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. The depreciation starts from when a new build is delivered from the yard.

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.

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. 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.

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 time frame 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. Companies taxed under The Norwegian Shipping Tax Regime will not be taxed on its net operating profit. Taxation under the shipping

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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 taxable financial income is taxed according to the shipping tax regime (28%).

Operations on foreign continental shelves are, in a number of cases, taxable to the state of operation. In such cases the tax is computed according to the tax legislation of the current state, combined with any double taxation avoidance agreement between the state where the ship owner is registered and the state where the operation is performed. Income tax based on a net result is classified as income tax. Other taxes are classified as contract related expenses.

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 tax payable.

The recognized 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 plan for seamen and administrative personnel, and a contribution plan for administrative personnel hired after 1.1.2007, which is expensed on a current basis. The liability of the defined benefit pension plan 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

Charter 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.
Rental income Revenue classified as rental income is recognized in the period of which is performed, and is accrued at the end of the accounting period.
Dividends Dividends are calculated when the shareholder's right to receive the payment is established (by resolution at the general meeting).
Other income Other income, such as commissions, provisions, management fees, are recognized in the period in which they are performed.

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 AND KEY MEASURING ITEMS 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. Useful life has been changed for some of the components in 2010. For further details, refer to note 4.
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 2010 and 2009 are USD 330 and USD 280 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 the 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 over-funding for 2009 was NOK 17.1 million whilst at the end of 2010 the over-funding was NOK 9.4 million.
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. Relating to financial assets, measurements are based on observable market prices, public accounting information and general and specific market prospects relevant to the certain financial asset.
Allocation of excess value relating to any business combinations is, amongst other, based on expected cash flows and results from the certain items of the acquired 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.

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NOTE 2 MAJOR TRANSACTIONS/EVENTS

Major transactions/ events in 2010:
During 2010, the Group took delivery of four vessels. Two anchor-handling vessel (AHTS) were delivered in the 2nd quarter, while two construction service vessels (CSV) were delivered in 2nd quarter and 4th quarter respectively. The vessels had cost prices of NOK 714 million, NOK 702 million, NOK 459 million and NOK 786 million, respectively.

In the 2nd quarter the Group entered a contract for the construction of a platfom supply vessel (PSV). This hybrid vessel, using fuel of diesel and LNG, is to be delivered in November 2011 and has a contract price of NOK 466 million.

In April, the Ministry of Finance proposed new transition rules for final settlement of tax relating to the old tonnage tax regime. The proposal was a choice between a voluntary exit, or to continue in a retrenched base tonnage tax regime. In the 2nd quarter, the Group chose the voluntary exit, and recorded a discounted tax expense of NOK 116 million. The tax is payable over the next three years, with the first installment in 2011. Refer to note 12 for further details.

In the 3rd quarter the Group increased its stake in Nor Offshore Ltd (NOR) from 50% to 56.4% through a share emission. Previously NOR was accounted for as a joint venture (JV), where the Group's 50% share was consolidated using proportional line by line consolidation. With effect from the 4th quarter NOR is accounted for as a subsidiary. An additional increase to 59.1% was performed in the 4th quarter. Refer to note 25 for further details.

Major transactions/ events in 2009:
In 2009, the Group took delivery of two construction service vessels (CSV). The first was delivered in the 2nd quarter, and is 50% owned through Nor Offshore Ltd (NOR), while the second was delivered in the 4th quarter, and is 100% owned by Solstad Rederi AS. The vessels' cost price was USD 37.5 million and NOK 800 million, respectively.

In the 2nd quarter, the Group reached an agreement with the other owners of Rem Offshore ASA for division of the company. Through a de-merger the Group acquired, amongst others, 7 vessels (3 CSV's, 3 PSV's and one AHTS) and one new build contract (AHTS). In addition, the transaction resulted in a gain of NOK 261.5 million, NOK 134 million of which is posted through profit and loss, while NOK 127.5 million is booked directly to equity. The division was done by a de-merger of existing companies. Only some of the shares were realized through the demerger, and the remainder were booked directly to equity.

One new build contract (AHTS), was cancelled in 2008 when the yard went bankrupt and was re-contracted in 2009 through a different yard. The vessel, with expected delivery in April 2010, had a cost price of NOK 720 million.

In the 4th quarter the Group issued a net bond loan of NOK 450 million.

In February 2010, the Norwegian Supreme Court ruled the lawsuit against the Norwegian State, relating to the proposed exit-tax from the previous tonnage tax system, as unconstitutional. Hence, the Group has posted NOK 312 million as a tax revenue in the 4th quarter. This amount equals the remaining 2/3 of the discounted tax charged as tax expense in 2007. The last third part (environmental share) was posted as income in 2008.

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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.

Derivatives are only used to manage the risk to fluctuations in interest 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, 2010, accounts receivables were NOK 521.7 million (NOK 465.5 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. Non-fulfilment of such contracts is not anticipated as the Group only uses well known conventional derivatives with recognized financial institutions.

Further, the Group is exposed through guarantees issued on behalf of subsidiaries, joint ventures and associated companies. As the value of the assets placed as security for the guaranteed mortgages exceeds the loans, the credit risk related to the guarantees is considered to be low. Further refer to note 11.

The following table shows the ageing trade accounts receivables:

per. 31.12.2009	Not yet due	0 - 1 month over due	1- 3 months over due	Older than 3 months
Trade accounts receivable	264 762	140 787	58 558	2 349

per. 31.12.2010	Not yet due	0 - 1 month over due	1- 3 months over due	Older than 3 months
Trade accounts receivable	280 403	99 100	73 785	68 448

75% of the trade accounts receivable at year-end relates to 21 customers. The top 10 customers amount to 55% of total trade accounts receivable.
There are no accruals for bad debt at 31.12.2010 or at 31.12.2009. 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 cash flow 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, 2010 the Group has entered 5 fixed interest rate contracts, with up to 7 years maturity, for approximately 10% of total debt. Further, 3 fixed interest rate contracts, as CIRR financing up to 8 years maturity, are entered in to for approximately 6% of the debt. The remaining 84% of the debt has floating interest. As at December 31 2010, the interest swaps have a negative value of NOK 4.8 million (negative NOK 10.4 million). The Group has entered interest and currency swap agreements with 1-9 years maturity. At December 31, 2010 these agreements have a net positive value of NOK 35 million (NOK 32 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 variables are unchanged:

Increase/ decrease of basis points		Effect on result before tax
+ / - 100	2010	+ / - 72.362
+ / - 100	2009	+ / - 52.742

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, 2010; NOK 55%, USD 33.5% and GBP 9.5%. 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 2 new ships on contract from Norwegian shipyards and one vessel in Singapore, with a total contract price of approx NOK 3 billion. As at 31.12.2010, none of these ships has any long-term firm charter party.

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 in all currencies		Effect on result before tax
+ / - 10%	2010	+ / - 235.470
+ / - 10%	2009	+ / - 175.360

Increase/decrease in all currencies		Effect on result before tax
+ / - 10%	2010	+ / - 156.271
+ / - 10%	2009	+ / - 117.986

Increase/decrease in all currencies		Effect on result before tax
+ / - 10%	2010	+ / - 49.829
+ / - 10%	2009	+ / - 59.411

Further effect on equity is considered immaterial.

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LIQUIDITY RISK The Group's objective is to maintain a 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 10% of long-term interest bearing loans. This objective was met both at the end of 2009 and 2010. 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.

per. 31.12.2010	Less than 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
Interest bearing loans	314 323	1 266 351	9 642 652	906 365	12 129 691
Other debt			33 600		33 600
Trade accounts payable	311 048				311 048
Financial derivatives	52 901	17 641			70 542
	678 272	**1 283 992**	**9 676 252**	**906 365**	**12 544 881**

CAPITAL STRUCTURE One of the Group's main goals is to maintain its strong creditworthiness and solidity to support the Group's business and to maximize its 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 its 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	
	2010	**2009**
Total equity	4 989	4 630
Total assets	15 566	12 267
	32 %	38 %

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 is 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.

Fixed rate	Nominal value	Yearly regulation	Currency	Interest rate	Maturity	Value as at 31.12.2010	Value as at 31.12.2009
Contract 1	120 000	30 000	NOK	4,29 %	05.11.2011	-1 612	-3 434
Contract 2	30 000		USD	3,01 %	07.07.2011	-4 368	-6 958
Contract 3	62 705	7 377	USD	1,98 %	05.01.2018	4 646	
Contract 4	27 050	2 100	USD	3,55 %	21.01.2014	-10 642	-7 712
Contract 5	55 380	-6 153	USD	4,85 %	16.04.2012	-22 290	-4 615

Interest- and currency swap contracts	Nominal value	Yearly regulation	Currency	Maturity	Value as at 31.12.2010	Value as at 31.12.2009
Interest- and currency swaps NOK/USD	382 500	45 000	NOK	05.07.2019	32 039	32 773
Interest- and currency swaps USD/NOK	189 281	31 547	NOK	01.11.2013	3 354	

FINANCING RISK

The following table shows the total mortgage loan based on existing financing and their maturity dates as per 31.12.2010:

	Mortgage loan	Drawn	Maturity	Duration	Interest
Loan 1 Floating interest - NOK	33 333	33 333	03.09.2012	20	3,44 %
Loan 2 Floating interest - NOK	50 000	33 005	14.02.2013	25	1,85 %
Loan 3 Floating interest - NOK	595 000	593 125	16.11.2015	57	2,22 %
Loan 4 Floating interest - NOK	621 000	515 751	31.05.2015	52	2,02 %
Loan 5 Floating interest - NOK	630 000	618 714	22.09.2013	32	5,22 %
Loan 6 Floating interest - NOK	466 667	461 957	01.10.2014	44	3,32 %
Loan 7 Floating interest - NOK	405 000	405 000	06.07.2015	53	1,17 %
Loan 8 Floating interest - NOK	50 000	50 000	06.07.2015	53	3,37 %
Loan 9 Floating interest - NOK	125 000	125 000	14.03.2016	61	4,49 %
Loan 10 Floating interest - USD	11 857	11 857	16.09.2014	44	2,60 %

