SOLSTAD OFFSHORE ASA

ANNUAL REPORT 2011

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 2012

Preliminary dates for quarterly reports and ordinary general meeting in SOFF is:

Annual report 2011: **28. March 2012**

Result 1st quarter 2012/Ordinary general meeting: **09. May 2012**

Result 2nd quarter 2012: **27. August 2012**

Result 3rd quarter 2012: **07. November 2012**

Preliminary result 2012: **Ultimo February 2013**

OUR BUSINESS

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

The Company's offshore activities began in 1973, when it ordered four supply vessels from a Dutch shipyard and by 1976 the Company operated 9 supply vessels of various types. Most of them were jointly owned with other Haugesund-based shipping companies and all were built at the same Dutch shipyard, Pattje.

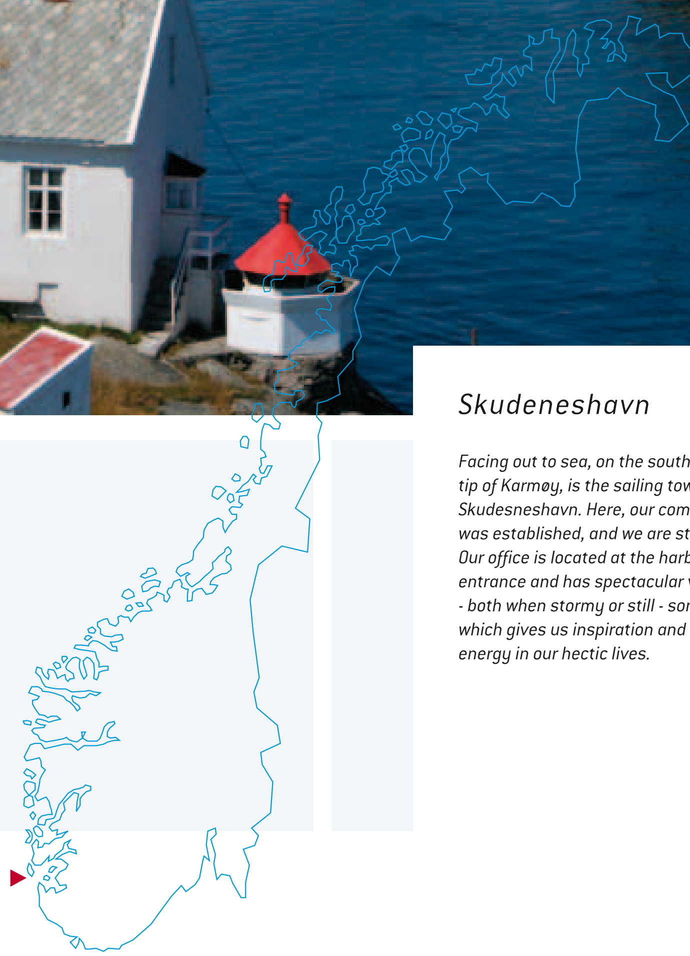
From 1974 to 1982, the Company owned and operated a combined fleet of both offshore and dry cargo vessels and had several new builds on order. Two AHT's and three AHT's were built in New Foundland and four semi-container vessels were built in Rostock in East Germany. However, the last dry cargo vessel was sold in 1982 and for the next eight years Solstad Rederi AS only operated offshore supply vessels.

In October 1997, the Company was listed on the Oslo Stock Exchange under the name of Solstad Offshore ASA. Solstad Shipping AS is wholly owned by Solstad Offshore ASA and is responsible for management and marketing.

At the end of the year the fleet consisted of 50 wholly owned, jointly owned and leased vessels including 1 vessel under construction, which was delivered from yard early January 2012.

Our vessels currently operate world-wide and approximately 65% are operating outside the North Sea.

Solstad Offshore ASA has around 1.400 employees, 850 of which are Norwegian sailors. In addition to its head office in Skudesneshavn, Solstad has branch offices in Aberdeen, Singapore and Rio de Janeiro.



Skudeneshavn

Facing out to sea, on the southern tip of Karmøy, is the sailing town of Skudeneshavn. 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 18. APRIL 2012

- SOLSTAD OFFSHORE ASA
  - SOLSTAD OFFSHORE ASIA PACIFIC LTD (100%)
    - 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%)
  - ADSI INC (50%)
  - NISA INC (50%)
  - NORMAND SKARVEN AS/KS (72,1%)
  - SOLSTAD BRASIL AS (100%)
    - SOLSTAD OFFSHORE LTDA (100%)
  - NORMAND RANGER AS (100%)

SOLSTAD **GREEN** OPERATIONS®

A new SGO ...

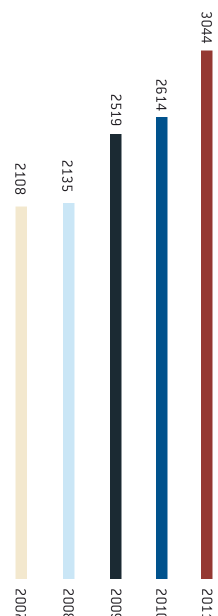
The introduction of SGO in the company contributes to our employees to have a strong focus on environmental and green operations – both in thought and in action!

Solstad Offshore has for a long time focused on reducing emissions of polluting gasses, and introduced the system, Solstad Green Operations (SGO) in 2009. Through unique and innovative efforts on all levels of the organization, the crew uses this system to reduce the fleet's fuel consumption by as much as 10 - 15%!

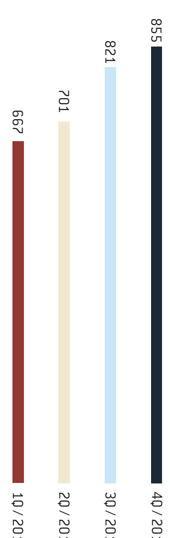
SGO stands for Solstad Green Operation. Read more about SGO at www.solstad.no/greenoperations

FINANCIAL HIGHLIGHTS

FREIGHT REVENUES LAST FIVE YEARS (NOK million)



FREIGHT REVENUES 2011 QUARTERLY (NOK million)



	Ref	2011	2010	2009	2008	2007
PROFIT AND LOSS ACCOUNTS (NOK million)						
Freight revenues		3 044	2 614	2 519	2 135	2 108
Other income / Gain on fixed assets		5	3	11	74	112
Operating result before depr/write-downs		1 104	981	1 195	1 318	1 398
Operating result		171	342	466	797	960
Net finance		-570	-209	401	-941	146
Profit before tax		399	133	866	-144	1 106
Net profit for the year		-407	19	1 038	27	704
Hereof majority's share		-362	48	1 027	46	680
BALANCE SHEETS						
Deferred tax asset		43	17		24	
Long term assets		14 225	13 856	9 974	8 638	8 464
Current assets		1 615	1 693	2 293	1 551	1 851
Total assets		15 883	15 566	12 267	10 213	10 315
Equity		4 416	4 989	4 630	3 698	3 717
Deferred tax		-	-	27		25
Long-term liabilities		9 509	7 504	6 414	5 114	4 454
Current liabilities		1 866	2 928	1 176	1 402	2 118
Long-term interest bearing liabilities		10 570	9 606	6 379	5 267	5 328
Bank overdraft		102	103	100	439	410
Free and restricted bank deposits		657	872	1 445	830	1 618
Net interest-bearing liabilities		10 015	8 837	5 035	4 876	4 119
PROFITABILITY						
Operating margin	1	36 %	37 %	47 %	60 %	63 %
Return on equity	2,6	8 %	3 %	21 %	-4 %	32 %
Return on capital employeed	3	1 %	3 %	5 %	9 %	12 %
LIQUIDITY						
Liquid assets		657	872	1 445	830	1 053
Working capital		-251	-213	1 117	149	768
EBITDA	4	1 134	978	1 195	1 124	1 292
Current ratio	5	0,9	0,6	1,9	1,1	0,9
ASSETS						
Total assets		15 883	15 566	12 267	10 213	10 315
Equity		4 416	4 989	4 630	3 698	3 717
Equity ratio	6	28 %	32 %	38 %	36 %	36 %

KEY FIGURES
PER SHARE

KEY FIGURES PER SHARE	REF	2011	2010	2009	2008	2007
Profit for the year	7	-9,44	1,29	27,28	1,21	18,02
EBITDA	4	28,76	26,10	31,72	29,76	34,21
Booked equity	8	115,09	132,73	123,09	98,13	98,66
Price/Earnings (P/E)		-9,06	90,05	3,96	48,49	8,46
Price/EBITDA		2,97	4,45	3,40	1,97	4,46
Dividend		1,50	2,00	2,50	2,00	4,00
Share capital (NOK mill)		77,37	75,59	75,59	75,59	75,59
Quoted share price 31.12. (NOK)		85,50	116,00	108,00	58,50	152,50
Market capitalisation (NOK mill)		3 308	4 384	4 082	2 211	5 764
Average no. of shares incl. adj. for stock of treasury shares.		38 370 349	37 587 310	37 659 312	37 767 314	37 762 786
No. of shares per 31.12 incl. adj. for stock of treasury shares		38 662 077	37 589 593	37 617 495	37 682 466	37 677 966

REFERENCES:

1. Operating result before depreciation in percentages of total operating income.
2. Result before tax, in percentage of average equity including non-controlling interest
3. Operating result plus interest income and result from associated company divided by equity and interest-bearing debt.
4. Operating result before depreciation adjusted for gain/(loss) on sale of fixed asset and other material non-cash effects.
5. Current assets divided by current liabilities
6. Booked equity including non-controlling 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.

SOLSTAD
GREEN
OPERATIONS®

Recycling of waste on deck

Climate Neutral Operations (CNO)

The international negotiations in IMO to achieve a solution for marked based instruments (MBI) for off-seting greenhouse emissions (GHG) is very slow. As a response to this Solstad has invented a system called 'Climate Neutral Operations' where the clients are invited to compensate for the remaining emissions through a UN approved trading scheme.

ANNUAL REPORT

Solstad Offshore ASA group reported earnings from operations of MNOK 3,049 in 2011, compared with MNOK 2,617 the year before. The year's result after taxes was a loss of MNOK 407, compared with a profit of MNOK 19 in 2010. The year's cash flow (EBITDA) was MNOK 1,134 compared with MNOK 978 in 2010.

The prognosis of a stable, reasonably high oil price and major discoveries of oil in Brazil and the North Sea in the past two years have helped keep spirits up and bolster investments in oil and gas related activities offshore throughout 2011. This trajectory is expected to consolidate in the coming years and have a positive impact on demand for marine services, thereby improving earnings and capacity utilisation. How much improvement can be expected in time will depend on the additions of new builds in the various segments. From record levels in 2009 and 2010 (mainly vessels ordered before the economic crunch in 2008) the number of vessels on order today is much smaller.

Solstad Offshore ASA was involved in extensive activities world-wide in 2011 as illustrated by the share of earnings from non-North Sea regions, which was 65 % in 2011, compared with 59 % in 2010.

Corporate commitment to health, safety and environment was again rewarded with good safety statistics for the year. The company's proprietary "Solstad Green Operation" program to cut emissions to air has also been continued with improved results year-on-year.

By the end of the year, the company fleet consisted of 50 wholly or partially owned ships, of which one new build, delivered in January 2012. Including the latter, the fleet consisted of: 18 Construction Service Vessels (CSV), one Derrick Lay Barge (DLB), 22 Anchor Handling Tug Supply Vessels(AHTS), and nine Platform Supply Vessels (PSV).

The largest individual transactions in 2011 were the handing over of two major new builds for the CSV market. The company also increased its equity share in Solstad Offshore Asia Pacific Ltd (ex Nor Offshore Pte Ltd) from 59.1 % to 100 % in April 2011 (consolidated in the accounts from 30th September 2010).

1. BUSINESS CONCEPT, GOALS AND STRATEGY

The company's business concept is to operate integrated shipping activities with highly specified vessel types in selected segments based on own and chartered vessels. The core business of the company is principally to offer services to petroleum-related offshore activities.

The goal is to be a major force and provider of a broad range of services based on high quality ships and equipment, with highly qualified marine crews. In the North Sea the goal remains to be among the leading offshore shipping contractors. Internationally the company seeks to be a major player in deepwater activities and subsea/ construction services.

In the areas of safety, financial solidity, environment and commerciality the company focuses on achieving the goals in effect at all times. The key goals in safety work are to avoid personal injury and material damage. The key environmental goal is to continuously reduce harmful emissions from our ships.