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	Mortgage loan	Drawn	Maturity	Duration	Interest
Loan 11 Floating interest - USD	19 528	19 528	30.01.2014	36	2,30 %
Loan 12 Fixed interest - NOK	160 933	160 933	29.03.2019	97	5,38 %
Loan 13 Fixed interest - NOK	284 667	284 667	15.09.2014	44	6,44 %
Loan 14 Fixed interest - NOK	160 000	160 000	15.09.2014	44	5,93 %
Loan 15 Floating interest - NOK	153 190	153 190	15.09.2014	44	4,06 %
Loan 16 Floating interest - NOK	158 333	158 333	22.04.2013	27	3,08 %
Loan 17 Floating interest - NOK	19 550	19 550	21.12.2012	23	3,46 %
Loan 18 Floating interest - NOK	93 333	81 754	16.06.2014	41	2,55 %
Loan 19 Floating interest - GBP	8 929	8 929	14.01.2014	36	1,44 %
Loan 20 Floating interest - USD	17 334	17 334	14.01.2014	36	1,05 %
Loan 21 Floating interest - NOK	287 500	287 500	30.09.2015	56	4,06 %
Loan 22 Floating interest - USD	108 333	108 333	18.07.2016	65	1,46 %
Loan 23 Floating interest - NOK	1 200	1 200	22.10.2011	10	3,64 %
Loan 24 Floating interest - NOK	2 500	2 500	22.04.2011	4	4,75 %
Loan 25 Floating interest - USD	27 690	27 690	16.04.2012	15	1,86 %
Loan 26 Floating interest - USD	2 600	2 600	16.04.2012	15	1,96 %
Loan 27 Floating interest - USD	4 160	4 160	14.01.2011	0	3,55 %
Loan 28 Floating interest - USD	143 017	28 375	15.09.2015	55	2,95 %
Loan 29 Floating interest - USD	25 313	25 313	15.09.2015	55	3,16 %
Loan 30 Floating interest - USD	30 000	30 000	30.09.2012	21	5,81 %
Loan 31 Floating interest - USD	46 021	46 021	15.09.2015	55	3,19 %
Loan 32 Floating interest - USD	47 917	47 917	29.06.2017	77	1,51 %
Loan 33 Floating interest - NOK	545 000	545 000	05.11.2017	81	3,24 %
Loan 34 Floating interest - NOK	503 125	503 125	09.04.2017	74	5,72 %
Loan 35 Fixed interest - NOK	544 333	544 333	05.05.2022	134	5,12 %
Loan 36 Floating interest - NOK	67 450	67 450	05.05.2020	110	5,52 %
Loan 37 Floating interest - NOK	189 333	7 889	05.05.2028	204	4,19 %
Total mortgage loan in NOK	**9 075 154**	**8 526 204**			
Bank overdraft - USD	17 500	16 975	31.12.2010	12	3,48 %
Bond loan - NOK	700 000	700 000	11.12.2014	58	7,02 %
Bond loan - NOK	137 000	137 000	19.05.2011	16	3,69 %
Bond loan - NOK	209 200	209 200	23.03.2011	14	3,64 %
Total bond loans	**1 046 200**	**1 046 200**			

FOREIGN CURRENCY RISK

The following table shows the booked value of forward contracts. All active forward contracts are entered into after 01.01.2010.

Purchase / sale currency	Value based on forward contract	Value as at 31.12.10	Value based on forward contract	Value as at 31.12.09
Currency contract NOK/USD (current)	70 542	11 834	428 286	77 349
Currency contract NOK/USD (long-term)			70 542	11 295
Total currency contracts	**70 542**	**11 834**	**498 828**	**88 644**

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

Financial assets		2010		2009	
	Note	Booked value	Fair value	Booked value	Fair value
Cash at bank	11,18	871 718	871 718	1 444 672	1 444 672
Investments in shares (long-term)	9	25 852	25 852	21 582	21 582
Other current financial investments		11 834	11 834	77 348	77 348
Other long-term financial investments		49 627	49 627	50 039	50 039
		959 031	**959 031**	**1 593 641**	**1 593 641**

Financial obligations	Note	Booked value	Fair value	Booked value	Fair value
Short-term part of long-term debt	11	1 021 957	1 021 957	565 866	565 866
Mortgage loan with floating interest	11	7 376 271	7 411 664	5 225 881	5 258 653
Mortgage loan with fixed interest	11	1 149 933	1 115 667	673 000	650 281
Leasing obligation with floating interest	11	4 617	4 617	10 158	10 158
		9 552 779	**9 553 905**	**6 474 905**	**6 484 959**

Fair value hierarchy The Group use the following hierarchy for valuation and presentation of financial instruments:
Level 1: quoted prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data
The Group's level 1 includes shares in listed companies, refer to note 9 for further details.
Level 2 includes fixed interest contracts, interest and currency swap contracts and currency contracts, refer above for further details.
The Groups has no financial instruments in level 3 as per 31.12.2010.

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) 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	
Revenues	**2010**	**2009**	**2010**	**2009**
Net revenues	1 085 254	1 260 857	359 279	295 780
Deferred income from assets	1 374	5 432	455	1 274
Total operating income	**1 086 628**	**1 266 289**	**359 733**	**297 054**
Results				
Operating result	134 791	453 525	20 572	-64
Result from associated companies		2 413		
Operating result (1)	**134 791**	**455 938**	**20 572**	**-64**
Assets and liabilities				
Fixed assets	4 208 605	2 411 720	1 361 866	1 371 220
Total assets	**4 208 605**	**2 411 720**	**1 361 866**	**1 371 220**
Segment liabilities	3 523 329	1 886 801	704 728	786 074
Total liabilities	**3 523 329**	**1 886 801**	**704 728**	**786 074**
Other segment information				
Annual investment	1 975 425	500 110	48 342	709 528
Depreciation and write-downs (2)	244 457	222 757	84 236	86 755

	CSV		Other	
Revenues	**2010**	**2009**	**2010**	**2009**
Net revenues	1 169 024	961 896		
Deferred income from assets	1 480	4 144		
Total operating income	**1 170 504**	**966 040**		
Results				
Operating result	174 869	17 751	-8 488	-8 016
Result from associated companies			2 511	
Operating result (1)	**174 869**	**17 751**	**-5 977**	**-8 016**
Assets and liabilities				
Fixed assets	6 246 461	4 985 214	1 714 329	939 405
Investments in associated companies			21 300	18 789
Total assets	**6 246 461**	**4 985 214**	**1 735 629**	**958 194**
Segment liabilities	4 452 559	3 334 590	5 817	12 558
Total liabilities	**4 452 559**	**3 334 590**	**5 817**	**12 558**
Other segment information				
Annual investment	1 471 550	2 290 534	774 388	-341 104
Depreciation and write-downs (2)	301 413	411 420	8 488	8 016

NOTES

	Total	
Revenues	**2010**	**2009**
Net revenues	2 613 557	2 518 532
Deferred income from assets	3 308	10 851
Total operating income	**2 616 866**	**2 529 383**
Results		
Operating result	321 745	463 195
Result from associated companies	2 511	2 413
Operating result (1)	**324 256**	**465 608**
Assets and liabilities		
Fixed assets	13 531 262	9 707 558
Investments in associated companies	21 300	18 789
Unallocated assets	2 013 842	2 540 199
Total assets	**15 566 404**	**12 266 546**
Segment liabilities	8 686 434	6 020 023
Unallocated liabilities	885 970	925 058
Total liabilities	**9 572 404**	**6 945 081**
Other segment information		
Annual investment	4 269 705	3 159 069
Depreciations and write-downs (2)	638 593	728 949

(1) The segment result is presented exclusive interests, currency gain/ loss and other financial items.

(2) 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 2010, PSV revenue is mainly from activity in the North Sea and the Baltic Sea, while revenues for AHTS and CSV activity are divided over all geographic areas.

Net revenues are allocated to the following areas:		**2010**		**2009**
North Sea	41 %	1 076 737	30 %	762 348
North- and Central America	5 %	131 288	11 %	270 430
Mediterranean/remaining part of Europe	7 %	192 570	12 %	298 062
West Africa	4 %	92 208	3 %	71 658
South America	21 %	540 915	24 %	593 765
Asia	22 %	579 840	21 %	526 988
Total	**100 %**	**2 613 557**	**100 %**	**2 523 250**

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 IFRS 8.

NOTES

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

Other operating income	**2010**	**2009**
Other income	3 308	10 851
Total other operating income	**3 308**	**10 851**

Other operating expenses	**2010**	**2009**
Technical cost	378 683	343 369
Bunkers and lube oil	40 412	36 284
Administration expenses - vessels	50 083	23 566
Insurance	73 383	64 388
IT, communications and other costs	155 224	97 952
Total other operating expense	**697 784**	**565 559**

Wages and personnel costs	**2010**	**2009**
Employees, vessels	882 369	733 869
Employees, administration	78 426	70 383
Total employee cost	**960 795**	**804 252**

Wages and employee cost	**2010**	**2009**
Wages	621 162	556 936
Social security	78 072	57 303
Pension costs	23 713	20 015
Other benefits	46 812	28 923
Travelling costs, courses and other personnel costs	191 036	141 074
Total employee cost	**960 795**	**804 252**

Average number of employees	1 114	990

The Group has received grants in respect of crew subsidiaries and net wage agreements totalling NOK 68 million (2009 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:				
2010	12	3 225	203	151
2009	12	3 281	194	148

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.

	2010	**2009**
Audit - statutory accounts	1 712	1 737
Other attestation services	24	6
Tax related services	1 808	798
Other services	112	888
Total	**3 655**	**3 428**

Audit fees relates to statutory audit of accounts. Fees for tax advice include, 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 2010, there are 881 members of the pension plan. The scheme is based on the following assumptions: discounted interest 3.6% (4.4%), expected return 5.0% (5.6%), regulation of salaries 4.0% (4.25%) and regulation of pensions 3.75% (4.0%).

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 2010, the plan had 55 members.

Changes in pension obligations	**2010**	**2009**
Estimated liability at beginning of the year	150 782	130 917
Interest expense	6 558	4 920
Annual pension earnings	18 905	16 274
Benefits paid	-3 484	-2 876
Actuarial (gain)/ loss on the obligation	19 207	1 547
Estimated liability at year end	**191 967**	**150 782**
Changes in plan assets		
Opening value of plan assets	106 947	85 159
Expected return	6 330	5 581
Contributions by employer	16 480	25 813
Benefits paid	-3 484	-2 876
Administration expense	-828	-823
Actuarial gain/ (loss)	-2 896	-5 906
Estimated plan assets at year end	**122 549**	**106 947**
Expected contribution by employer in 2010 is NOK 27 million.		
Net plan assets/liabilities		
Pension liabilities	-191 967	-150 782
Plan assets	122 549	106 947
Unrecognized changes in assumptions	77 613	58 799
Social security	-1 156	-2 110
Net plan assets/ (liabilities)	**9 351**	**17 074**
Pension cost		
Present value of pension obligations	18 905	16 274
Interest expense on obligation	6 558	4 920
Expected return on plan assets	-6 330	-5 581
Administration expense	828	823
Changes in assumptions charged	3 752	3 579
Social security	2 814	2 318
Pension cost	**26 527**	**22 333**
Payments on contribution plan	1 769	1 671
Actual return on plan assets	3 434	-326
Total pension cost	**28 296**	**24 004**

Pension liability for 2009 and 2010 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 5.6% to 5.0% in 2010.