The company's strategy is to deliver customised solutions for clients along with quality services and actively to develop our range of services in close consultation with established and new customers.

Normally the company will take the reigns for integrated operation of all aspects including chartering, manpower and technical monitoring. Whenever it makes sense for cost-effective operation and optimal return on employed capital, partnerships will be sought, including long-term strategic alliances with other players. Forging of alliances to mitigate risk and spread capital demand it is also appropriate from time to time.

2. COMPANY ACTIVITIES

Solstad Offshore ASA is mainly involved in petroleum service activities offshore. Most of our vessels are equipped to perform specific functions beyond traditional supply and anchor handling services. The activities also include contracts for wind farm development offshore.

The company's net freight earnings in 2011 consisted of 47 % from CSV, 40 % from AHTS and 13 % from PSV. Geographically freight earnings came 35 % from the North Sea, 22 % from South America, 6 % from West Africa, 11 % from the US Gulf, 7 % from the Mediterranean and Europe, and 19 % from Asia.

By year's end the fleet consisted of 50 wholly or partially owned or chartered vessels of which one new build. The ships are operated from

offices in Skudeneshavn (main office), Aberdeen, Rio de Janeiro, Singapore and Perth. Currently 12 ships are operating offshore Brazil, four in the US Gulf/ Gulf of Mexico, one in West Africa, one in East Africa, one in Australia, eight in South-east Asia, three in the Mediterranean, four in the Baltic, and the other 16 in the North Sea basin. Two vessels are chartered on a bare-boat charter, where the company has purchase options to aquire the vessels during the charter period.

The one PSV that Solstad Offshore ASA had building at year's end was delivered in early January 2012 and, since it runs on LNG, it represents an appreciable investment in green operation. This new build is currently on a short lease to Statoil.

For more details of the fleet see the summary at the end of this Annual Report.

3. OFFSHORE MARKET

The industry's total investments in the offshore market, particularly in field exploration and development, and to a lesser degree in field operation, depend greatly on the price of oil. The willingness to invest is also affected by the general state of the world economy, and regional variations. The positive trajectory of the oil price, first and foremost, but also in segments of the world economy, also resulted in positive demand in 2011. Total investments increased by roughly 13 % in the past year, to reach an overall mark of roughly USD 230 billion (approx USD 200 billion in 2010). These investments, which include demand for marine services, are taking place in existing oil fields (to increase production and/or utilization rate) and also in emerging areas of exploration and development.

The predominant categories of offshore service vessels are the AHTS, PSV and CSV. Within each there are subcategories based on type of engine, cargo capacity and other technical particulars. At year's end the global fleet of AHTSs rated at more than 15,000 bhp was of the order of 213 ships, while there were 528 PSVs rated at more than 3000 dwt cargo capacity. About 75 and 184 of each of these types worked in the North Sea.

At the same date the number of vessels under construction was 48 AHTSs of more than 15,000 bhp, and 243 PSVs of more than 3000 dwt capacity. Most are being 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 overall length (100 plus metres) there are about 30 vessels under construction at European and Asian yards. It is worth bearing in mind that there are major differences in how the CSV segment is defined.

In general the increased demand in the offshore market in 2011 was not sufficient to raise earnings and fleet utilisation to any significant degree. The reason is first and foremost the huge influx of new builds straight from the yard. By regions, Brazil looks positive with brisk activity, but there are also signs of an upswing in both the North Sea area and the US Gulf.

4. CORPORATE PARTICULARS

One goal of the company is to be as attractive as possible in a long-term perspective in the sense that value appreciation is reflected in the share price and dividend. The board of directors aim to deliver an average dividend over time of about 20 % of company earnings after taxes, adjusted for any currency effects and non-controlling interests. The annual dividend proposal will always be considered in light of the prognoses of future earnings and cash flows, financing needs and other factors that impact on company standing.

The total number of shares issued in the company at year end was 38,687,377. The number of shareholders at 28th February 2012 was 2,443, including about 7 % international investors.

The board will propose to the general meeting on 9th May 2012 that a dividend of NOK 1.50 per share be paid for 2011. Payment will be made on 6th June 2012.

The company's share has declined in value during the year. At the beginning of the year it was priced at NOK 116; at year's end it was NOK 85.50, representing a reduction of 26 %. The company paid dividend of NOK 2.00 per share in 2011 (for the financial year 2010).

Between now and the next annual general meeting the board is authorised to purchase maximum 10 % of the company's own (treasury) shares. The board asked for this power in case it proves useful as a short-term placement option as well as a possible strategic investment. As of 31st December 2011 the account held 25,300 treasury shares, compared with 190,069 the previous year.

At the general meeting in May 2011 the board's authority to increase the shareholders' capital by maximum NOK 4 million was reaffirmed. This authorisation, which again runs until the next AGM, was utilised in part for the take-over of 100 % of the shares in Solstad Offshore Asia Pacific Ltd (formerly Nor Offshore Pte Ltd). In connection with this transaction, the shareholders' capital was increased by NOK 1,786,434, or 893,217 new shares. The board will propose to the AGM on 9th May 2012 that the authorisations for expansion of shareholders' capital and purchase of treasury shares are reaffirmed.

Solstad Offshore ASA has been listed on the Oslo Stock Exchange since 1997. As the holding company of the consolidated group, its main activities are to own shares in the subsidiaries, and make other strategic

corporate investments. The most important equity holdings from a strategic point of view are currently Solstad Rederi AS (100 %) and subsidiaries, Solstad Offshore (UK) Ltd (100 %) and subsidiaries, Solstad Offshore Asia Pacific Ltd (100 %) and subsidiaries in Singapore and Perth, and Solstad Offshore Ltda (100 %) in Brazil.

5. CORPORATE GOVERNANCE

Corporate governance in Solstad Offshore ASA is based on the company's vision and strategy. The company is listed on the Oslo Stock Exchange and subject to Norwegian companies, accounting, exchange listing and securities trading legislation. Solstad Offshore ASA adheres to the Norwegian Code of Practice for Corporate Governance of 21st October 2010, as later amended and amplified in the review of 20th October 2011. A special report on Corporate Governance is provided as a separate chapter in the Annual Report.

6. FINANCIAL STANDING AND GROUP DEVELOPMENT

The Annual Accounts for 2011 have been prepared in accordance with IFRS (International Financial Reporting Standards), as approved by the European Union, with comparative figures for 2010.

Operating income in 2011 of MNOK 3,049 compared with MNOK 2,617 the previous year. The group fleet capacity measured in available days has increased by roughly 13 % over 2010. The utilisation rate in 2011 was 89 % (81 % in 2010). Cash flow (defined as earnings before depreciation and impairment, adjusted for sales profits and reversed provisions) from operations amounted to MNOK 1,134 (MNOK 978) for the year.

The operating profit after depreciation and impairment of MNOK 171 compared with MNOK 342 in 2010. Impairment of vessels has been recognised with MNOK 160 in 2011 (MNOK 0 in 2010).

After taxes the group posted losses of MNOK 407 in 2011, compared with a profit of MNOK 19 in 2010. This year's result includes a net financial loss of MNOK 570 (MNOK 209 in 2010). The year's financial costs consist mainly of net interest cost of MNOK 531 (MNOK 344 in 2010) and MNOK 44 in net realised/ unrealised exchange rate losses/ gains on receivables and debt, in addition to financial hedging contracts, as measured at year's end (MNOK 22 in 2010). In 2010 the accounts also reported a profit of MNOK 117 in connection with acquisition of Solstad Offshore Asia Pacific (aquisition from jointly controlled entity to subsidiary).

The year's earnings per share were negative at NOK -9.44 (NOK 1.29).

The result from operations (exclusive sales gains and non-recurring effects of reversal of provisions) before depreciation and impairment gave an operating margin of 37 % of operating income, compared with 38 % in 2010.

The largest change in the group balance sheet in 2011 was the acquisition of a large CSV new build aimed at contracts in the construction market. The delivery of the company's other new build, a DLB, in 2011, and the 41 % of shares acquired in Solstad Offshore Asia Pacific Ltd, resulted in minor adjustments to the balance sheet. Most of the impact of these investments was reported in 2010 and earlier.

The market value of the group fleet at year's end 2011 was MNOK 18,315 (MNOK 16,126). This estimate is based on non-charter party vessels (excluding ships under construction), and is the average of three brokering estimates. The value-adjusted equity before taxes, after minority interests, based on this figure, was NOK 226 per share at year's end 2011, compared with NOK 224 per share at the same time last year. Vessel values were almost unchanged from the mid-year mark. The reported equity of MNOK 4,416 at year's end 2011 corresponds to NOK 115 per share. The board has assessed the reported value of vessels against the requirment in IAS 36, related to impairment of assets. The assessment resulted in a write down of vessels of MNOK 160 in the 2011 accounts.

The long-term interest-bearing debt at year's end 2011 of MNOK 10,570 (MNOK 9,606) included MNOK 742 (MNOK 2,102) which is classified as current liabilities. The denomination of the debt is 54 % in NOK, 38 % in USD and 8 % in GBP. At year's end 2-5 year interest hedging contracts were in place for about 17 % of the total non-current debt. Parts of the Norwegian kroner debt have also been linked to the US dollar through financial instruments, so that the real debt exposure is 50 % NOK, 42 % USD and 8 % GBP. The increase in non-current debt in 2011 was largely due to taking delivery of the new builds mentioned above.

The group's net interest-bearing debt at year's end 2011 of MNOK 10,015 compares with MNOK 8,837 in 2010.

The group is exposed to financial market risk by the nature of its business. This is the risk that changes in currency exchange rates, interest rates, and freight prices will impact on the value of the group's assets, obligations and future cash flows. To reduce and manage these risks, management regularly reviews and reassesses the group's main market risks. Whenever a major risk factor is identified, action to reduce the specific threat is considered. Interest rate risk is mitigated in part by rate hedging contracts. Currency risk is eliminated in principle by signing up for loans and obligations in the same currency as our charter contracts.

Definitions of the various financial terms used are found under the headings Financial Key Figures and Key Ratios per Share. There is also a summary of key figures taken from the consolidated accounts.

7. HEALTH, SAFETY, ENVIRONMENT AND QUALITY

The company operates in compliance with a range of international HSEQ codes and standards and is certified to ISM, ISO 14001:2004, ISO 9001:2008 and ISPS International Ship and Port Facility Security requirements. From 2012, the activities in Solstad Offshore Asia Pacific Ltd and associated subsidiaries will be certified in line with other operations, according to our annual renewal of the "Document of Compliance". Crews onboard receive training in company procedures as approved under the standards of the STCW-95 Seafarers' Training, Certification and Watchkeeping Code. Internal audits are performed in all vessels and offices on an annual basis.

The company is committed to accident prevention and avoidance of injury. In 2011 approximately 14,500 HSE reports were processed in our HSEQ systems. These reports are registered, processed and analysed in a computerised reporting system, which forms the basis for preventive action to avert future accidents and injuries.

The SIMS Solstad Integrated Management System is a process-based quality assurance system that was implemented in Solstad Offshore ASA in summer 2010. Integration of the system has been well received internally by marine and shore-based personnel as well as by classification companies and customers. Since acquisition of Solstad Offshore Asia Pacific Ltd that subsidiary's ships and shore organisation in Singapore have also been integrated in SIMS.

Whenever a new charter is negotiated, efforts are made to further safeguard workplaces and further reduce emissions to air and sea.

Altogether the company recorded four lost-time incidents, resulting in an H factor (number of LTIs per 1 million working hours) of 0.46 in 2011. None of the incidents results in serious personal injury, and all those affected are back in active service. The company's Zero Injuries Philosophy is being repeated again in 2012. Apart from avoiding LTIs, the company focuses on evaluation, facilitation, planning and prevention to avoid all types of human incident in the organisation. The fleet reported only 290 litres of oil product spills into the sea in 2011. The company also maintains a program for recycling and registration of all waste in the marine and onshore organisations.

The working environment onshore and onboard is considered good and measures are continuously being launched to improve the working environment, including avoidance of any form of discrimination due to age, gender, religion, colour or other factor. Sickness absence among offshore crews in Norway (Solstad Shipping AS) was 4.2 % in 2011.

Among administrative personnel in the company, roughly 64 % are male and 36 % female. Of our sailing personnel at year's end, 56 were female. Personnel recruitment focuses strongly on equality. Availebility of female marine personnel are a scarce not only in Norway but also across the world. The company is heavily involved in hiring and training cadets and apprentices and assists with the efforts to induce Norwegian youth to complete a maritime education. Despite this focus, there has been little success both in schools, shipping companies and trade organisations to persuade women to opt for a maritime trade or profession in any number.

For recruitment onshore and onboard the company is committed to a philosophy of non-discrimination on the basis of sex, nationality, disability, religion or other factor in the hiring process.

8. EXPECTATIONS FOR 2012

Solstad Offshore ASA operates a diversified fleet that specialises in a variety of services for offshore petroleum activities, including exploration, field development and installation work, and field operation and maintenance. The need for modern tonnage suitable for special needs in various waters and large water depths is expected to remain strong also in the future. At the time these accounts are published, charter closures for the company fleet for the remainder of 2012 are 60 % (against 67 % twelve months earlier), and for 2013 they are 35 % (46 %). Including options the contract coverage for the remainder of 2012 and entire 2013 are 80 % and 49 %, respectively.

The company expects a gradual general improvement in the market balance during 2012, with an occasionally tight spot-market in the North Sea in the summer season. On the Norwegian shelf we expect total investments to reach NOK 180 – 190 billion for the year, which is the highest investment ever. Today roughly 63 new mobile rigs and drill ships are being built, and more than 80 jack-ups, for delivery between now and 2014. Field installations are also planned for a large number of floating production, storage and offloading vessels (FPSO). Petrobras is planning to expand capacity by about 30 drilling rigs in Brazil between 2015 and 2019, although there is uncertainty about the exact delivery dates. Since year's end, Solstad Offshore ASA has signed a number of contracts on day-rates that exceed those secured in recent years. The number of invitations to tender is also rising.

In the longer term the oil price is expected to remain high. Most estimates by market analysts of the consumption of oil in the years ahead verify that the need to replace produced volumes of oil with new reserves and new production capacity will be a key determinant in future. The company anticipates a strong focus on deepwater acreage and subsea completions. West Africa, Brazil, Gulf of Mexico and parts of Asia and Australia stand out as regions with the greatest offshore growth potential. Oil discoveries

on the Norwegian shelf in 2011 helped raise expectations of high activity in this area also going forward.

A positive factor in terms of the market balance is that in the past 2-3 years far fewer building contracts for new ships have been signed than in previous years.

9. PARENT COMPANY ECONOMY

For the year 2011, Solstad Offshore ASA reports earnings of MNOK 421 (compared with a loss of MNOK 14 in 2010). Net financial items representing a profit of MNOK 423 (compared with a loss of MNOK 19 in 2010) consisted mainly of dividend received from Solstad Rederi AS of MNOK 450, net interest cost of MNOK 96 and interest income from group companies of MNOK 29. Net financial items also include guarantee provision taken to income, unrealised exchange rate gain, and group contribution totalling MNOK 37.5. The financial losses in 2010 consisted mainly of net interest cost of MNOK 46. The operating result for the year was a loss of MNOK 10.7 mill (loss of MNOK 8.7 in 2010).

Company assets are largely the recognition of share values in subsidiaries and associated companies, and loans to group companies. Recognised equity at year's end amounted to MNOK 2,875, of which MNOK 2,421 may lawfully be declared as dividend. The debt at the same date was MNOK 1,661, of which MNOK 1,400 in bond loans, MNOK 102 in current credit facility, and MNOK 58 set aside for dividend for 2011.

The Annual Accounts have been presented on the assumption of a going concern as required in the Accounting Act, section 3-3. The Directors hereby affirm that the assumption is valid.

At the Annual General Meeting the Board will make proposals to aprove remuneration to the directors for 2011 totalling NOK 986,667,-. A proposition to approve the auditor's fee for the parent company in 2011 of NOK 450,000 will be made, that relates to audit services only.

The Board proposes to apply the following distribution:

Provided for dividend	NOK 58,031,066.-
Transferred from retained profits	NOK 362,562,080.-
Net applied/ transferred	NOK 420,593,145.-

On the Board of Solstad Offshore ASA
Skudeneshavn, 28th March, 2012

Harald Eikesdal Chairman	**Terje Vareberg** Director	**Toril Eidesvik** Director
Anette Solstad Director	**Ketil Lenning** Director	**Lars Peder Solstad** Managing Director

Affirmation by Board of Directors and Managing Director

We hereby affirm that, to the best of understanding, the Annual Accounts for the period 1st January to 31st December 2011 have been prepared in compliance with applicable accounting standards; and that the information in the accounts offers a true and fair view of the company's and the consolidated group's assets, liabilities, financial standing and overall performance. We further affirm that the Annual Report provides a true and fair view of the development, earnings and standing of the company and the consolidated group; and sets out the most important risk factors and uncertainties facing the group.

On the Board of Solstad Offshore ASA
Skudeneshavn, 28th March, 2012

Harald Eikesdal Chairman	**Terje Vareberg** Director	**Toril Eidesvik** Director
Anette Solstad Director	**Ketil Lenning** Director	**Lars Peder Solstad** Managing Director

THE BOARD

Harald Eikesdal, Chariman *(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 and is up for election in 2012. 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. She is independent of the company's main shareholders.
> SHARES IN SOLSTAD OFFSHORE ASA: 0

Terje Vareberg *(born 1948)*
Terje Vareberg has an MBA from Norwegian School of Business Administration 1974. He is now chariman in Norsk Hydro.
He has worked as Cheif Executive Officer in Sparebank 1 SR-bank and as Executive Vice President/Deputy CEO in Statoil. Terje Vareberg has national and international experience from various positions /directorships. Terje Vareberg was elected as board member in mai 2011 and has an interest in Solstad Offshore ASA's as chairman in Solstad Trading AS.
> SHARES IN SOLSTAD OFFSHORE ASA: 0

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. 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 up for election in 2012. Ketil Lenning is independent of the company's main shareholders.
> SHARES IN SOLSTAD OFFSHORE ASA: 0

CORPORATE GOVERNANCE

Corporate governance in Solstad Offshore ASA is based on the company's vision and strategy. The company is listed on the Oslo Stock Exchange and subject to Norwegian companies, accounting, exchange listing and securities trading legislation. Solstad Offshore ASA adheres to the Norwegian Code of Practice for Corporate Governance of 21st October 2010, as later amended and amplified in the review of 20th October 2011.

Implementation and reporting

The company believes that it is important to clarify the division or roles between shareholders, the board of directors, and executive management, and has therefore chosen to report on the company's corporate governance as recommended in the Code of Practice. Solstad Offshore ASA maintains guidelines for ethical conduct and social responsibility aimed at securing values and corporate culture in the organisation to provide a basis for value creation, safe and green operation, workplace satisfaction, positive reputation and innovation.

Business

The objects of the company are set out in the articles of association as "to operate shipping operations and everything connected therewith..." Within these objects the company's business concept is to run an integrated shipping business with highly specified vessels in chosen segments on our own or chartered vessels. The core operations are primarily the provision of services to oil-related offshore activities. The company articles are available in full online at www.solstad.no. More details of the goals and strategy of the company are set out in Section 1 of the Report of the Directors.

Equity and dividends

The company's posted equity amounted to 28 % of total assets at year's end 2011. The company thus maintains its sound financial standing in support of the stated strategy and dividend policy. The company is committed to securing for shareholders a high and stable return. This return is taken to mean the sum of share price escalation and paid up dividend.

The company aims each year to pay dividend to shareholders. The amount will normally correspond to 20 % of company profits after tax, adjusted as necessary for major currency variances and non-controlling interests. Dividend will nonetheless always take account of forecast future earnings and cash flows, as well as demand for financing and other matters affecting company standing. In 2011, Solstad Offshore ASA declared dividend of NOK 2.00 per share for the 2010 fiscal year. The directors will propose to the General Meeting that this year's dividend shall be set at NOK 1.50 per share for 2011.

The General Meeting held on 23rd May 2011 authorised the directors to make the following payments:

- Expand share capital in Solstad Offshore ASA by maximum NOK 4,000,000 by the issuance of maximum 2,000,000 new shares, each of face value NOK 2.-. The authorisation, which remains in force until the General Meeting in 2012, also covers a decision to merge under the Public Companies Act, section 13-5.

- Acquire treasury shares to a total face value of maximum NOK 7,558,832.- which is to say maximum 10 % of shareholder capital. The directors are free to determine the means of acquisition and sale of treasury shares. The company will pay minimum NOK 1.- and maximum NOK 250.- per share acquired under this authorisation. The authorisation remains in force until the General Meeting in 2012.

- Resolve to expand the shareholder capital by maximum NOK 280,000.- by the new subscription of maximum 140,000 shares each of face value NOK 2.-. Within these limits the directors will determine whether to offer one or several issues and their size. The capital expansion will be reserved for company personnel, and shareholders waive all pre-emptive rights to these shares. The directors will determine the subscription price and other conditions of sale. The authorisation remains in force until the General Meeting in 2012.

Equal treatment of shareholders and transactions with close associates

Solstad Offshore ASA has a single class of shares. The articles do not distinguish differences in voting rights, and all shares carry equal rights.

The rights of the directors to acquire treasury shares are contingent upon such acquisition taking place in the marketplace.

During 2011 there were no transactions between the company and the shareholders, the board of directors and the executive management and their close associates, except as reported in the financial statements, see Note 15.

The company maintains rules to ensure that the board of directors and executive management report to the board in case of any direct or indirect material interest in any contract signed by the company.

Freely negotiable shares

The shares in Solstad Offshore ASA are freely negotiable. The articles set no limits on negotiability.

General meeting and nomination committee

The annual general meeting is normally held in the month of May. According to the articles of association, documents up for consideration at the GM are posted on the company webpage. Efforts are made to ensure they contain all necessary information to enable shareholders to take a stand on all matters to be dealt with. The board chairman takes part in the GM, as does the company auditor. The meeting invitation and briefing documents for the GM are also published on the webpage (www.solstad.no) no later than three weeks before the meeting.

The board is keen to enable as many shareholders as possible to take part. The attendance announcement is put as late as possible before the meeting date. Shareholders who cannot attend, are urged to attend by proxy. The invitation sets out the information about procedures that shareholders must follow in order to take part and cast votes at the GM. They also describe how to appoint a proxy. Two people should be named who can vote on behalf of the shareholder by proxy. The proxy authorisation form is designed as far

as possible to allow shareholders to vote on individual issues and individual candidates for election/ re-election.

The Agenda is determined by the board of directors, according to the key business set out in Article 6. The chairman opens the GM and a meeting chair is elected. The minutes of the GM are published as a stock exchange notice, as well as on the company website. The articles do not require the company to have a nomination committee. In fact the board chairman and vice-chairman form the nomination committee.

Board composition and independence

The nomination committee's primary goal is to propose candidates who will ensure that the company has a board of directors with the maximum relevant expertise, capacity and diversity. The board should also be composed so that directors can act independently of special interests and have minimum two shareholder elected directors who are independent of the major shareholder. In connection with new directorship candidates the focus is on gender equality, apart from looking for appropriate expertise and capacity. Directors are elected for a two-year term of office. Representatives of executive personnel are not members of the board.

Board work

The directors draw up an annual plan for the board's work. Normally there will be six to eight regular board meetings, augmented by telephone conferences as needed. Instructions for the board and executive personnel have been drawn up. Company internal control is exercised according to the adopted guidelines and reviewed with the auditor and board each year. The board receives monthly financial reports where economic standing and financial status are reviewed. The elected vice-chairman chairs the work of the board in the absence of the chairman. An audit committee has been set up to prepare and advise the board. The audit committee consists of two members who are independent of the business and elected by and from the directors. Each year the board conducts a self-assessment of its work and qualifications if necessary.

Risk management and internal control

The board seeks through its work to ensure that the company maintains good standards of internal control and appropriate systems of risk management, in light of the scope and nature of the company's business, and the provisions that govern the business. The company has established a system of operation and administration that relies on work procedures and job descriptions. The system also covers social responsibility and ethical guidelines. There is a commitment to quality assurance. The board receives information about operational, administrative and financial developments in monthly reports. Each year the board reviews corporate strategy and the business plan, including also an analysis of the company's risk exposure. Exposure is monitored monthly in administration reports.

Remuneration of directors

The remuneration paid to the board of directors reflects the board's responsibilities, expertise, time commitments and complexity of the business, and is not linked to performance. The amounts involved are reported in the financial statements. The directors do not have stock options. In cases where members of the board undertake significant work for the company, all the directors are informed and the fees are approved by the board. These fees are reported in the financial statements. All transactions between directors or personnel (or companies that they represent or are associated with) on the one hand, and the company on the other, are implemented in accordance with the arm's length doctrine.