The effect of changes of estimates between actual and return is charged over a 9 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	**2010**	**2009**
Interest expense	-370 654	-254 153
Interest income	26 928	13 753
Currency loss	-523 895	-609 749
Currency gain	554 371	849 851
Gain financial derivatives (ref note 3)	117 833	311 026
Loss financial derivatives	-126 692	-39 866
Gain sale shares (ref note 2 and 25)	116 967	152 181
Loss on sale of stocks, shares and other investments		-5 155
Dividends	62	1 284
Other financial expense	-4 003	-18 429
Net financial items	**-209 083**	**400 742**

NOTE 8 TANGIBLE FIXED ASSETS

	Vessel	**Vessel under construction**	**Fixtures**	**Total**
Cost price 01.01.2009	**8 450 674**	**1 324 170**	**61 761**	**9 836 604**
Acc. depreciation/ write downs 01.01.2009	-2 454 852	-30 133	-28 422	-2 513 408
Book value 01.01.2009	**5 995 822**	**1 294 036**	**33 338**	**7 323 196**
Additions	2 638 344	746 100	3 702	3 388 146
Transfer	860 275	-860 275		
Disposals	-3 508	-255 665	-250	-259 423
Disposal of acc. depreciations/ write downs		30 133	213	30 346
Translation adjustment	-147 273	-43 911		-191 184
Cost price 31.12.2009	**11 798 512**	**910 419**	**65 212**	**12 774 143**
Acc. depreciation/ write downs 31.12.2009	-3 030 359		-36 226	-3 066 585
Book value 31.12.2009	**8 768 153**	**910 419**	**28 986**	**9 707 558**
Depreciation/ write downs current period	-575 507		-8 016	-583 523
Cost price 01.01.2010	**11 798 512**	**910 419**	**65 212**	**12 774 143**
Acc. depreciation/ write downs 01.01.2010	-3 030 359		-36 226	-3 066 585
Book value 01.01.2010	**8 768 153**	**910 419**	**28 986**	**9 707 558**
Additions	1 712 990	1 261 877	8 293	2 983 160
Additions transition to subsidiary	707 921	559 908		1 267 829
Transfer	1 055 319	-1 055 319		
Disposals			-626	-626
Transfer asset held for sale	-12 709			-12 709
Disposal of acc. depreciations/ write downs			254	254
Translation adjustment	10 063	9 024		19 087
Cost price 31.12.2010	**15 272 015**	**1 685 910**	**72 879**	**17 030 804**
Acc. depreciations/ write downs 31.12.2010	-3 467 873		-44 460	-3 512 333
Book value 31.12.2010	**11 804 142**	**1 685 910**	**28 420**	**13 518 471**
Depreciation/ write downs current period	-437 514		-8 488	-446 002

NOTES

Capitalized periodic maintenance	**2010**	**2009**
Capitalized periodic maintenance at 01.01	177 386	201 928
Additions this year	267 583	120 883
Depreciation of planned periodic maintenance this year	-192 591	-145 425
Capitalized periodic maintenance at 31.12	**252 378**	**177 386**

The vessels are divided into the following categories:

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

Based on the evaluation in previous years, the useful life of the four latter categories are increased by 10 years for the two first and 15 years for the last two, respectively. The main reason for the increased useful life is the Group's program for periodic maintenance and running replacement of the vessels vital parts. The change has effect from 1.1.2010.
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%. Vessels with a book value of NOK 11,585 million are held as a guarantee for the Group's loans, see note 11. Included in these additions is capitalized interest of NOK 17.8 million (NOK 38.7 million). The applied interest rate is 3.90% and 4.35%.

Impairment valuation of fixed assets

Once a quarter, the Group evaluate any issues that might indicate impairment of fixed assets. Throughout 2010, the Group's stock value has been lower than the 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 2011, and for the period 2012-2015. The discounting rate (WACC) used in the recoverable amounts calculation is 7.85%. The impairment tests did not indicate any requirement for further write-down of fixed assets.

NEW BUILD CONTRACTS

As at 31.12.2010 the following ships are under construction (100%):

New build contracts	**Delivery**	**Owner**	**Solstad Share**	**Contract Price**	**Paid Instalments**	**Remaining 31.12.2010**	**Due Date 2011**
NB "730" TBN Normand Oceanic	April 2011	Solstad Rederi AS (*)	100 %	1 250 000	363 725	886 275	49 250
NB "755" TBN Normand Arctic	November 2011	Solstad Rederi AS (*)	100 %	466 000	34 125	431 875	431 875
NorCE Endeavour	April 2011	NorCE Offshore Ltd	59% (1)	1 282 737	1 237 907	44 830	44 830

At 31.12.2009 the following ships were under construction (100%):

New build contracts	**Delivery**	**Owner**	**Solstad Share**	**Contract Price**	**Paid Instalments**	**Remaining 31.12.2009**	**Due Date 2010**
NB "290" TBN Normand Ranger	April 2010	Solstad Rederi AS (*)	100 %	720 000		720 000	720 000
NB "069" TBN Normand Baltic	July 2010	Solstad Rederi AS (*)	100 %	465 500	62 455	403 045	403 045
NB "730" TBN Normand Oceanic	March 2011	Solstad Rederi AS (*)	100 %	1 250 000	148 673	1 101 327	49 250
NB "167" TBN Normand Pacific	September 2010	Solstad Rederi AS (*)	100 %	780 000	106 823	673 178	673 178
NB "724" TBN Normand Prosper	April 2010	Solship AS (**)	100 %	770 000	140 000	630 000	630 000
NorCE Endeavour	June 2010	NorCE Offshore Ltd	50 %	1 126 139	633 554	492 585	492 585

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.
Normand Oceanic and NorCe Endeavour are both financed, while financing of Normand Arctic is under negotiation.

(*) All new build contracts are normally entered in to by Solstad Rederi AS. On delivery, ownership can be transferred to other companies in the Group.
(1) Ownership is 59.1%. Amounts are 100% according to consolidation as subsidiary.

Asset held for sale

One vessel, on operational bare-boat with puchase option, was agreed sold in 2010. Cost price for equipment related to the vessel, totalling NOK 12.8 million is classified as asset held for sale as per 31.12.2010. The sale was performed in March 2011, resulting in a gain of NOK 13.6 million.

NOTES

NOTE 9 SHARES IN ASSOCIATED COMPANIES AND OTHER INVESTMENTS

The Group has the following shares in associated companies (TS):	Place of Business	Owner ship	Date of Financial statement
Deep Well AS	Karmøy	39 %	31.12.2010

Associated companies		**2009**		**2010**	
	Rig Supporter KS	**Deep Well AS**	**Total**	**Deep Well AS**	**Total**
Cost price	5 210	1 307	6 516	18 789	18 789
Acc result and adjustments	-1 075		-1 075		
Book value 01.01.2010	**4 135**	**1 307**	**5 442**	**18 789**	**18 789**
Share of result 2010	2 413		2 413	2 511	2 511
Book value 31.12.2010		**18 789**	**18 789**	**21 300**	**21 300**
Share of balance sheet:					
Current assets		10 341	10 341	15 463	15 463
Long-term assets		33 161	33 161	54 827	54 827
Short-term liablilities		-12 129	-12 129	-12 367	-12 367
Long-term liabilities		-21 104	-21 104	-44 916	-44 916
Net assets		**10 270**	**10 270**	**13 007**	**13 007**
Share of revenues and profit:					
Revenues		20 226	20 226	59 106	59 106
Operating expense	2 394	-19 582	-17 187	-52 655	-52 655
Financial expense	19	-644	-625	-2 940	-2 940
Result before tax	**2 413**		**2 413**	**3 510**	**3 510**
Taxes				-999	-999
Result	**2 413**		**2 413**	**2 511**	**2 511**

Investments available for sale - long term	**2010**		**2009**	
Unlisted shares	**Share**	**Book value**	**Share**	**Book value**
ResQ AS	22,44 %	4 509	22,35 %	2 750
Karm-Med AS	23,40 %	43	23,40 %	43
		4 552		**2 793**

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	**2010**			**2009**		
Listed shares	**Cost price**	**Share**	**Book value**	**Cost price**	**Share**	**Book value**
Rem Offshore ASA	429	0,04 %	321	429	0,04 %	306
			321			**306**

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. In 2009, the Group used its option to convert a subordinated loan to Deep Well AS to share capital. As a result of the conversion, the Group's share in Deep Well AS increased from 18% to 39%. Deep Well AS is now represented as an associated company in the Group accounts.

Net change in value on available for sale financial assets:	**2010**	**2009**
Opening balance	-123	96 552
Sale/ change in value Farstad Shipping shares		-1 945
Exchange of Rem Offshore shares		-94 607
Change in value of Rem Offshore shares	15	-123
Ending balance	**-108**	**-123**

NOTES

NOTE 10 INSURANCE SETTLEMENTS

In cases of damages to vessels and equipment, the Group pays for the repairs in advance. After payment of insurance excesses the Group has received the following compensation from its insurance companies:

	2010	2009
Received compensation	20 051	32 571

During the last two years the Group has posted Loss of Hire-revenues of NOK2.5 million and 5.1 million respectively.

NOTE 11 MORTGAGE DEBT AND OTHER LONG-TERM LIABILITIES

	2010	2009
Mortgages	8 550 448	6 379 214
Leasing obligations	4 617	10 158
Total long-term debt	**8 555 065**	**6 389 373**
Short-term portion of long-term debt (1st year installment)	1 021 957	565 866

For maturity profile, please refer to Note 3.