Apart from the details included in the Notes regarding remuneration and contracts with directors (or companies that they represent or are associated with) the company has no other obligations. Remuneration to directors is considered to reflect market conditions.

Remuneration to executive personnel

The remuneration to the managing director is determined by the board meeting. Other elements of the remuneration are reported in the Notes to the financial statements. The guidelines for remuneration of executive personnel are presented to the GM for information purposes.

Apart from the details included in the Notes regarding remuneration and contracts with the managing director and deputy managing director (or companies that they represent or are associated with) the company has no other obligations. Remuneration to the managing director is considered to reflect market conditions.

There are no stock option programs for personnel.

Information and communications

To be confident of equal treatment of shareholders the company is committed at all times to ensure that the stock market has correct, clear and timely details about the company's business and standing. Presentation of the quarterly and annual accounts is made according to a schedule displayed in the financial calendar on the company webpage at www.solstad.no and filed as a Notice with the Oslo Stock Exchange. Beyond that, frequent briefings and discussions are held with analysts and investors. Information is disclosed through stock exchange notices, discussions with analysts, and general briefings for investors, as well as special briefings for stock brokers and investors. The company adheres to the recommendations of the OSE regarding Investor Relations reporting.

Take-overs

Solstad Offshore ASA has no defence mechanisms to prevent stock buy-ups in the Articles, nor have we implemented other measures to limit acquisition of shares in the company. If an offer is presented for company shares the board will work to inform the shareholders and allow time to decide on the offer, and issue a statement that assesses the offer, and a recommendation to shareholders whether to accept it or not.

Auditor

Each year the auditor sets out the highlights of the audit plan to the audit committee. The auditor will also go through a report about his views and observations regarding accounting principles, risk areas, internal control routines, and other aspects. The auditor will also deliver a written report each year to affirm his compliance with certain impartiality and objectivity standards. The auditor attends board meetings to discuss the financial statements for the year, and the annual general meeting.

Important consultancy work performed by the auditor requires prior approval by the directors. The remuneration to the auditor is reported in the financial statements. The board of directors meet once a year without the managing director or other representatives of the administration present.

CONSOLIDATED
FOR SOLSTAD OFFSHORE ASA

SOLSTAD **GREEN** OPERATIONS®

... turn off the lights on deck and all unnecessary consumers such as heating if the temperature permits ...

Solstad supports the protection of rainforests

Through the Norwegian Rainforest Foundation, Solstad protects a considerable amount of rainforest every year. This is done by supporting indigenous people living in the world's rainforests in their efforts to protect their forest. Solstad has invented a system where the amount of rainforest protected through this arrangement is linked to the actual climate gas emissions from the fleet every quarter.

STATEMENT OF COMPREHENSIVE INCOME

1.1 - 31.12

GROUP		(NOK 1 000)	
	Notes	**2011**	**2010**
Freight income	4	3 044 104	2 613 557
Other operating income	4,5	4 988	3 308
Total operating income		**3 049 091**	**2 616 866**
Personnel costs	5,6	-1 179 777	-960 795
Ordinary depreciation and write down	8	-738 218	-446 002
Depreciation on capitalised periodic maintenance	8	-194 035	-192 591
Other operating expenses	5	-769 178	-697 784
Insurance claims	10	5 788	20 051
Income from investment in associated companies	9	-2 229	2 511
Total operating costs		**-2 877 649**	**-2 274 610**
Operating profit/loss		**171 442**	**342 256**
Interest income		18 483	26 928
Other financial income		448 789	789 234
Interest charges		-549 593	-370 654
Other finance costs		-488 118	-654 591
Net financing	**7**	**-570 439**	**-209 083**
Ordinary profit before taxes		**-398 996**	**133 173**
Tax on ordinary result	12	-7 581	-114 158
Net profit for year		**-406 577**	**19 015**
Comprehensive income			
Translation adjustments foreign currency		6 404	-4 193
Net gain on available for sale financial assets		23	15
Comprehensive income		**-400 151**	**14 837**
Net profit attributable to:			
Non-controlling interests		-44 537	-29 404
Equity holders of the company		-362 041	48 419
Comprehensive income attributable to:			
Non-controlling interests		-44 537	-29 404
Equity holders of the company		-355 614	44 241
Earnings and diluted earnings per share (NOK)	14	-9,44	1,29

BALANCE

GROUP		(NOK 1 000)	Restated
	Notes	**31.12.11**	**31.12.10**
ASSETS			
Long-term assets			
Intangible fixed assets			
Deferred tax asset	12	43 061	17 362
Total intangible fixed assets		**43 061**	**17 362**
Long-term fixed assets			
Vessels and new build contracts	2,8	13 874 368	13 490 052
Capitalized periodic maintenance	8	241 114	252 378
Other tangible fixed assets	8	23 421	28 420
Total long-term fixed assets		**14 138 903**	**13 770 849**
Financial assets			
Investments in associated companies	9	19 648	21 300
Investments in stocks and shares	9	5 074	4 552
Other financial assets	3	31 140	40 038
Other long-term receivables	19	27 060	9 589
Pension funds	6	2 682	9 350
Total financial assets		**85 605**	**84 829**
Total long-term assets		**14 267 568**	**13 873 041**
Current assets			
Stock	**21**	**59 843**	**59 377**
Receivables			
Account receivables	20	715 209	521 736
Other short-term receivables	20	163 442	215 586
Other current financial assets	3	14 569	11 834
Total receivables		**893 220**	**749 156**
Investments			
Market based shares	9	344	321
Bank deposits and cash equivalents	**16**	**657 269**	**871 718**
Total current assets		**1 610 676**	**1 680 572**
Asset held for sale	**8**	**4 644**	**12 790**
TOTAL ASSETS		**15 882 888**	**15 566 404**

BALANCE

GROUP		(NOK 1 000)	Restated
	Notes	**31.12.11**	**31.12.10**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital (38.687.377 a 2,-)	13	77 375	75 588
Treasury shares	13	-51	-380
Other paid-in capital		224 015	111 648
Share premium reserve		1 541 815	1 541 815
Total restricted equity		**1 843 154**	**1 728 671**
Earned equity			
Other equity		2 634 061	2 836 129
Total earned equity		**2 634 061**	**2 836 129**
Non-controlling interests	**25**	**-61 301**	**424 643**
Total equity		**4 415 914**	**4 989 443**
Liabilities			
Provisions			
Taxes payable	12	39 931	77 543
Other financial liabilities	3	52 373	67 194
Total provisions		**92 304**	**144 737**
Other long-term liabilities			
Other long-term loans		36 487	33 600
Debt to credit institutions/leasing obligations	11	9 472 153	7 470 527
Total long-term liabilities		**9 508 640**	**7 504 127**
Current liabilities			
Accounts payable		258 684	311 048
Bank overdraft	3	102 205	102 734
Taxes payable	12	75 526	105 677
Accrued salaries and related taxes		58 468	50 650
Other current financial liabilities	3	18 053	5 909
Other current liabilities	23	292 001	250 200
Current interest bearing liabilities	10,11,25	1 061 092	2 101 877
Total current liabilities		**1 866 029**	**2 928 096**
Total liabilities		**11 466 974**	**10 576 960**
TOTAL EQUITY AND LIABILITIES		**15 882 888**	**15 566 404**
Mortgages	11		
Guarantees etc.	3,7,11		

Skudeneshavn, 28. March 2012

Harald Eikesdal
Chairman

Terje Vareberg
Director

Toril Eidesvik
Director

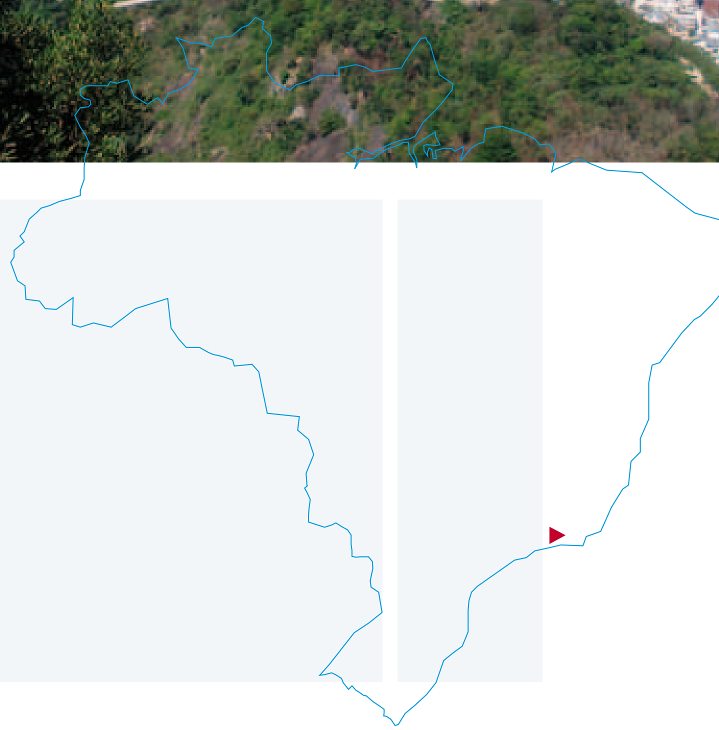
Anette Solstad
Director

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	Shareholders equity	Non-contr. interests	Total equity
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
Unalloc. 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**
Equity 01.01.2011		**75 588**	**-380**	**1 541 815**	**111 648**	**-9 612**	**127 280**	**2 718 461**	**4 564 800**	**424 643**	**4 989 443**
Annual result								-362 041	-362 041	-44 537	-406 577
Translation adjustments						6 404			6 404		6 404
Value changes in assets											
available for sale	9						23		23		23
Comprehensive income						**6 404**	**23**	**-362 041**	**-355 614**	**-44 537**	**-400 151**
Purch. and sale treasury shares	13		330					21 877	22 207		22 207
Capital injection		1 786			112 367				114 153		114 153
Minority from business comb.	25							209 044	209 044	-440 272	-231 228
Paid dividend/ surplus								-77 375	-77 375	-1 135	-78 510
Other adjustments							-127 388	127 388			
Equity 31.12.2011		**77 375**	**-51**	**1 541 815**	**224 015**	**-3 208**	**-85**	**2 637 354**	**4 477 215**	**-61 301**	**4 415 914**

STATEMENT OF CASH FLOW

1.1 - 31.12

GROUP		(NOK 1 000)	
		2011	**2010**
CASH FLOW FROM OPERATIONS			
Result before tax		**-398 996**	**133 173**
Taxes payable		-101 024	-82 503
Ordinary depreciation and write downs		932 253	638 593
Loss/ gain long-term assets		30 167	-119 494
Effect of change in pension assets		6 668	7 724
Change in value of financial instruments		18 811	96 721
Unrealised currency gain/loss		77 926	-25 562
Change in short-term receivables/payables		-191 271	85 648
Change in other accruals		17 926	99 277
Net cash flow from operations	**(A)**	**392 460**	**833 578**
CASH FLOW FROM INVESTMENTS			
Investment in tangible fixed assets (vessels)		-1 248 085	-2 983 160
Payment of periodic maintenance		-162 270	-267 583
Sale of fixed assets (vessels)		101 613	372
Payment of long-term receivables		-17 471	-3 618
Investments in other shares/ interests		-1 100	-1 759
Net cash flow from investments	**(B)**	**-1 327 313**	**-3 255 748**
CASH FLOW FROM FINANCING			
Payment to non-controlling interests		-60 872	-4 256
Payment of dividends		-77 375	-93 966
Purchase/ sale treasury shares		-2 084	1 831
Bank overdraft		-529	2 402
Long-term debt		4 161 504	2 883 221
Repayment of long-term debt		-3 300 239	-940 016
Net cash flow from financing	**(C)**	**720 405**	**1 849 216**
Net change in cash and cash equivalents	(A+B+C)	-214 449	-572 954
Cash and cash equivalents at 01.01		871 718	1 444 672
Cash and cash equivalents at 31.12	**(Note 16)**	**657 269**	**871 718**

SOLSTAD **GREEN** OPERATIONS®

The gaze of SGO is implemented at all levels of our ships - here adjusting an exhaust gas in the engine room.

Climate Disclosure Project (CDP)

As beeing one of the 260 largest companies in Scandinavia, Solstad is on a voluntarily basis reporting its carbon footprint and climate figthing initiatives into the Carbon Disclosure Project (CDP).

This is an independent not-for-profit organization holding the largest database of primary corporate climate change information in the world (www.cdpproject.net). Thousands of organizations from across the world's major economies measure and disclose their greenhouse gas emissions and climate change strategies through CDP.

The results from the last CDP report shows that Solstad is amongst the top 10% of these companies when it comes to contributing to reducing its climate emissions footprint.

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 28th of March 2012, and will be presented for approval in the Annual General Meeting.

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

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value, and are presented in Norwegian Kroner.

CHANGES IN ACCOUNTING PRINCIPLES During 2011, 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 24 (REVISED) RELATED PARTY DISCLOSURES. The revised IAS 24 clarifies and simplifies the definition of a related party, compared to the current IAS 24. The Group has implemented 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 has implemented 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 has used 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.

Approved IFRS and IFRIC interpretations not yet implemented

CHANGES IN IFRS 7 FINANCIAL INSTRUMENTS - INFORMATION The change affect information to be presented in the notes when financial assets, in which the company is involved in, are transferred, with the aim to provide a better view of the exposure for the company that transfer the financial assets. The changes are effective for annual periods beginning on or after 1 July 2011. The Group expects to implement the changes from 1 January 2012.

CHANGES IN IFRS 7 FINANCIAL INSTRUMENTS - INFORMATION The changes require the company to provide additional quantitative information relating to set-of between financial assets and financial liabilities. The requirements are applicable for all financial instruments set-of according to IAS 32. The changes are effective for annual periods beginning on or after 1 January 2013, but are still to be approved by EU. Early implementation will be allowed once the EU has approved the changes. The Group expects to implement the changes from 1 January 2013.

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 2015, but the standard is not yet approved by the EU. Early implementation will be allowed once the EU has approved the changes. The Group expects to apply IFRS 9 as of 1 January 2015.

IFRS 10 CONSOLIDATED FINANCIAL STATEMENTS IFRS 10 replace the sections of IAS 27 concerning consolidated financial statements, and SIC-12. IFRS 10 establishes a single control model that applies to all entities. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
IFRS 10 comes in to effect on or after 1 January 2013, but the standard is not yet approved by the EU. Early implementation will be allowed once the EU has approved the changes. The Group expects to apply IFRS 10 as of 1 January 2013.

IFRS 11 JOINT ARRANGEMENTS IFRS 11 replaces IAS 31 and SIC-13. IFRS 11 uses some of the terms that were used IAS 31, but with different meanings. Thus, there may be some confusion as to whether IFRS 11 is a significant change from IAS 31. IFRS 11 removes the option to account for jointly

NOTES

controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.
IFRS 11 comes in to effect on or after 1 January 2013, but the standard is not yet approved by the EU. Early implementation will be allowed once the EU has approved the changes. The Group expects to apply IFRS 11 as of 1 January 2013.

IFRS 12 DISCLOSURE OF INTERESTS IN OTHER ENTITIES IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. A number of new disclosures are also required, and one of the most significant changes introduced by IFRS 12 is that an entity is now required to disclose the judgements made to determine whether it controls another entity or not. IFRS 12 comes in to effect on or after 1 January 2013, but the standard is not yet approved by the EU. Early implementation will be allowed once the EU has approved the changes. The Group expects to apply IFRS 12 as of 1 January 2013.

IFRS 13 FAIR VALUE MEASUREMENT IFRS 13 consolidates and clarifies the guidance on how to measure fair value. Many IFRS's require or permit entities to measure or disclose the fair value of assets, liabilities, or equity instruments, but prior to the issuance of IFRS 13, the guidance on how to measure fair value was limited and, in some cases, the guidance was conflicting. IFRS 13 comes in to effect on or after 1 January 2013, but the standard is not yet approved by the EU. Early implementation will be allowed once the EU has approved the changes. The Group expects to apply IFRS 13 as of 1 January 2013.

CHANGES IN IAS 1 PRESENTATION OF FINANCIAL STATEMENTS The amendments to IAS 1 require companies preparing financial statements in accordance with IFRS to group together items within OCI that may be reclassified to the profit or loss section of the income statement.
The changes in IAS 1comes in to effect on or after 1 July 2012, but the standard is not yet approved by the EU. Early implementation will be allowed once the EU has approved the changes. The Group expects to apply IAS 1 as of 1 January 2013.

CHANGES IN IAS 12 DEFERRED TAX The amendment intends to provide a practical solution to a problem relating to investment properties that arises in certain jurisdictions. As a result of the amendments deferred tax on investment property measured at fair value is required to be determined using the rebuttable presumption that the carrying amount of the underlying asset will be recovered through sale (rather than use)
The changes in IAS 12comes in to effect on or after 1 January 2012, but the standard is not yet approved by the EU. Early implementation will be allowed once the EU has approved the changes. The Group expects to apply IAS 12 as of 1 January 2012.

CHANGES IN IAS 19 EMPLOYEE BENEFITS The amendments to IAS 19 \ proposes major changes to the accounting for employee benefits, including the removal of the option for deferred recognition of changes in pension plan assets and liabilities (known as the "corridor approach"). The result is greater balance sheet volatility for those entities currently applying the corridor approach. In addition, these amendments will limit the changes in the net pension asset (liability) recognised in profit or loss to net interest income (expense) and service costs. Expected returns on plan assets will be replaced by a credit to income based on the corporate bond yield rate.
The changes in IAS 19comes in to effect on or after 1 January 2012, but the standard is not yet approved by the EU. Early implementation will be allowed once the EU has approved the changes. The Group expects to apply IAS 19 as of 1 January 2012.

CHANGES IN IAS 28 (REVISED) INVESTMENT IN ASSOCIATES AND JOINT VENTURES As a consequence of the issuance of IFRS 10, 11 and 12, the IASB also issued amended and retitled IAS 28 Investments in Associates and Joint Ventures. The standard has been renamed IAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates
The changes in IAS 28comes in to effect on or after 1 January 2013, but the change is not yet approved by the EU. Early implementation will be allowed once the EU has approved the changes. The Group expects to apply IAS 28 as of 1 January 2013.

CHANGES IN IAS 32 FINANCIAL INSTRUMENTS - PRESENTATION Clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneously.

The changes come in to effect on or after 1 January 2014, but the change is not yet approved by the EU. Early implementation will be allowed once the EU has approved the changes and when the changes in IFRS 7 are implemented. The Group expects to apply to the changes from 1 January 2014.

The changes in IFRS 11/ IAS 28 will have effect both on the profit and loss and the balance sheet. The Groups has three joint ventures currently being consolidated according ownership (50%).

The change relating to removal of the «corridor approach» in IAS 19 will have effect on both profit and loss and the balance sheet. Not recognised changes in assumptions are NOK 93.7 million as per 31.12.2011.

The other changes are not assumed to have material effect on the consolidated financial statement.

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

The Group accounts state the total profit & loss and financial position of Solstad Offshore ASA and its controlling interests as a whole. The consolidated accounts include companies in which Solstad Offshore ASA has direct or indirect ownership of more than 50% of the voting shares, or otherwise has direct control. Share options, convertibles and other equity instruments are evaluated when assessing whether control exists.
Subsidiaries are consolidated 100% line by line in the group accounts. A subsidiary is an entity where the Group has controlling interest, direct or indirect, of more than 50% of the voting shares.

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

NOTES

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

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

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

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

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 valuated 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 valuated 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.

NOTES

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

	GBP	USD	Euro	BRL
Per 31.12.10	9,0680	5,8654	7,8125	3,5292
Per 31.12.11	9,2829	5,9927	7,7540	3,2100

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 are 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

NOTES

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 re-demption 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 timeframe may be of significance, a provision is made for the current value of future payments to cover liabilities. Provisions are not made for future operating losses

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

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

NOTES

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 8.

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 steal and the steel price at the balance sheet date. Steel prices used for 2011 and 2010 are USD 450 and USD 330 per ton respectively.

DEPRECIATION OF PLANNED MAINTENANCE is affected by the estimated interval between each dry docking. This interval is determined based on experience for the Groups' fleet combined with official requirement for classification of the vessels.

PENSION is an estimate impacted by several assumptions. The discounted rate and expected regulation of salary has a significantly high impact. The regulation of salaries is based on experience and anticipation related to subsequent salary regulation in the business. The discounted rate is based on Norwegian 10 year state obligation interest rate, adjusted for average remaining time to maturity. Posted pension over-funding for 2010 was NOK 9.4 million whilst at the end of 2011 the over-funding was NOK 2.7 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 marked prices, public accounting information and general and specific marked 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.

NOTES

NOTE 2 MAJOR TRANSACTIONS / EVENTS

Major transactions / events in 2011:
In 2011 the Group took delivery of one construction service vessel (CSV). The vessel, which is the Group's largest ever, was delivered from the yard in the 2nd quarter, and had a cost price of NOK 1.260 million.

In the first quarter a NOK 700 million bond loan was issued.

In April 2011 an agreement for purchase of the remaining 40,9% of the shares was entered with the other shareholder in Solstad Offshore Asia Pacific Ltd (SOAPAC). The transaction took place on April 14th, 2011. The renumeration, totalling to USD 41,5 millon, was settled partly in cash and partly by issuing consideration shares.

In the 2nd quarter the Group took delivery of the vessel Norce Endeavour (Derrick Lay Barge). The barge had a final cost price of approximately USD 235 million.

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 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 Solstad Offshore Asia Pacific Ltd (SOAPAC) (previously NOR Offshore Ltd (NOR)) from 50% to 56.4% through a share emission. Previously SOAPAC 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 SOAPAC is accounted for as a subsidiary. An additional increase to 59.1% was performed in the 4th quarter.

NOTES

NOTE 3 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

GENERAL. The Group is exposed to different financial market risks. Financial market risk is the impact of fluctuations on currency rates, interest rates and freight rates on the value of the Group's assets, liabilities and future cash flows.

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

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, 2011, accounts receivables were NOK 715.2 million (NOK 521.7 million in 2010). 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 31.12.2010	Not yet due	0 - 1 month over due	1 - 3 months over due	Older than 3 months	Total
Trade accounts receivable	280 403	99 100	73 785	68 448	521 736

per 31.12.2011	Not yet due	0 - 1 month over due	1 - 3 months over due	Older than 3 months	Total
Trade accounts receivable	468 363	127 801	83 235	35 810	715 209

95% of the trade accounts receivable at year-end relates to 20 customers. The top 10 customers amount to 71% of total trade accounts receivable.
There are no accruals for bad debt at 31.12.2011 or at 31.12.2010. Over due receivables are not considered bad debt.

The following table shows customers with more than 10% of total revenue:

			Segment	
Customer	**Total revenue**	**PSV**	**AHTS**	**CSV**
Petrobras - Brazil	356 920	157 576	199 345	
Saipem UK	351 630	185 365		166 265

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, 2011 the Group has entered 7 fixed interest rate contracts, up to 6 years maturity, for approximately 10% of total debt. Further, 3 fixed interest rate contracts, as CIRR financing up to 7 years maturity, are entered in to for approximately 5% of the debt. The remaining 85% of the debt has floating interest. As at December 31, 2011, the interest swaps have a negative value of NOK 39.1 million (negative NOK 47.4 million in 2010). The Group has entered interest and currency swap agreements with 1-8 years maturity. At December 31, 2011 these agreements have a net positive value of NOK 31 million (NOK 35 million in 2010).

NOTES

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	2011	+ / - 94.258
+ / - 100	2010	+ / - 72.362

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, 2011; NOK 50%, USD 42% and GBP 8%. The corresponding allocation for 2010 was 55% USD, 36% NOK and 9% GBP.

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%	2011	+ / - 261.154
+ / - 10%	2010	+ / - 235.470

Increase/decrease in all currencies		Effect on result before tax
+ / - 10%	2011	+ / - 178.392
+ / - 10%	2010	+ / - 156.271

Increase/decrease in all currencies		Effect on result before tax
+ / - 10%	2011	+ / - 72.151
+ / - 10%	2010	+ / - 49.829

Further effect on equity is considered immaterial.