Book value of assets

	2010	2009
Account receivables	521 736	466 456
Vessels	11 585 163	8 562 852
Total booked value	**12 106 899**	**9 029 308**

Some vessels are placed as security for the mortgages. In addition, accounts receivables 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 59% NOK, 32% USD and 9% GBP at 31.12.2010. The long term debt in NOK is partly linked to the USD through financial instruments. Actual apportionment is 55% USD, 36% NOK and 19% GBP.
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 110-130% of the outstanding loans. The first year's loan installments are exempt from calculation of working capital.
The company satisfies all conditions of the loan agreements at 31.12.09. In addition to the tied assets/negative security clauses the agreements include re-assignment of factoring agreements and insurance terms.

One of the Group's subsidiaries was, at end of 2010, working on refinancing its external debt. At December 31st 2010, the refinancing was not completed. The loan agreements, for loans totalling USD 184.4 million included among others covenant for cash flow from operations. The cash flow from operations in the 4th quarter of 2010, calculated after year end, proved to be too low. The bank issued a waiver on this covenant. However, the waiver was not applied for until February 2011, and based on formal requirements under IFRS, the company did not meet this covenant as per December 31, 2010. As the lender has, unconditionally, confirmed that it has had no intention to put the breach into force, and that such waiver also would have been given at 31 December 2010, if it had been applied for, the loan is viewed as long-term at the issue date of the financial statement. Hence, the Group has chosen not to reclassify the loan to current debt.The loan in question was refinanced by a new long term loan drawn in April 2011. Hence the situation as per December 31, 2010 is no longer present.

Borrowing cost	**2010**	**2009**
Capitalized borrowing cost	59 728	29 630

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

NOTES

Operational lease
Some of the Group's vessels are leased out on long-term charter parties. Revenue from these vessels is posted as operational leases.

	31-12-2010		31-12-2009	
	Minimum payment	Present value minimum payment	Minimum payment	Present value minimum payment
Next year	1 974 090	1 925 941	1 964 600	1 916 683
Next 2-5 years	2 479 153	2 317 155	3 220 891	2 992 194
Over 5 years			72 916	62 876
Finance cost		210 147		286 654
Total minimum lease payment	**4 453 243**	**4 453 243**	**5 258 407**	**5 258 407**

Financial leases
The Group's financial lease agreement is for an offshore crane placed on one of the Group's vessels.

	31-12-2010		31-12-2009	
	Minimum payment	Present value minimum payment	Minimum payment	Present value minimum payment
Next year	4 617	4 505	5 079	4 955
Next 2-5 years			5 079	4 834
Over 5 years				
Finance cost		113		369
Total minimum lease payment	**4 617**	**4 617**	**10 158**	**10 158**

Other lease agreements:

The Group has entered the following lease agreements:	Yearly payment	Maturity	Extension	Adjustment of rent
Offices Skudeneshavn	3 158	2026	4 times 5 years	Consumer price and 5 years swap-rate
Workshop Husøy, Karmøy	2 620	2016		Consumer price
Offices Aberdeen	393	2018		Fixed for the next 5 years

Future minimum payments of lease agreements:	
During the next year	6 172
In next 2-5 years	24 688
Beyond 5 years	34 343
Total minimum lease payments	**65 204**

Solstad Offshore ASA has furnished the following guarantees (NOK mill):	
Solstad Offshore UK Ltd	273 - for purchase of vessels
Solstad Offshore Service Vessel UK Ltd	182 - for purchase of vessels
Trym Titan AS	317 - for purchase of vessels
Nor Offshore Ltd	220- for bare-boat rental and purchase of vessels
Normand Drift AS	12- for financial lease of fixed assets and loans
ADSI Inc	225- for financial lease of vessels
Deep Well AS	91- for financing of fixed assets
Solstad Rederi AS II	68- for bond loan

Solstad Rederi AS has furnished the following guarantees (NOK mill):	
Solship AS	1084 - for financing of vessel

NOTES

NOTE 12 TAXES

	2010	2009
Taxes payable (incl. correction tax)	41 766	62 015
Under/over accrual of tax payable	324	27 745
Exit tax - old shipping tax regime	116 401	-312 415
Change in deferred taxes	-44 333	51 214
Tax on ordinary result	**114 158**	**-171 441**
Apportionment of tax on ordinary result		
Norwegian exit tax - old shipping regime	116 401	-312 415
Norwegian tax - ordinary	-19 268	108 531
Foreign	17 025	32 443
Total tax	**114 158**	**-171 441**
Outside Shipping Tax Regime		
Temporary differences:		
Shares/ownership (current assets)	4 948	8 702
Over funding of pension	23 475	32 025
Fixed assets/ provisions	34 545	129 057
Unrecovered loss carried forward	-124 977	-73 461
Total temporary differences	**-62 009**	**96 323**
Tax effect of temporary differences:		
Shares/ownership (current assets)	1 386	2 437
Pension over-funding	6 573	8 967
Fixed assets/provisions	9 673	36 136
Unrecovered loss carried forward	-34 993	-20 569
Net deferred tax/ deferred tax asset (-)	**-17 362**	**26 970**
Changes in deferred tax in the balance sheet		
Opening balance deferred tax	26 970	-24 244
Booked to profit and loss	-44 333	51 214
End balance deferred tax/ deferred tax asset (-)	**-17 362**	**26 970**
Payable tax in the balance sheet consists of		
Payable exit tax - old shipping tax regime - long term	77 543	
Payable exit tax - old shipping tax regime - current	41 764	
Other payable corporation tax	63 913	91 845
Total payable tax in the balance sheet	**183 220**	**91 845**
Analysis of effective tax rate		
28% of pre-tax result	37 289	242 578
Payable exit tax - old shipping tax regime	116 401	-312 415
Differential in tax rates foreign entities	3 121	-6 034
Permanent differences/ Shipping Tax Regime	-42 651	-95 569
Estimated tax	**114 158**	**-171 441**

The Norwegian Shipping Tax Regime was amended from 1.1.2007. Companies subject to the old regime had to exit this regime, before they could enter into the new regime. On exit, any gain or surplus earned under the old regime was taxed at 28%. 2/3 of the calculated tax was payable and a minimum of 10% per year is payable over ten years. Several shipping companies raised a joint lawsuit against the Norwegian State, claiming that this taxation was unconstitutional. In January 2010, the trial went directly to the Supreme Court, was won by the shipping companies and became effective from February 2010.
In April, the Ministry of Finance proposed new transition rules for final settlement of tax relating to the old tonnage tax regime. The proposal included a choice between a voluntary exit, where a tax equivalent of up to 10% of the estimated settlement account at 01.01.2007 becomes payable, or to continue in a retrenched base tonnage tax regime. The Group chose the voluntary exit, and recorded a discounted tax expense of NOK 116 million in the second quarter. The tax is payable over the next three years, with the first installment in 2011. The Group's tonnage taxed companies has no firm plans to exit the regime.
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 the 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.
The Group has an international business. The taxable treatment of transactions, operations and structures in foreign countries may be challenged by local tax authorities, and may result in future tax obligations. Contingent liabilities are recognized in the accounts if they are more likely than not to occur. There are no provisions for contingent liabilities as per 31.12.2010. The financial statement reflects the Group's best estimate for contingent liabilities at the balance sheet date.

NOTES

NOTE 13 SHARE CAPITAL, SHAREHOLDERS AND TREASURY SHARES

	Share capital	Treasury shares
31.12.2009	75 588	-415
Sale treasury shares (17.550)		35
31.12.2010	**75 588**	**-380**

At 31.12.10, the Company's share capital represents 37,794,160 shares at NOK 2. The number of shareholders at 31.12.10 was 2,389.
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 in force until the next General Meeting.

As at 31.12.2010 the Group had 190,069 treasury shares with cost price of NOK 20.9 million

NOTE 14 EARNINGS PER SHARE

Earnings per share are 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.

	2010	2009
Majority result from ordinary operations	48 419	1 027 458
Average number of shares	37 777	37 867
Treasury shares	190	208
Average number of shares to calculate earnings per share	**37 587**	**37 659**
Earnings per share (NOK)	**1,29**	**27,28**

NOTE 15 TRANSACTIONS WITH RELATED PARTIES

The Group accounts consists of the financial statements of Solstad Offshore ASA and the following subsidiaries, and line-by-line consolidated accounts from joint ventures and associated companies booked as equity investments:

		Solstad Offshore ASA share ownership	
Navn:	**Country:**	**2010**	**2009**
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 %	63 %
Solstad Cable Clipper Ltd	UK	63 %	63 %
Solstad Cable Holland BV	UK	63 %	63 %
ADSI Offshore (UK) Ltd	UK	100 %	100 %
Solstad Management AS	Norway	100 %	100 %
Normand Drift AS	Norway	100 %	100 %
Solstad Rederi AS	Norway	100 %	100
Trym Titan AS	Norway	63 %	63 %
Solstad Shipping AS	Norway	100 %	100 %
Normand Skarven AS	Norway	100 %	100 %
Normand Skarven KS	Norway	71 %	71 %
Solstad Brasil AS	Norway	100 %	100 %
Normand Ranger AS	Norway	100 %	-
Solship AS	Norway	100 %	100 %
Solstad Rederi II AS	Norway	100 %	100 %
Deep Well AS	Norway	39 %	39 %
Nor Offshore LTD	Singapore	59 %	50 %
Solstad Offshore Ltda	Brazil	100 %	100 %
ADSI INC (joint venture)	Switzerland	50 %	50 %
NISA INC (joint venture)	Switzerland	50 %	50 %
Normand Edda AS (joint venture)	Norway	50 %	50 %

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, whilst 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 Rederi II AS and Solship AS
Solstad Brasil AS is parent company to Solstad Offshore Ltda. Solstad Offshore ASA is the parent company for the remaining companies, and also has ultimate control of all companies.

In addition to general management services, the Group has entered the following transactions with associated parties:

	Sale (-) / purchase (+)		Receivables		Payables	
Associated company	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Deep Well AS	-1 583	45	6 648	5 000		
Management and Board of Directors						
Managing Director						
Chairman of the Board		8				
Other associated parties						
Owner of office premises	5 773	5 869				
Owner of shipyard for repairs	296	481			-106	-120

The Group's affiliation with associated parties:

Deep Well AS is an associated company in which the Group has a 39% share. Receivables are subordinated loans and guarantee commission. 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 Normand Skarven KS.

Associated parties are considered to be Board Members (including associated companies) and the company management.
There are no management agreements with associated 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 32.7 million (NOK 28.7 million) on which tax is withheld.

As at December 31, 2010, the balance of cash and cash equivalents in the cash flow statement consist of the following:

	2010	**2009**
Cash and bank deposits	871 718	1 444 672
Total cash and cash equivalents	**871 718**	**1 444 672**

NOTE 17 ENVIRONMENTAL CONDITIONS

All of the company's vessels comply with current environmental requirements. In 2010, none of the company's vessels had conditions imposed on them 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 or relevant Flag State. The company's Quality Assurance system is certified in accordance to NS-EN ISO 9001:2000.

NOTE 18 PAID OUT AND PROPOSED DIVIDEND

Approved and paid out during the year:	**2010**	**2009**	**2008**
Ordinary dividend	94 485	75 588	151 177
Proposed dividend at general meeting:	**2010**	**2009**	**2008**
Ordinary dividend	75 588	94 485	75 588
Per share (NOK)	2,00	2,50	2,00

NOTES

NOTE 19 OTHER LONG-TERM ASSETS

	2010	2009
Loan to other companies	6 121	5 785
Other receivables	3 468	186
Total other long-term assets	**9 589**	**5 971**

The loans are secured convertible loans. Interest rate during 2010 has been 5-6%.

NOTE 20 ACCOUNTS RECEIVABLE AND OTHER SHORT-TERM RECEIVABLES

	2010	2009
Accounts receivable	520 485	466 456
Receivable from associated companies	1 251	
Total accounts receivable	**521 736**	**466 456**
Prepaid expenses	24 189	30 440
VAT receivable	2 686	3 439
Other short-term receivables	188 711	230 774
Total short-term receivables	**215 586**	**264 653**

Other short-term receivables are mainly paid tonnage tax (refundable), refundable insurance claims and prepayment to suppliers.

NOTE 21 STOCK

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

	2010	2009
Provisions	9 324	9 063
Bunkers	32 563	20 767
Lube oil	17 491	9 642
Total stock	**59 377**	**39 471**

NOTE 22 DEFERRED INCOME

Deferred income consists of:

	2010	2009
Fair value charter party contracts		8 596
Total		**8 596**

In connection with the division of Rem Offshore ASA, some of the charter party agreements were deemed to have a lower fair value.
These lower values are amortized over the remaining life of the contracts.

NOTE 23 OTHER CURRENT LIABILITIES

Other current liabilities consist mainly of accrued interest, provision for unrealized loss on financial instruments and provision for planned periodic maintenance at year end.

NOTE 24 LINE-BY-LINE CONSOLIDATION OF JOINT VENTURES

The joint ventures (JV) ADSI Inc (50%), NISA (50%) and Normand Edda AS (50%) are consolidated line-by-line in the financial statement.
Nor Offshore Ltd, previously a joint venture, became a subsidiary as per 30.09.10, hence the 2010 figures in the table below do not include Nor Offshore Ltd.
In the Group accounts, Nor Offshore Ltd is consolidated 50% for the period 1.1.10 - 30.9.10, and 100% in the period 1.10.10 - 31.12.10.
The joint ventures contribute to the Group accounts as follows:

	2010	2009
Revenue	43 157	284 990
Expenses	-63 455	-235 932

	2010	2009
Current assets	18 319	196 056
Long term assets	259 146	1 121 314
Current liabilities	43 708	403 352
Long term liabilities	178 913	693 637

NOTES

ADSI and NISA run 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. Normand Edda AS is based in Norway, but is currently a dormant company.

NOTE 25 BUSINESS COMBINATIONS

As per 30.09.10, the Group increased its stake in Nor Offshore Ltd (NOR) from 50% to 56.4% through a share emission. Based on this transaction NOR is accounted for as a subsidiary (100% consolidation), whilst it previously was accounted for as a joint venture (proportional consolidation). The transaction has been treated according to the rules in IFRS 3 Business Combinations, where the company's assets and liabilities are measured at fair value.

The fair value of the identifiable assets and liabilities at the date of acquisition were:

	Fair Value	**Previous carrying value**
Vessels and new-build contracts	2 333 941	2 177 188
Long-term assets	28 199	
Current assets	150 955	150 955
Cash	195 540	195 540
	2 708 634	**2 523 683**
Provision for taxation	-39 506	-39 506
Term loans	-1 454 256	-1 454 256
Other current liabilities	-202 444	-202 444
	-1 696 206	**-1 696 206**
Net assets	1 012 428	827 476
Minority share (43,6%)	441 419	
Majority share (56,4%)	571 009	

Calculation of gain	
Group's value of shares after emission	571 009
- Emission (shareholders loan and guarantees)	240 488
- Group's posted gain before the emission	213 554
= Majority gain	116 967

The emission was made by converting previously paid shareholders loans to share capital. In addition the, shareholders have provided external guarantees on behalf of the company. These guarantees are included in the calculation of the number of new shares, and in the apportionment of shares between the majority and minority. The reason for the Group's increased shareholding in the company is because it has a greater share of the guarantee exposure than its original 50% shareholding would suggest.

The identified excess values in the company are related to vessels, call-options for vessels on bare-boat hire and some long term time charter agreements. The fair value of vessels and call-options is based on an average market value estimation from three independent brokers.

As a result of this transaction, the Group has posted a gain of NOK 117 million through the profit and loss statement. This gain relates to the identified excess values and the valuation of guarantee exposure issued on behalf of the company.

Acquisition expenses, estimated to NOK 250.000,- are included in Other operating expenses.

The result at the third quarter only includes the Group's 50%-share, while the result in the fourth quarter includes 100%. If the transaction was performed at the beginning of the year, the result before tax would have been NOK 1,3 million higher whilst net freight revenues would have been NOK 165 million higher.

An additional capital injection was made in December, and the total share of interest in NOR is 59,1% as per December 31st, 2010.

NOTE 26 SUBSEQUENT EVENTS

In April 2011, an agreement for purchase of the remaining 40,9% ownership in NOR Offshore Ltd was entered with the other shareholder. The transaction was completed on April 14th, 2011. The purchase price, USD 41.5 million, was settled partly by cash payment and partly by issuing of consideration shares.

CORPORATE ACCOUNTS

FOR SOLSTAD OFFSHORE ASA (PARENT COMPANY)

Rare visit

Normand Installer on a rare visit in Norway. The vessel is normally operates outside West Africa and Brazil. Our charterer and co-owner of the vessel, Single Buoy Moorings Inc., is the worlds largest owner and operator of floating production vessels (FPSO).

PROFIT & LOSS ACCOUNT

1.1 - 31.12

PARENT COMPANY **(NOK 1.000)**

	Notes	2010	2009
Other operating income		1 800	8 027
Total operating income		**1 800**	**8 027**
Personnel costs	4	-5 568	-5 584
Other operating expenses	4	-4 957	-5 456
Total operating costs		**-10 525**	**-11 040**
Operating loss		**-8 725**	**-3 012**
Interest income from companies in the Group		8 005	9 327
Other interest income		21 714	4 959
Other financial income	5	23 627	1 650 857
Interest costs from companies in the Group		-5	
Other interest charges		-67 741	-16 596
Other financial charges	5,7	-4 731	-28 964
Net financing		**-19 130**	**1 619 583**
Ordinary profit before taxes		**-27 855**	**1 616 571**
Tax on ordinary result	10	13 496	-14 463
Net profit for year		**-14 359**	**1 602 107**
Transfers and disposable income			
Dividends	11	75 588	94 485
Transfer from other equity	11	-89 947	1 507 622
Total transfers and disposable income		**-14 359**	**1 602 107**

BALANCE SHEET

PARENT COMPANY		(NOK 1 000)	
	Notes	31.12.2010	31.12.2009
ASSETS			
Fixed Assets			
Intangible fixed assets			
Deferred tax asset	10	33 291	19 795
Financial fixed assets			
Investments in subsidiaries	6	2 764 099	2 419 860
Loan to companies in the Group	9	328 313	247 351
Investment in jointly-owned companies	7	1 706	59 096
Investment in associated companies	7	18 789	18 789
Other long-term receivables	8	87 617	227 080
Total financial fixed assets		**3 200 524**	**2 972 175**
Total fixed assets		**3 233 816**	**2 991 971**
Current assets			
Investments			
Market-based shares	7	140 800	140 800
Receivables			
Other short-term receivables	9	66 640	52 225
Bank deposits and cash equivalents		9 612	330 789
Total current assets		**217 051**	**523 813**
TOTAL ASSETS		**3 450 867**	**3 515 784**

BALANCE SHEET

PARENT COMPANY **(NOK 1 000)**

	Notes	31.12.2010	31.12.2009
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital (37.794.160 at NOK 2.00)		75 588	75 588
Treasury shares		-380	-415
Share premium reserve		111 648	111 648
Total restricted equity	**11**	**186 856**	**186 821**
Earned equity			
Other equity	11	2 190 623	2 278 255
Total earned equity		**2 190 623**	**2 278 255**
Total equity	**11**	**2 377 479**	**2 465 076**
Liabilities			
Provisions			
Other provisions	16	21 018	
Total provisions		**21 018**	
Other long-term liabilities			
Debt Group companies	9	29 287	
Bond Loan	17	837 127	837 127
Total long-term liabilities		**866 414**	**837 127**
Current liabilities			
Accounts payable	9	1 781	13 019
Bank overdraft		102 734	100 332
Dividends	11	75 588	94 485
Other current liabilities		5 853	5 744
Total current liabilities		**185 956**	**213 581**
Total liabilities		**1 073 388**	**1 050 708**
TOTAL EQUITY AND LIABILITIES		**3 450 867**	**3 515 784**
Guarantees etc.	14		