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 2010, but not met at the end of 2011. 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. The Group has issued a NOK 700 million bond loan during the year, and has also an unused credit facility of NOK 150 million. 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 31.12.2011	Less than 3 months	3 to 12 months	2 to 3 years	4 to 5 years	over 5 per years	Total
Interest bearing loans	154 110	1 009 187	4 062 298	4 323 955	1 085 900	10 635 450
Other debt				36 487		36 487
Trade accounts payable	258 684					258 684
	412 795	**1 009 187**	**4 062 298**	**4 360 442**	**1 085 900**	**10 930 622**

per 31.12.2010	Less than 3 months	3 to 12 months	2 to 3 years	4 to 5 years	over 5 per years	Total
Interest bearing loans	191 084	2 013 527	2 867 367	3 297 334	890 636	9 259 948
Other debt				33 600		33 600
Trade accounts payable	311 048					311 048
Financial derivatives	52 901	17 641				70 542
	555 034	**2 031 168**	**2 867 367**	**3 330 934**	**890 636**	**9 675 138**

NOTES

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 the share value. The Group manages and adjusts its capital structure based on changes in economical structures and assumptions. Its policy is to maintain or adjust the Group's capital structure by changes in dividend to the shareholders, issuing of new shares or sale of assets to reduce debt.

The Group monitors the capital based on equity versus total assets. The ratio is calculated as booked equity divided by total assets. The aim is to have a ratio above 30%. At the end of the year the Group does not have any newbuilds to be delivered. This, combined with decrease of debt through ordinary installments of debt and improved contract coverage for 2012, are factors that assumably will have a positive effect on booked equity the comming years.

	December 31st	
	2011	**2010**
Total equity	4 415 914	4 989 443
Total assets	15 882 888	15 566 404
	28 %	32 %

FAIR VALUE Estimated market values on financial instruments nominated in other currencies than NOK are determined using the currency rate at the balance sheet date. Fair value of the Groups interest- and interest-/currency swaps are determined using the currency - and interest rate at the balance sheet date. 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 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 31.12.11	Value as a 31.12.10
Contract 1	120 000	30 000	NOK	4,29 %	05.11.11		-1 612
Contract 2	30 000		USD	3,01 %	07.07.11		-4 298
Contract 1	59 016	7 377	USD	1,98 %	05.01.18	-11 025	4 646
Contract 2	24 950	2 100	USD	3,55 %	21.01.14	-7 859	-10 642
Contract 3	59 367	2 167	USD	4,85 %	16.04.12	-7 739	-22 290
Contract 4	14 000	1 875	USD	2,47 %	07.01.14	-2 963	-3 308
Contract 5	14 000	1 875	USD	2,48 %	07.01.14	-3 153	-3 323
Contract 6	14 000	1 875	USD	2,48 %	07.01.14	-3 193	-3 300
Contract 7	14 000	1 875	USD	2,48 %	07.01.14	-3 162	-3 313

Interest- and currency swap contracts	Nominal value	Yearly regulation	Currency	Maturity	Value as at 31.12.11	Value as at 31.12.10
Interest- and currency swaps NOK/USD	337 500	45 000	NOK	05.07.19	31 049	32 039
Interest- and currency swaps USD/NOK	126 187	63 094	NOK	01.11.13	91	3 354
					31 140	**35 393**

FINANCING RISK The following table shows the total mortgage loan based on existing financing and their maturity dates as per 31.12.2011:

	Mortgage loan	Drawn	Maturity	Duration	Interest
Loan 1 Floating interest - NOK	16 667	16 667	03.09.12	8	3,90 %
Loan 2 Floating interest - NOK	1 416 061	1 419 034	16.11.15	46	3,63 %
Loan 3 Floating interest - NOK	567 000	497 219	31.05.15	40	2,12 %
Loan 4 Floating interest - NOK	560 000	553 590	22.09.13	20	5,74 %
Loan 5 Floating interest - NOK	433 333	435 070	01.10.14	32	5,42 %
Loan 6 Floating interest - NOK	360 000	360 000	06.07.19	89	4,19 %
Loan 7 Floating interest - NOK	60 000	60 000	06.07.15	41	3,62 %
Loan 8 Floating interest - NOK	115 000	115 000	14.03.16	50	4,69 %
Loan 9 Floating interest - USD	10 794	10 794	16.09.14	32	2,52 %
Loan 10 Floating interest - USD	17 761	17 761	30.01.14	25	2,33 %
Loan 11 Fixed interest - NOK	142 000	142 000	29.03.19	85	5,38 %
Loan 12 Fixed interest - NOK	256 200	256 200	15.09.14	32	6,44 %
Loan 13 Fixed interest - NOK	140 000	140 000	15.09.14	32	5,93 %
Loan 14 Floating interest - NOK	138 942	138 942	15.09.14	32	4,55 %
Loan 15 Floating interest - NOK	141 667	141 667	22.04.13	15	3,68 %
Loan 16 Floating interest - NOK	14 650	14 650	21.12.12	11	3,70 %
Loan 17 Floating interest - NOK	88 667	73 242	16.06.14	29	2,72 %
Loan 18 Floating interest - GBP	7 105	7 105	14.01.14	24	1,58 %
Loan 19 Floating interest - USD	13 752	13 752	14.01.14	24	1,07 %

NOTES

Loan 20 Floating interest - NOK	262 500	262 500	30.09.15	44	3,52 %
Loan 21 Floating interest - USD	100 000	100 000	18.07.16	54	1,47 %
Loan 22 Floating interest - USD	29 683	29 250	30.06.12	6	1,86 %
Loan 23 Floating interest - USD	1 300	1 300	16.04.12	15	1,96 %
Loan 24 Floating interest - USD	184 000	176 873	27.04.16	51	3,38 %
Loan 25 Floating interest - USD	100 000	100 000	16.05.13	16	3,06 %
Loan 26 Floating interest - USD	43 750	43 750	29.06.17	65	3,63 %
Loan 27 Floating interest - NOK	499 583	499 583	05.11.17	69	5,57 %
Loan 28 Floating interest - NOK	503 125	503 125	09.04.17	74	5,72 %
Loan 29 Fixed interest - NOK	497 000	497 000	05.05.22	122	3,65 %
Loan 30 Floating interest - NOK	60 350	60 350	05.05.20	98	5,83 %
Loan 31 Floating interest - NOK	189 333	23 667	05.05.28	193	5,79 %
Total mortgage loan in NOK	**9 712 315**	**9 133 245**			
Bank overdraft - USD	17 500	17 055	31.12.12	12	2,28 %
Bond loan - NOK	700 000	700 000	11.12.14	35	7,94 %
Bond loan - NOK	700 000	700 000	25.02.16	49	7,26 %
Total bond loans	**1 400 000**	**1 400 000**			

FOREIGN CURRENCY RISK

The following table shows the booked value of forward contracts. All active forward contracts are entered into after 01.01.2011.

Purchase / sale currency	**Value based on forward contract**	**Value as at 31.12.11**	**Value based on forward contract**	**Value as at 31.12.10**
Currency contract NOK/USD (current)	422 917	14 569	70 542	11 834
Option contract NOK/USD (current)	-422 917	-10 314		
Total currency contracts		**4 255**	**70 542**	**11 834**

FAIR VALUE

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

Financial assets		**2011**		**2010**	
	Note	**Booked value**	**Fair value**	**Booked value**	**Fair value**
Cash at bank	11,18	657 269	657 269	871 718	871 718
Investments in shares (long-term)	9	24 723	24 723	25 852	25 852
Other current financial investments		14 569	14 569	11 834	11 834
Other long-term financial investments		58 200	58 200	49 627	49 627
		754 761	**754 761**	**959 031**	**959 031**

Financial obligations		**2011**		**2010**	
	Note	**Booked value**	**Fair value**	**Booked value**	**Fair value**
Short-term part of long-term debt	11	1 061 092	1 061 092	2 101 877	2 101 877
Mortgage loan with floating interest	11	8 098 045	8 129 185	6 296 351	6 331 744
Mortgage loan with fixed interest	11	1 035 200	996 106	1 149 933	1 115 667
Leasing obligation with floating interest	11			4 617	4 617
		10 194 337	**10 186 383**	**9 552 779**	**9 553 905**

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.
Level 3 includes non-registered shares, refer to note 9 for further details.

NOTES

The following table show book value of financial instruments according to the hierarchy above:

	2011			2010		
Current financial assets	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Shares	344			321		
Total per level	**344**			**321**		
Total all levels	**344**			**321**		
Fixed interest contracts						
Interest- and currency swaps						
Currency swap contracts		14 569			11 834	
Total per level		**14 569**			**11 834**	
Total all levels	**14 569**			**11 834**		

	2011			2010		
Non-current financial assets	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Shares			5 074			4 552
Total per level			**5 074**			**4 552**
Total all levels	**5 074**			**4 552**		
Fixed interest contracts					4 646	
Interest- and currency swaps		31 140			35 393	
Currency swap contracts						
Total per level		**31 140**			**40 038**	
Total all levels	**31 140**			**40 038**		

	2011			2010		
Current financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Fixed interest contracts		7 739			5 909	
Interest- and currency swaps						
Currency swap contracts		10 314				
Total per level		**18 053**			**5 909**	
Total all levels	**18 053**			**5 909**		

	2011			2010		
Non-current financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Fixed interest contracts		31 355			46 177	
Interest- and currency swaps						
Currency swap contracts						
Guarantees			21 018			21 018
Total per level		**31 355**	**21 018**		**46 177**	**21 018**
Total all levels	**52 373**			**67 194**		

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	**2011**	**2010**	**2011**	**2010**
Freight income	1 204 157	1 085 254	402 202	359 279
Other income	1 973	1 374	659	455
Total operating income	**1 206 130**	**1 086 628**	**402 861**	**359 733**
Results				
Operating result	138 309	134 791	62 037	20 572
Result from associated companies				
Operating result (1)	**138 309**	**134 791**	**62 037**	**20 572**
Assets and liabilities				
Fixed assets	4 003 773	4 208 605	1 323 929	1 361 866
Total assets	**4 003 773**	**4 208 605**	**1 323 929**	**1 361 866**
Segment liabilities	3 086 447	3 523 329	607 945	704 728
Total liabilities	**3 086 447**	**3 523 329**	**607 945**	**704 728**
Other segment information				
Annual investment	78 518	1 975 425	22 638	48 342
Depreciations and write-downs (2)	307 764	244 457	81 332	84 236

	CSV		Other	
Revenues	**2011**	**2010**	**2011**	**2010**
Freight income	1 437 745	1 169 024		
Other income	2 356	1 480		
Total operating income	**1 440 100**	**1 170 504**		
Results				
Operating result	10 326	174 869	-9 040	-8 488
Result from associated companies			2 511	2 511
Operating result (1)	**10 326**	**174 869**	**-6 529**	**-5 977**
Assets and liabilities				
Fixed assets	8 476 624	6 246 461	93 463	1 714 329
Investments in associated companies			19 648	21 300
Total assets	**8 476 624**	**6 246 461**	**113 112**	**1 735 629**
Segment liabilities	5 477 927	4 452 559		5 817
Total liabilities	**5 477 927**	**4 452 559**		**5 817**
Other segment information				
Annual investment	2 631 238	1 471 550	-1 614 859	774 388
Depreciations and write-downs (2)	534 116	301 413	9 040	8 488

NOTES

	Total	
Revenues	**2011**	**2010**
Freight income	3 044 104	2 613 557
Other income	4 988	3 308
Total operating income	**3 049 091**	**2 616 866**
Results		
Operating result	201 632	321 745
Result from associated companies	2 511	2 511
Operating result (1)	**204 143**	**324 256**
Assets and liabilities		
Fixed assets	13 897 789	13 531 262
Investments in associated companies	19 648	21 300
Unallocated assets	1 965 451	2 013 842
Total assets	**15 882 888**	**15 566 404**
Segment liabilities	9 172 319	8 686 434
Unallocated liabilities	1 360 926	885 970
Total liabilities	**10 533 245**	**9 572 404**
Other segment information		
Annual investment	1 117 535	4 256 915
Depreciations and write-downs (2)	932 253	638 593

(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 2011, PSV revenue is mainly from activity in the North Sea, Baltic Sea and Brazil, while revenues for AHTS and CSV activity are divided over all geographic areas.