Skudeneshavn, April 29, 2011

Harald Eikesdal
Chairman

Johannes Solstad
Deputy Chairman

Toril Eidesvik
Director

Anette Solstad
Member of the Board

Ketil Lenning
Director

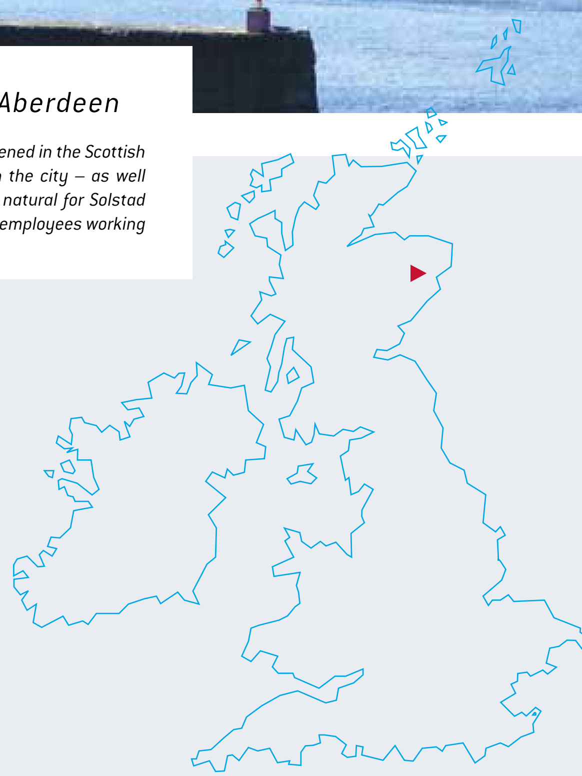
Lars Peder Solstad
Managing Director

STATEMENT OF CASH FLOW

PARENT COMPANY		(NOK 1 000)	
		2010	2009
CASH FLOW FROM OPERATIONS			
Profit/loss before taxes		**-27 855**	**1 616 571**
Taxes payable			201
Unrealised currency gain/loss		10 309	49 620
Change in short-term receivables/payables		-11 239	2 417
Change in other accruals		-14 306	-19 289
Net cash flow from operations	**(A)**	**-43 092**	**1 649 518**
CASH FLOW FROM INVESTMENTS			
Investments in shares		-265 952	-1 701 617
Disposal of shares		120	3 433
Net cash flow from investments	**(B)**	**-265 832**	**-1 698 184**
CASH FLOW FROM FINANCING			
Payment of dividends		-93 966	-75 365
Purchase and sale of treasury shares		1 831	-8 358
Payment of long-term receivables		51 057	-169 274
Bank overdraft		-463	81 279
New/ repayment of (-) long-term debt		29 287	537 127
Net cash flow from financing	**(C)**	**-12 253**	**365 410**
Net change in cash and cash equivalents	**(A+B+C)**	**-321 177**	**316 744**
Cash and cash equivalents at 01.01		**330 789**	**14 045**
Cash and cash equivalents at 31.12	**(Note 15)**	**9 612**	**330 789**

Solstad to Europe´s oil capital - Aberdeen

In 1999, our subsidiary Solstad Offshore (UK) Ltd was opened in the Scottish oil city, Aberdeen. There are many charterers located in the city – as well as most offshore vessel shipping companies, so it was natural for Solstad Offshore ASA to establish itself in Aberdeen. There are 10 employees working here.



NOTES

NOTE 1 ACCOUNTING PRINCIPLES

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 31.12.09	9,3170	5,7767	8,3150
Pr 31.12.10	9,0680	5,8564	7,8125

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 2010:
In 2010, the company increased its stake in Nor Offshore Ltd from 50% to 59.1%, through two share emissions. Through these emissions, previously paid in shareholder loans were converted to shares. Furthermore, the company issued guarantees for Nor Offshore Ltd. Total cost price was approximately NOK 287 million.

Major transactions and events in 2009:
In 2009, the company issued a bond loan of net NOK 450 million.

NOTE 3 FINANCIAL RISK

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

NOTE 4 OTHER EXPENSES, WAGES, EMPLOYEES AND DISTINCTIVE CONTRIBUTIONS

	2010	**2009**
Wages	4 134	4 292
Employer's National Insurance	652	657
Pension costs	151	148
Other benefits	88	179
Travelling costs, courses and other personnel costs	542	308
Total employee costs	**5 568**	**5 584**
Average number of employees	2	2

REMUNERATION TO DIRECTORS, MANAGING DIRECTOR AND AUDITORS

Charged cost during the year	**Directors' fees**	**Wages**	**Other benefits**	**Pension cost**
Key employees:				
Lars Peder Solstad (Managing Director)	7	1 694	120	56
Sven Stakkestad (Deputy Managing Director)	5	1 531	84	96
Board of Directors:				
Harald Eikesdal, Chairman	275			
Johannes Solstad, Deputy Chairman	150			
Toril Eidesvik	150			
Arne Austreid	150			
Anette Solstad	150			
Per Gunnar Solstad	150			

In 2010, NOK 430,000 is charged as auditors fees and NOK 47,670 and NOK 61,195, relating to tax assistance and other non-audit related services respectively. 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.
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 23.6 million includes guarantee commission of NOK 8.7 million, payments from limited partnerships of NOK 10.4 million and group contributions of NOK 4.5 million.
Comparative figures of NOK 1,651, million includes dividends of NOK 1,619 million from subsidiaries, guarantee commission of NOK 8 million, payments from limited partnerships of NOK 20 million, group contributions of NOK 2 million and gain on repurchase of bond loan of NOK 2 million.

Other financial costs of NOK 4.7 million is unrealized currency loss.
Comparative figures of NOK 29 million is unrealized currency loss.

NOTES

NOTE 6 SHARES IN SUBSIDIARIES

31.12.2010	Place of Business	Owner-ship	Number of Shares	Nominal Value	Share Capital	Cost price/ Book value
Solstad Shipping AS	Skudeneshavn	100 %	10 000	1 000	10 000	10 000
Solstad Rederi AS	Skudeneshavn	100 %	69 850	100	6 985	2 216 271
Normand Drift AS	Skudeneshavn	100 %	150	1 000	150	150
Solstad Offshore UK Ltd	Aberdeen	100 %	11 000 100	GBP 1	GBP 11000	145 284
Solstad Management 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	Skudeneshavn	100 %	480	1 000	480	1 554
Normand Skarven KS	Skudeneshavn	72 %				35 350
Normand Ranger AS	Skudeneshavn	100 %	100	1 000	100	120
NOR Offshore Ltd	Singapore	59 %	6 638 991 140	(1)	USD 91.858	344 120
Total						**2 764 099**

(1) Singapore shares do not have a nominal value.

31.12.2009	Place of Business	Owner-ship	Number of Shares	Nominal Value	Share Capital	Cost price/ Book value
Solstad Shipping AS	Skudeneshavn	100 %	10 000	1 000	10 000	10 000
Solstad Rederi AS	Skudeneshavn	100 %	69 850	100	6 985	2 216 271
Normand Drift AS	Skudeneshavn	100 %	150	1 000	150	150
Solstad Offshore UK Ltd	Aberdeen	100 %	11 000 100	GBP 1	GBP 11000	145 284
Solstad Management 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	Skudeneshavn	100 %	480	1 000	480	1 554
Normand Skarven KS	Skudeneshavn	72 %				35 350
Total						**2 419 860**

NOTE 7 SHARES IN JOINTLY OWNED AND ASSOCIATED COMPANIES

Shares in jointly owned and associated companies

	Place of Business	Owner-ship	Number of Shares	Nominal Value	Equity 31.12.10 (100%)	Result 2010 (100%)
ADSI Inc. (FKV)	Marly,Switzerland	50 %	250 050	1 337	-62 490	-66 000
NISA Inc. (FKV)	Marly,Switzerland	50 %	501	295	4 246	2 613
Normand Edda AS (FKV)	Haugesund	50 %	75	75	161	2
Total				**1 706**	**-58 083**	**-63 385**
Deep Well AS	Haugesund	39 %	93 680	18 789	33 267	6 421
Total				**18 789**	**33 267**	**6 421**

Investments available for sale - long term

Bond loan	Owner-ship	Booked value 31.12.2010
Sore 01 (inter-company)	67,00 %	140 800

NOTE 8 OTHER LONG TERM ASSETS

Shares in jointly owned and associated companies	31.12.2010	31.12.2009	Interest
Shareholders loan ADSI Inc	73 261	47 939	1,94 %
Shareholders loan Nor Offshore Ltd		162 660	3,79 %
Loan to DeepWell AS	5 396	5 087	5% - fixed
Posted financial cost	8 960	11 395	
Total	**87 617**	**227 080**	

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:	31.12.2010	31.12.2009	Interest
Solstad Cable (UK) Ltd	39 217	40 284	1,92 %
Solstad Offshore (UK) Ltd	198 013	199 028	3,20 %
Normand Ranger AS	64 036		4,19 %
Normand Skarven AS	521		4,19 %
Normand Drift AS	3 174	1 990	4,16 %
Solstad Brasil AS	23 352	6 049	4,17 %
Inter-company loans	**328 313**	**247 351**	
Solstad Shipping AS	63 079	49 315	
Solstad Management AS	2 738		
Other companies	822	2 910	
Other current assets	**66 640**	**52 225**	
Solstad Management AS	-1 781	-13 019	
Trade account payable	**-1 781**	**-13 019**	

Group receivables, due more than one year after expiry of the financial year, are around NOK 328 million.

NOTE 10 TAX

Taxable income	**2010**	**2009**
Result before tax	-27 855	1 616 571
Changes in temporary differences	-5 739	-8 540
Permanent differences	380	-629
Share of result in limited partnerships	-10 356	25 286
Dividends/ repayments from limited partnerships	-10 369	-1 638 140
Dividend received- taxable		48 564
Loss on sale of shares		3
Taxable income	**-53 939**	**43 114**
Over-accrual Tax 2008		-201
Change in deferred taxes	-13 496	14 664
Tax on ordinary result	**-13 496**	**14 463**
Shares/ownership (current assets)	6 706	967
Long term receivables	-2 000	-2 000
Unrecovered loss carried forward	-123 604	-69 665
Total temporary differences	**-118 898**	**-70 698**
Deferred tax (-)/ tax asset	**33 291**	**19 795**
Analysis of effective tax rate:		
28% of Profit before Tax	-7 799	452 640
Tax effect of dividends and gain/ loss sale of shares	-5 803	-438 000
Tax effect of permanent differences	106	-176
Estimated tax	**-13 496**	**14 463**

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 31.12.2009	75 588	-415	111 648	2 278 255	2 465 076
Sale of treasury shares (17.550)		35		1 796	1 831
Unallocated dividend on treasury shares				519	519
Annual result				-14 359	-14 359
Allocated dividend				-75 588	-75 588
Equity 31.12.2010	**75 588**	**-380**	**111 648**	**2 190 623**	**2 377 479**

At 31.12.10, the Company's share capital represents 37,794,160 shares at NOK 2. The number of shareholders at 31.12.10 was 2,389. 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 31.12.2010:	Number of shares	Ownership
SOFF Holding AS	13 906 506	36,80 %
Odin Norden	2 387 495	6,32 %
Ivan II AS	2 358 158	6,24 %
Skagen Vekst	2 242 500	5,93 %
Pareto Aksje Norge	2 217 949	5,87 %
Solstad Invest AS	1 861 604	4,93 %
Brown Brothers Harriman & Co	1 310 000	3,47 %
Pareto Aktiv	996 100	2,64 %
Odin Offshore	854 400	2,26 %
Solhav Invest X AS	563 080	1,49 %
MP Pensjon	460 000	1,22 %
Pareto Verdi	440 087	1,16 %
	29 597 879	**78,31 %**

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 31.12.10:

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
Ketil Lenning	0	shares

The Deputy Managing Director Sven Stakkestad owned 2,725 shares at 31.12.2010. The company's auditor does not hold shares in the company.
On 31.12.2010 the company acquired 190,069 treasury shares at a cost price of NOK 20.6 million.