Freight income is allocated to the following areas:	2011		2010	
North Sea	35 %	1 065 094	41 %	1 076 737
North- and Central America	11 %	330 786	5 %	131 288
Mediterranean/remaining part of Europe	7 %	203 469	7 %	192 570
West Africa	6 %	181 165	4 %	92 208
South America	23 %	685 550	21 %	540 915
Asia	19 %	578 039	22 %	579 840
Total	100 %	3 044 104	100 %	2 613 557

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	**2011**	**2010**
Management fees	1 724	1 840
Rental of personnel and equipment	3 264	1 468
Total other operating income	**4 988**	**3 308**

Other operating expenses	**2011**	**2010**
Technical cost	412 082	378 683
Bunkers and lube oil	37 101	40 412
Administration expenses - vessels	55 682	50 083
Insurance	80 317	73 383
IT, communications and other costs	183 995	155 224
Total other operating expense	**769 178**	**697 784**

Wages and personnel costs	**2011**	**2010**
Employees, vessels	1 087 445	882 369
Employees, administration	92 332	78 426
Total employee cost	**1 179 777**	**960 795**

Wages and employee cost	**2011**	**2010**
Wages	715 096	621 162
Social security	93 116	78 072
Pension costs	30 621	23 713
Other benefits	49 193	46 812
Travelling costs, courses and other personnel costs	291 752	191 036
Total employee cost	**1 179 777**	**960 795**

Average number of employees	**1 355**	**1 114**

The Group has received grants in respect of crew subsidiaries and net wage agreements totalling NOK 69 million (2010 NOK 68 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 *:*				
2011	12	4 168	177	299
2010	12	3 225	203	151

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.

Board of Director's	**Director's fee**
Harald Eikesdal, styreleder	275
Johannes Solstad	150
Toril Eidesvik	150
Arne Austreid	87
Anette Solstad	150
Ketil Lenning	25
Per Gunnar Solstad (Deputy)	150

(*) For further details refer to Parent company note 4.

	2011	**2010**
Audit - statutory accounts	2 048	1 712
Other attestation services	50	24
Tax related services	2 498	1 808
Other services	359	112
Total	**4 954**	**3 655**

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

NOTES

NOTE 6 PENSION

The Group has one defined benefit pension plan both for administrative and seafaring personnel employed in Norway. The pension plan is insurance based. As at December 31, 2011, there are 939 members of the pension plan. The scheme is based on the following assumptions: discounted interest 2.6% (3.6%), expected return 4.1% (5.0%), regulation of salaries 3.5% (4.0%) and regulation of pensions 3.25% (3.75%).

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 2011 the plan had 66 members.

Changes in pension obligation	**2011**	**2010**
Estimated liability at beginning of the year	191 967	150 782
Interest expense	6 822	6 558
Annual pension earnings	24 270	18 905
Benefits paid	-4 945	-3 484
Actuarial (gain) / loss on the obligation	17 485	19 207
Estimated liability at year end	**235 599**	**191 967**

Changes in plan assets		
Opening value of plan assets	122 549	106 947
Expected return	6 578	6 330
Contributions by employer	24 165	16 480
Benefits paid	-4 945	-3 484
Administration expense	-1 181	-828
Actuarial gain / (loss)	-2 971	-2 896
Estimated plan assets at year end	**144 197**	**122 549**

Expected contribution by employer in 2012 is NOK 25 million.

Net plan assets/liabilities		
Pension liabilities	-235 599	-191 967
Plan assets	144 197	122 549
Unrecognized changes in assumptions	93 751	77 613
Social security	-331	-1 156
Net plan assets / (liabilities)	**2 679**	**9 351**

Pension cost		
Present value of pension obligation	24 270	18 905
Interest expense on obligation	6 822	6 558
Expected return on plan assets	-6 578	-6 330
Administration expense	1 181	828
Changes in assumptions charged	4 927	3 752
Social security	3 623	2 814
Pension cost	**34 244**	**26 527**

Payments on contribution plan	1 635	1 769
Actual return on plan assets	3 608	3 434
Total pension cost	**35 879**	**28 296**

Pension liability for 2010 and 2011 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 5.0% to 4.1% in 2011. 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	2011	2010
Interest expense	-549 593	-370 654
Interest income	18 483	26 928
Currency loss	-426 115	-523 895
Currency gain	377 983	554 371
Gain financial derivatives	70 706	117 833
Loss financial derivatives	-66 130	-126 692
Gain sale shares (ref note 2 and 25)		116 967
Dividends	101	62
Other financial expense	4 128	-4 003
Net financial items	**-570 439**	**-209 083**

NOTE 8 TANGIBLE FIXED ASSETS

	Vessel	Vessel under construction	Fixtures	Total
Cost price 01.01.2010	**11 798 512**	**910 419**	**65 212**	**12 774 143**
Acc. depreciation/ write down 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 to asset held for sale	-12 790			-12 790
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 down current period	-437 514		-8 488	-446 002
Cost price 01.01.2011	**15 272 015**	**1 685 910**	**72 879**	**17 030 804**
Acc. depreciation/ write down 01.01.2011	-3 467 873		-44 460	-3 512 333
Book value 01.01.2011	**11 804 142**	**1 685 910**	**28 420**	**13 518 471**
Additions	1 044 249	197 765	6 072	1 248 085
Transfer	1 841 724	-1 846 517	4 793	
Transfer to periodic maintenance	-20 501			-20 501
Disposals	-140 776		-4 290	-145 066
Transfer to asset held for sale	-4 644			-4 644
Disposal of acc. depreciations/ write downs			2 561	2 561
Translation adjustment	8 336	28 811	-47	37 100
Cost price 31.12.2011	**18 000 403**	**65 969**	**79 407**	**18 145 778**
Acc. depreciations/ write downs 31.12.2011	-4 192 004		-55 986	-4 247 989
Book value 31.12.2011	**13 808 399**	**65 969**	**23 421**	**13 897 789**
Depreciation/ write down current period	-724 131		-14 087	-738 218

NOTES

Capitalized periodic maintenance	**2011**	**2010**
Capitalized periodic maintenance at 01.01	252 378	177 386
Transferred from vessels	20 501	
Additions this year	162 270	267 583
Depreciation of planned periodic maintenance this year	-194 035	-192 591
Capitalized periodic maintenance at 31.12	**241 114**	**252 378**

The vessels are divided into the following categories:

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

Based on evaluation of previous years experience, 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 intervalfor 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 13,565 million are held as a guarantee for the Group's loans, see note 11.

Included in these additions is capitalized interest of NOK 5.9 million (NOK 17.8 million). The applied interest rate is 3.90% and 5.26%.

Impairment valuation of fixed assets
Once a quarter the Group evaluate any issues that might indicate impairment of fixed assets. Throughout 2011 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 2012, and for the period 2013-2016. The discounting rate (WACC) used in the recoverable amounts calculation is 7.5%.

One of the Group's vessels, Norce Endeavour (Derrick Lay Barge), started operations in 2011. The delivery of the vessel was postponed several times , and final cost price was higher than estimated. Book value was compared to brokers values and future value in use. Based on this an impairment of NOK 160 million was booked.

New build contracts
As at 31.12.2011 the following ships are under construction (100%):

New build contracts	**Delivery**	**Owner**	**Solstad Share**	**Contract Price**	**Paid Instalments**	**Remaining 31.12.2011**	**Due Date 2012**
NB "755" TBN Normand Arctic	January 2012	Solstad Rederi AS (*)	100 %	475 000	45 500	429 500	429 500

At 31.12.2010 the following ships were under construction (100%)

New build contracts	**Delivery**	**Owner**	**Solstad Share**	**Contract Price**	**Paid Instalments**	**Remaining 31.12.2011**	**Due Date 2012**
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

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.
New builds to be delivered are all financed.

(*) 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 3,500 tonn crane was agreed sold by the end of the year. Agreed price was USD 775,000. The crane is classified as asset held for sale per 31.12.2011.

NOTES

NOTE 9 SHARES IN ASSOCIATED COMPANIES AND OTHER INVESTMENTS

The Group has the following shares in associated companies:	Place of Business	Ownership	Date of Financial statement
Deep Well AS	Karmøy	39 %	31.12.11

Associated companies	**2011**	**2010**
	Deep Well AS	Deep Well AS
Cost price	19 367	18 789
Acc result and adjustments	1 933	
Book value 01.01.	**21 300**	**18 789**
Share of result	-2 229	2 511
Capital injection	578	
Book value 31.12.	**19 648**	**21 300**
Share of balance sheet:		
Current assets	12 965	15 463
Long-term assets	72 619	54 827
Short-term liablilities	-14 216	-12 367
Long-term liabilities	-60 383	-44 916
Net assets	**10 985**	**13 007**
Share of revenues and profit:		
Revenues	60 897	59 106
Operating expense	-59 915	-52 655
Financial expense	-4 091	-2 940
Result before tax	**-3 109**	**3 510**
Taxes	**880**	**-999**
Result	**-2 229**	**2 511**

Investments available for sale - long term

	2011		2010	
Unlisted shares	**Share**	**Book value**	**Share**	**Book value**
ResQ AS	22,44 %	5 031	22,44 %	4 509
Karm-Med AS	23,40 %	43	23,40 %	43
		5 074		**4 552**

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

	2011			2010		
Listed shares	**Cost price**	**Share**	**Book value**	**Cost price**	**Share**	**Book value**
Rem Offshore ASA	429	0,04 %	344	429	0,04 %	321
			344			**321**

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.

Net change in value on available for sale financial assets booked directly to equity:

	2011	**2010**
Opening balance	-108	-123
Change in value of Rem Offshore shares	23	15
Ending balance	**-85**	**-108**

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:

	2011	2012
Received compensation	5 788	20 051

During the last two years the Group has posted Loss of Hire-revenues of NOK 0 and NOK 2.5 million respectively.

NOTE 11 MORTGAGE DEBT AND OTHER LONG-TERM LIABILITIES

		Restated
	2011	**2010**
Mortgages	9 472 153	7 470 527
Leasing obligations		4 617
Total long-term debt	**9 472 153**	**7 475 145**
Short-term portion of long-term debt (1st year instalment)	1 061 092	2 101 877

For maturity profile, please refer to Note 3.

Book value of assets

	2011	2010
Account receivables	715 209	521 736
Vessels	13 565 365	11 585 163
Total booked value	**14 280 574**	**12 106 899**

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 54% NOK, 38% USD and 8% GBP at 31.12.2011. The long term debt in NOK is partly linked to the USD through financial instruments. Actual apportionment is 50% USD, 42% NOK and 8% 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 instalments are exempt from calculation of working capital. The company satisfies all conditions of the loan agreements at 31.12.11. In addition to the tied assets/negative security clauses the agreements include re-assignment of factoring agreements and insurance terms.

Borrowing cost	2011	2010
Capitalized borrowing cost	55 741	59 728

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

Operational lease

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

	31.12.11		31.12.10	
	Minimum payment	**Present value min. payment**	**Minimum payment**	**Present value min. payment**
Next year	2 242 689	2 187 989	1 974 090	1 925 941
Next 2-5 years	3 460 104	3 219 923	2 479 153	2 317 155
Over 5 years				
Finance cost		294 880		210 147
Total minimum lease payment	**5 702 792**	**5 702 792**	**4 453 243**	**4 453 243**

NOTES

Financial lease

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

	31.12.11		31.12.10	
	Minimum min. payment	**Present value payment**	**Minimum payment**	**Presemt value min. payment**
Next year			4 617	4 505
Next 2-5 years				
Over 5 years				
Finance cost				113
Total minimum lease payment			**4 617**	**4 617**

Other lease agreements:

The Group has entered the following lease agreements:	Yearly payment	Maturity	Extension	Adjustment of rent
Offices Skudeneshavn	3 348	2026	4 times 5 years	Consumer price and 5 years swap-rate
Workshop Husøy, Karmøy	2 491	2016		Consumer price
Offices Aberdeen	403	2018		Fixed for the next 5 years

Future minimum payments of lease agreements:	
During the next year	6 242
In next 2-5 years	24 967
Beyond 5 years	32 610
Total minimum lease payments	**63 819**

Other long-term loans:

Other long-term loans of NOK 36.5 million (NOK 33.6 million in 2010) are loans from non-controlling interests to one of the Groups susidiaries

Solstad Offshore ASA has furnished the following guarantees (NOK mill):		
Solstad Offshore UK Ltd	246	- for purchase of vessels
Solstad Offshore Service Vessel UK Ltd	148	- for purchase of vessels
Trym Titan AS	300	- for purchase of vessels
Solstad Offshore Asia Pacific Ltd	528	- for bare-boat rental and purchase of vessels
ADSI Inc	210	- for financial lease of vessels
Deep Well AS	52	- for financing of fixed assets
Normand Ranger AS	291	- for purchase of vessels

Solstad Rederi AS has furnished the following guarantees (NOK mill):		
Solship AS	979	- for financing of vessel

NOTES

NOTE 12 TAXES

	2011	2010
Taxes payable (incl. correction tax)	31 952	41 766
Under/over accrual of tax payable	1 328	324
Exit tax - old shipping tax regime		116 401
Change in deferred taxes	-25 698	-44 333
Tax on ordinary result	**7 581**	**114 158**
Apportionment of tax on ordinary result		
Norwegian exit tax - old shipping regime		116 401
Norwegian tax - ordinary	-20 975	-19 268
Foreign	28 556	17 025
Total tax	**7 581**	**114 158**
Outside Shipping Tax Regime		
Temporary differences:		
Shares/ownership (current assets)	1 224	4 948
Over funding of pension	16 036	23 475
Fixed assets/ provisions	-18 739	34 545
Unrecovered loss carried forward	-152 308	-124 977
Total temporary differences	**-153 788**	**-62 009**
Tax effect of temporary differences:		
Shares/ownership (current assets)	343	1 386
Pension over funding	4 490	6 573
Fixed assets/provisions	-5 247	9 673
Unrecovered loss carried forward	-42 646	-34 993
Net deferred tax/ deferred tax asset (-)	**-43 061**	**-17 362**
Changes in deferred tax in the balance sheet		
Opening balance deferred tax	-17 362	26 970
Booked to profit and loss	-25 698	-44 333
End balance deferred tax/ deferred tax asset (-)	**-43 061**	**-17 362**
Payable tax in the balance sheet consist of		
Payable exit tax - old shipping tax regime - long term	39 931	77 543
Payable exit tax - old shipping tax regime - current	44 562	44 562
Tonnage tax	158	127
Other payable corporation tax	30 807	60 988
Total payable tax in the balance sheet	**115 458**	**183 220**

Tonnage tax is classified as operational expense.