NOTES

NOTE 12 EARNINGS PER SHARE

In 2010, earnings per share was NOK -0.38. The equivalent value in 2009 was NOK 42.43

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	273	-for purchase of vessels
Solstad Offshore Service Vessel UK Ltd	182	- for purchase of vessels
Trym Titan AS	317	- for purchase of vessels
Nor Offshore Ltd	220	- for bare-boat rental and purchase of vessels
Normand Drift AS	12	- for financial lease of fixed assets and loans
ADSI Inc	225	- for financial lease of vessels
Deep Well AS	91	- for financing of fixed assets
Solstad Rederi AS II	68	- for bond loan

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.

NOTE 16 PROVISIONS

In relation to the increased ownership in Nor Offshore Ltd a parent company guarantee was issued for parts of the company's external debt.
The guarantee was included in the calculation of the cost price for the new shares. The estimated future guarantee obligation is accounted for as a provision.

NOTE 17 BOND LOAN

The company has issued the following bond loans:	**Book value**	
	31.12.2010	**Maturity**
SOFF02	700 000	09/2014
SOFF01	137 127	06/2011
	837 127	

NOTE 18 SUBSEQUENT EVENTS

In April 2011, an agreement for purchase of the remaining 40,9% ownership in NOR Offshore Ltd was entered with the other shareholder.
The transaction was completed on April 14th, 2011. The purchase price, USD 41.5 million, was settled partly by cash payment and partly by treasure of consideration shares.

ERNST & YOUNG

Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske Revisorforening

To the Annual Shareholders' Meeting of Solstad Offshore ASA

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Solstad Offshore ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet as at 31 December 2010, the statements of income and cash flows for the year then ended as well as a summary of significant accounting policies and other explanatory information. The financial statements of the Group comprise the consolidated statement of financial position as at 31 December 2010, the statements of comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Managing Director's responsibility for the financial statements

The Board of Directors and Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the Parent Company and the International Financial Reporting Standards as adopted by the EU for the Group, and for such internal control as the Board of Directors and Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

ERNST & YOUNG

Opinion on the financial statements of the Parent Company

In our opinion, the financial statements of Solstad Offshore ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as of 31 December 2010 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for qualified opinion on the financial statements of the Group

An external loan in one of the Group's subsidiaries amounting to TUSD 184 370/TNOK 1 079 744, that as of 31.12.2010 was formerly in breach of one of the loan covenants, has been classified as long-term debt in the balance sheet of the Group. In accordance with current IFRS regulations and IAS 1 *Presentation of Financial Statements* § 74, the total loan balance should have been classified as current as the lenders acceptance not to demand payment as a consequence of the breach formally was first issued on 24 February 2011. At the date of signing the financial statements the loan referred to above has been refinanced with a new long-term loan. We refer to a further description of the issue in Note 11 to the financial statements of the Group

Qualified opinion on the financial statements of the Group

In our opinion, except for the matter described in the preceding paragraph, the financial statements of the Group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as of 31 December 2010 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards on Accounting as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the international standard on assurance engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Managing Director have fulfilled their duty to properly record and document the Company's accounting information as required by law and generally accepted bookkeeping practice in Norway.

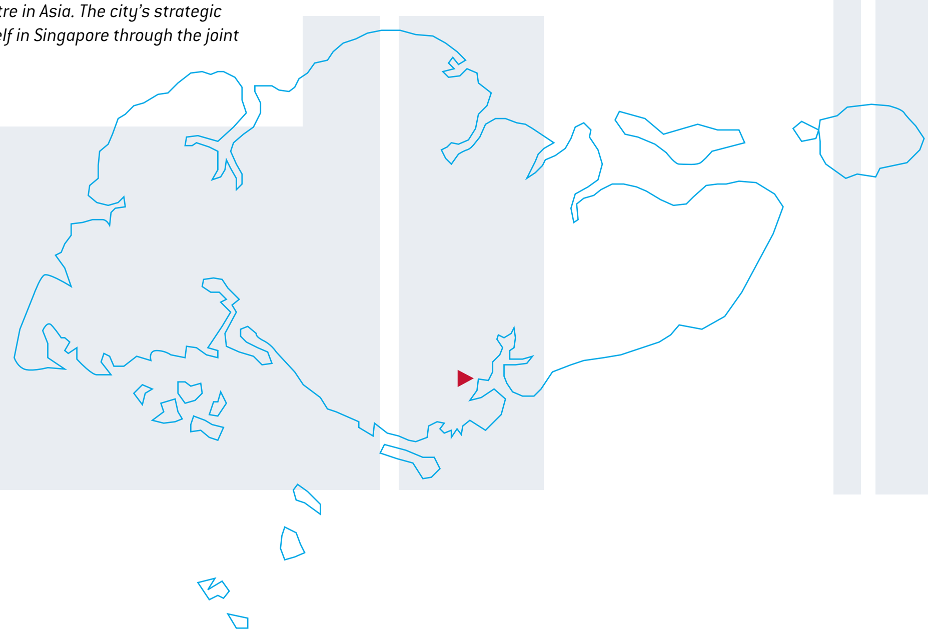
Stavanger, 29 April 2011
ERNST & YOUNG AS

Jostein Johannessen
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

Singapore - the city with the world´s most harbour traffic

Singapore is 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 Ltd (NOR).



THE YEAR

IN A NUTSHELL 2010

JANUARY

Deep Ocean ASA declared its option to extend its charter of the Construction Service Vessel (CSV) Normand Flower by 6 months.

FEBRUARY

Solstad Offshore ASA (SOFF) entered a 1 year charter contract for the CSV Normand Clipper with Veolia ES Special Services Inc. SOFF had the option to substitute Normand Clipper during the 4th Quarter of 2010 with Normand Pacific, a CSV under construction at the Bergen Group.

MARCH

Statoil ASA declared their option to extend the contract for Platform Supply Vessel (PSV) Normand Skipper for one year from April 2010. This was the first of two one-year options.

NOR Offshore Ltd (NOR), 50% of which is owned by SOFF entered a long-term charter agreement with Petrobras SA for the lease of the AHTS, Nor Sun. Contract duration is 3 years starting in June 2010

APRIL

The company acquired the new build, Normand Prosper, a large AHTS from STX Norway Offshore AS, Brattvåg. From delivery, the vessel operated on the spot market. A long-term loan of NOK 525 million was entered to finance the vessel.

MAY

The company took delivery of the new build, Normand Ranger, a large AHTS from Ulstein Verft AS, Ulsteinvik. A long-term loan of NOK 639 million was entered to finance the vessel.

JUNE

SOFF entered a contract with STX Norway Offshore AS (STX) for the construction of a Platform Supply Vessel of the PSV12 LNG design. The contract value of the vessel was around NOK 450 million and the ship was delivered from the yard in November 2011. The vessel has a propulsion system using LNG, bio fuels and ordinary marine diesel oil, and is designed in accordance with the requirements of the Clean Design class with the focus on low fuel consumption and environmentally friendly operations. The vessel will be equipped for oil spill response and contingency operations.

A long-term charter agreement was entered with Petrobras SA for the charter of Normand Borg (AHTS). The contract duration is 4 years with options for a further 4 years. The contract started in the second half of 2010. The value of the fixed contract is approximately NOK 380 million.

At the same time, the company entered into a charter agreement with Gaz de France for the charter of Normand Draupne (AHTS) for contingency operations in the North Sea. The contract duration is 7 months plus an option for a further 8 months. Start up was around the 3rd Quarter of 2010. The value of the fixed part of the contract is approximately NOK 22 million.

In the same month, the company acquired the new build, Normand Baltic, (PSV / ROV 06CD) from STX Offshore Norway AS, Brevik. On acquisition of the vessel, the company entered a long-term loan of $ 50 million.

AUGUST

SOFF entered a long-term charter contract for AHTS vessels, Normand Ivan and Normand Atlantic. The fixed contract duration is for 2 wells, with options for a further 4 wells. Murphy Semai Oil Co. Ltd., in Indonesia will utilize these vessels in their operations in Indonesia. The work under the new contract commenced around the 4th Quarter of 2010. Remaining contracts under the existing charter in Malaysia (5 months firm plus 12 one-month options) will be completed in direct continuation of operations in Indonesia.

Company launched its environmental solution Climate Neutral Operations (CNO), which is a continuation of the company's environmental program Solstad Green Operations (SGO), at the Offshore Northern Seas exhibition (ONS).

SEPTEMBER

SOFF increased its stake in Nor Offshore Ltd from 50 to 56 percent through a private share emission.

OCTOBER

The company entered into a contract with YPF S.A. for the Normand Baltic and Normand Skarven for a fixed 4 months, with the option for a further 3 months. Start up is around January 2011. The vessels will be operating in Argentina.

NOVEMBER

The company entered a long-term charter agreement with the Norwegian Coast Guard for the lease of Normand Jarl (AHTS). The fixed contract term is 1 year, with a 1 year option. The contract commences on 1 January 2011. The value of the fixed contract is approximately NOK 35 million.

In the same month, the company took delivery of new build Normand Pacific, a CSV from Bergen Group BMV AS, Bergen. On acquisition of the vessel, the company entered a long-term loan of NOK 545 million, together with a long-term charter agreement for the vessel with Veolia ES Special Services Inc. for a fixed period of 3 years, with 3 one-year options. The contract is to start no later than January 2011.

DECEMBER

Nor Offshore Ltd (NOR) signed a letter of intent with an Asian carrier for the charter of DLB Norca Endeavour for a short-term project. The contract duration is approximately 25 days and the value of the fixed contract is in excess of $ 5 million. SOFF increased its working capital in NOR through a private share emission relating to the completion of Norca Endeavour,. SOFF's shares in NOR have, therefore, increased to 59%, i.e., an increase of approximately 2.5%.

THE FLEET

PER APRIL 2011

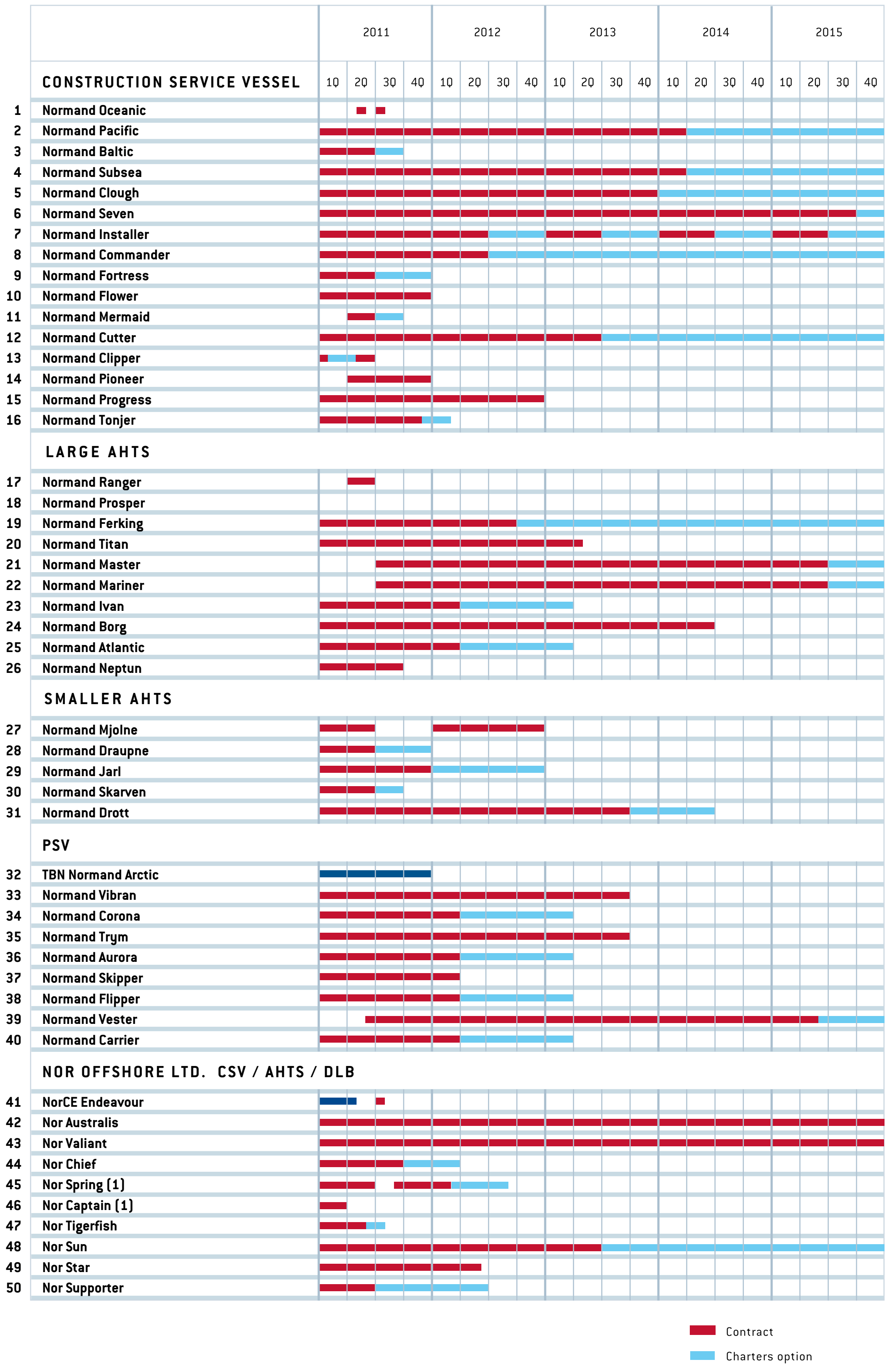
		Built year	Design	Reg.	HP	DWT	Deck m²	Winch power	Bollard pull	A-frame Cap. t.	Constr. crane t	DP class	Cabin cap.	Dry bulk	Other equipment
	CONSTRUCTION SERVICE VESSEL														
1	**Normand Oceanic**	2011	OSCV 06L		26 000	11 300	2 100				400	3	140		
2	**Normand Pacific**	2010	ST 256L		20 560	4 500	1 000				200	3	120		
3	**Normand Baltic**	2010	PSV/ROV 06CD		12 000	4 100	1 000				100	2	69		
4	**Normand Subsea**	2009	VS 4710	IoM	21 000	6 100	750				150	2	90		
5	**Normand Clough**	2008	MT 6022	NIS	14 885	6 500	1 300				200	2	121		
6	**Normand Seven**	2007	VS 4420	NIS	26 000	10 000	2 000				250	3	100		
7	**Normand Installer**	2006	VS 4204	NIS	31 500	8 600	1 300	500	308	350	250	3	102		
8	**Normand Commander**	2006	MT 6016 MkII	NOR	10 197	4 305	800				100	2	100		
9	**Normand Fortress**	2006	MT 6016M RSV	NIS	10 197	4 300	800				140	2	100		
10	**Normand Flower**	2002	UT 737	IOM	10 600	4 500	960				100	3	85		2
11	**Normand Mermaid**	2002	P 103	IOM	11 000	4 000	780				100	3	69		2
12	**Normand Cutter**	2001	VS 4125	IOM	22 000	10 000	1 800		120	60	300	2	102		
13	**Normand Clipper**	2001	VS 4125	NIS	22 000	10 000	1 800		120	60	250	2	114		
14	**Normand Pioneer**	1999	UT 742	IOM	27 800	5 000	1 000	500	286	150	140	2	75		
15	**Normand Progress**	1999	UT 742	IOM	27 800	5 000	1 000	500	304	250	100	2	70		
16	**Normand Tonjer**	1983	UT 705	NIS	7 200	3 200	573				50	2	60		
	LARGE AHTS														
17	**Normand Ranger**	2010	VS 490	NOR	28 000	4 250	750	500	280			2	60	X	1,2,3
18	**Normand Prosper**	2010	AH 12	NOR	32 000	5 000	800	500	338			2	70		
19	**Normand Ferking**	2007	VS 490	NOR	20 000	5 000	700	500	250			2	32	X	1,2,3
20	**Normand Titan**	2007	UT 712L	NIS	16 092	2 600	510	400	187			2	28	X	
21	**Normand Master**	2003	A101	NOR	23 500	3 700	600	500	282	150*		2	52		2
22	**Normand Mariner**	2002	A101	NOR	23 500	3 700	600	500	282	150*		2	52		2
23	**Normand Ivan**	2002	VS 180	NOR	20 000	4 140	600	500	240	250*		2	52	X	1,2
24	**Normand Borg**	2000	UT 722	NIS	16 800	2 873	570	500	202			1	35	X	2
25	**Normand Atlantic**	1997	UT 740	NOR	19 400	4 200	560	500	220			2	50	X	1,2,3
26	**Normand Neptun**	1996	UT 740	NOR	19 400	4 200	560	500	222			2	40	X	1,2,3
	SMALLER AHTS														
27	**Normand Mjolne**	1985	UT 718	NOR	18 000	2 500	590	300	170			2	22	X	1,2,3
28	**Normand Draupne**	1985	UT 718	NOR	18 000	2 500	590	300	170			2	16	X	1,2,3
29	**Normand Jarl**	1985	UT 712	NIS	12 000	2 000	536	300	150			1	35	X	1,2,3
30	**Normand Skarven**	1986	UT 716	NOR	13 000	2 500	570	250	156			2	21	X	1,2,3
31	**Normand Drott**	1984	UT 712	NIS	12 000	2 000	536	300	148			-	30	X	1,2,3
	PSV														
32	**TBN Normand Arctic**	2011	PSV 12 LNG	NOR	10 500	4 900	1 000					2	28	X	2,3
33	**Normand Vibran**	2008	UT 755 LN	NIS	5 310	3 240	680					2	18	X	
34	**Normand Corona**	2006	MT 6000 MkII	NOR	8 931	4 100	941					2	24	X	
35	**Normand Trym**	2006	UT 755 LN	NIS	5 310	3 240	680					1	16	X	
36	**Normand Aurora**	2005	P 105	NOR	10 000	4 900	960					2	25	X	
37	**Normand Skipper**	2005	VS 4420	NOR	9 500	6 400	1 220					2	23	X	2,3
38	**Normand Flipper**	2003	UT 745E	NOR	9 000	4 500	960					2	17	X	2
39	**Normand Vester**	1998	UT 745	NOR	10 300	4 590	956					2	37	X	2,3
40	**Normand Carrier**	1996	UT 745	NOR	10 300	4 560	956					2	37	X	2,3
	NOR OFFSHORE LTD (SINGAPORE)														
41	**TBN NorCE Endeavor**	2011	DLB	Panama	N.A.	18 000	3 300				1100		280		5
42	**Nor Australis**	2009	CSV	SIN	5 500	2 500	780				70	X	120		1,4
43	**Nor Valiant**	2008	CSV	SIN	5 500	3 100	700				50	X	120		1
44	**Nor Chief**	2008	Kiam Chian	SIN	10 800	2 100	450	300	140			2	40	X	1
45	**Nor Spring (1)**	2008	SasaShip	SIN	8 000	2 600	500	200	111	50	20	2	60	X	1
46	**Nor Captain (1)**	2007	Kiam Chian	SIN	10 880	2 300	450	300	143			2	40	X	1
47	**Nor Tigerfish**	2007	Kiam Chian	SIN	5 500	1 650	475	150	70	50	30	2	60	X	1
48	**Nor Sun**	2006	Kiam Chian	SIN	8 000	1 700	490	200	101			2	54	X	1
49	**Nor Star**	2005	Kiam Chian	SIN	5 500	1 860	475	150	71			2	42	X	1
50	**Nor Supporter**	2005	Kiam Chian	SIN	8 000	1 810	475	200	93			2	42	X	1

(1) Bareboat

Explanation:
1) Firefighting / Fi-Fi
2) Oil resque
3) Standby / Resq
4) Diving system
5) 150 T pipelay system for 48" pipes
* A-Frame shared

CONTACT COVERAGE

PER APRIL 2011



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