Analysis of effective tax rate		
28% of pre-tax result	-111 719	37 289
Payable exit tax - old shipping tax regime		116 401
Differential in tax rates foreign entities	5 660	3 121
Permanent differences/ Shipping Tax Regime	113 640	-42 651
Estimated tax	**7 581**	**114 158**

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 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 instalment 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.

NOTES

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. At the end of the year there are two issues that may lead to taxes in foreign countries for which no specific provision has been booked.

The first issue relates to import taxes in Brazil. Brazilian authorities has indicated a possible claim for full import tax for a vessel that has been imported under the temporary regime in Brazil. The Group consider the probability of this claim to be be low. Hence, no provision has been booked per 31.12.2011.

Previously the Group had three vessels on long-term lease agreements from UK-based owners. I 2008 these vessels was purchased by companies in which Solstad Offshore ASA owns 62.5% (2 vessels) and 50.1% (1 vessel) respectively. In 2005 UK tax regulations was changed in disfavour for the previous owners. The conditions in the purchase agreements for the vessels may lead to a change of the agreed prices if the assumptions (including assumptions for taxes) for the previous owners change. The previous owners have negotiated an offer for settlement with the UK tax authorities. Based on the offer from UK tax authorities, the Group received a suggested solution in March 2012 for final settlement for the purchase of the vessels. On a 100% basis the settlement is calculated to GBP 21.5 millon (NOK 199.5 million). The Group disagree to several of the assumptions and methods used in the calculations. Further , the suggestion is not fully documented. Negotiations with previous owners will continue. Based on the uncertainty for a possible settlement, and that the possibility to win a law suit is unchanged (more than 50%), no provision has been booked per 31.12.2011.

The accounts reflect the Groups best estimate for contingent liabilities at the end of the year.

NOTE 13 SHARE CAPITAL, SHAREHOLDERS AND TREASURY SHARES

	Share capital	Treasury shares
31.12.09	**75 588**	**-415**
Purchase treasury shares (0)		
Sale treasury shares (17.550)		35
31.12.10	**75 588**	**-380**
Capital injection (893.217)	1 786	
Purchase treasury shares (50.000)		-100
Sale treasury shares (214.769)		430
31.12.11	**77 375**	**-51**

At 31.12.11, the Company's share capital represents 38,687,377 shares at NOK 2. The number of shareholders at 31.12.11 was 2,435. The Board have the power of attorney to implement a capital appreciation of up to 140,000 shares at NOK 2 for employees of the Group. Furthermore, the Board has power of attorney to increase the share capital by NOK 4 million by issuing 2 million shares. The Board also have the power of attorney to acquire treasury shares in line with current legislation (10%). These powers of attorney are valid until the next General Meeting.

As at 31.12.2011 the Group had 25,300 treasury shares with cost price of NOK 2.1 million
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.

	2011	2010
Majority result from ordinary operations	-362 041	48 419
Average number of shares	38 396	37 777
Treasury shares	25	190
Average number of shares to calculate earnings per share	**38 370**	**37 587**
Earnings per share (NOK)	**-9,44**	**1,29**

NOTES

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	
Name:	**Country:**	**2011**	**2010**
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 %	100 %
Solship AS	Norway	100 %	100 %
Solstad Rederi II AS	Norway	100 %	100 %
Deep Well AS	Norway	39 %	39 %
Solstad Offshore Asia Pacific Ltd	Singapore	100 %	59 %
Nor Asia Pte Ltd	Singapore	100 %	59 %
Nor Offshore Labuan Pte Ltd	Singapore	100 %	59 %
Nor Supply Pte Ltd	Singapore	100 %	59 %
Nor Supporter Pte Ltd	Singapore	100 %	59 %
Norce Offshore Pte Ltd	Singapore	100 %	59 %
Norce Offshore Pty Ltd	Singapore	100 %	59 %
Norce Offshore Thailand Ltd	Singapore	100 %	59 %
Solstad Offshore Ltda	Brazil	100 %	100 %
ADSI INC (Proportional consolidated JV)	Switzerland	50 %	50 %
NISA INC (Proportional consolidated JV)	Switzerland	50 %	50 %
Normand Edda AS (Proportional consolidated JV)	Norway	50 %	50 %

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 parentcompany 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 the parent company of Solstad Offshore Ltda. Solstad Offshore Asia Pacific Ltd is the parent company of Nor Asia Pte Ltd, Nor Offshore Labuan Pte Ltd, Nor Supply Pte Ltd, Nor Supporter Pte Ltd and Norce Offshore Pte Ltd. Norce Offshore Pte Ltd is the parent company of Norce Offshore Pty Ltd and Norce Offshore Thailand Ltd. Solstad Offshore ASA is the parent company for the remaining companies, and also has ultimate control of all companies.

NOTES

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

	Sale (-) / purchase (+)		Receivables		Payables	
Related parties	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Deep Well AS	-1 386	-1 583	6 782	6 648		
Management and Board of Directors						
Managing Director						
Chairman of the Board						
Other associated parties						
Owner of office and base premises	5 838	5 773				
Owner of shipyard for repairs	1 123	296			-216	-106

The Group's affiliation with related parties:
Deep Well AS is an associated company in which the Group has a 39% share. Receivables are subordinated loans and guarantee commission.
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.

Related 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 33.7 million (NOK 32.7 million) on which tax is withheld.
As at December 31st the balance of cash and cash equivalents in the cash flow statement consist of the following:

	2011	**2010**
Cash and bank deposits	657 269	871 718
Total cash and cash equivalents	**657 269**	**871 718**

NOTE 17 ENVIRONMENTAL CONDITIONS

All of the company's vessels comply with current environmental requirements. In 2011, 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:	**2011**	**2010**	**2009**
Ordinary dividend	75 588	94 485	75 588

Proposed dividend at general meeting:	**2011**	**2010**	**2009**
Ordinary dividend	58 031	75 588	94 485
Per share (NOK)	1,50	2,00	2,50

NOTES

NOTE 19 OTHER LONG-TERM ASSETS

	2011	2010
Loan to other companies	5 724	6 121
Other receivables	21 335	3 468
Total other long-term assets	**27 060**	**9 589**

The loans are secured convertible loans. Interest rate during 2011 has been 6%.

NOTE 20 ACCOUNTS RECEIVABLE AND OTHER SHORT-TERM RECEIVABLES

	2011	2010
Accounts receivable	714 151	520 485
Receivable from associated companies	1 057	1 251
Total accounts receivable	**715 209**	**521 736**
Prepaid expenses	7 659	24 189
VAT receivable	1 818	2 686
Other short-term receivables	153 965	188 711
Total short-term receivables	**163 442**	**215 586**

Other short-term receivables are mainly refundable insurance claims, accrued revenue and prepaid docking expenses.

NOTE 21 STOCK

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

	2011	2010
Provisions	11 699	9 324
Bunkers	29 460	32 563
Lube oil	18 684	17 491
Total stock	**59 843**	**59 377**

NOTE 22 PURCHASE OF MINORITY INTERESTS

In April 2011 an agreement for purchase of the remaining 40,9% of the shares was entered with the other shareholder in Solstad Offshore Asia Pacific Ltd (SOAPAC). The transaction took place on April 14th, 2012. The renumeration, totalling to USD 41,5 millon, was settled partly in cash and partly by issuing consideration shares.

NOTE 23 PURCHASE OF MINORITY INTERESTS

Other current liabilities consist mainly of accrued interests 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. Solstad Offshore Asia Pacific Ltd, previously a joint venture, became a subsidiary as per 30.09.10, hence the 2010 figures in the table below do not include Solstad Offshore Asia Pacific Ltd. In the Group accounts Solstad Offshore Asia Pacific 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:

	2011	2010
Revenue	69 003	43 157
Expenses	-58 600	-63 455

	2011	2010
Current assets	28 415	18 319
Long term assets	291 328	259 146
Current liabilities	49 709	43 708
Long term liabilities	247 554	178 913

ADSI and NISA run similar business to the rest of the companies in the Group.
Their businesses are based in Switzerland, but they operate ships all over the world.
Normand Edda AS is based in Norway, but is currently a dormant company.

NOTES

NOTE 25 RESTATED COMPARATIVE FIGURES IN THE BALANCE SHEET

The comparative figures in the balance sheet (per 31.12.2010) are restated compared to previous reportings. The restatement relates to an internal reclassification between long term and current debt. One of the Group's subsidiaries was per 31.12.2010 formally in breach with one of the covenants for it's long term debt. The bank issued a waiver for the breach, and the loan was also refinanced before the Annual Report for 2010 was approved and submitted.

Based on this the Group chose to present the loan as long term debt, as this would better reflect the Group's financial position at the balance sheet date. Subsequently the classification of the loan was challenged by the Norwegian Finacial Supervising Authority (Finanstilsynet), who assessed the classification to be in violation to IAS 1. Hence, the Group has reclassified the loan to short term debt in the comparative figures.

As a result a NOK 1,080 million loan is reclassified from the line "Debt to credit institutions/leasing obligations" under Other long term liabilities to "Current interest bearing liabilities" under Current liabilities per 31.12.2010.

The issue above was presented in Note 11 in the 2010 Annual report.

NOTE 26 SUBSEQUENT EVENTS

In January 2012 the Group took delivery of a platform supply vessel (PSV). The vessel was delivered from the yard on January 5th, and had a cost price of approximately NOK 470 million.

CORPORATE ACCOUNTS

FOR SOLSTAD OFFSHORE ASA (PARENT COMPANY)

SOLSTAD **GREEN** OPERATIONS®

Proud winners of the Environmental Award ...

Solstad Offshore wins environmental award

Solstad Offshore won the Environmental award at the Annual Offshore Support Journal (OSJ) 2012 event. The company won the prize for its Green Operations initiative, which has seen the company work with the Rainforest Foundation in Norway to reduce emissions and provide funds towards protecting the rainforest.

PROFIT & LOSS ACCOUNT

1.1 - 31.12

PARENT COMPANY **(NOK 1.000)**

	Notes	2011	2010
Other operating income		1 124	1 800
Total operating income		**1 124**	**1 800**
Personnel costs	4	-6 877	-5 568
Other operating expenses	4	-4 952	-4 957
Total operating costs		**-11 829**	**-10 525**
Operating loss		**-10 705**	**-8 725**
Interest income from companies in the Group		28 894	8 005
Other interest income		10 791	21 714
Other financial income	5	493 611	23 627
Interest costs from companies in the Group		-178	-5
Other interest charges		-106 741	-67 741
Other financial charges	5,7	-2 933	-4 731
Net financing		**423 445**	**-19 130**
Ordinary profit before taxes		**412 740**	**-27 855**
Tax on ordinary result	10	7 853	13 496
Net profit for year		**420 593**	**-14 359**
Transfers and disposable income			
Dividends	11	58 031	75 588
Transfer from other equity	11	362 562	-89 947
Total transfers and disposable income		**420 593**	**-14 359**

BALANCE

PARENT COMPANY (NOK 1 000)

	Notes	31.12.2011	31.12.2010
ASSETS			
Fixed Assets			
Intangible fixed assets			
Deferred tax asset	10	41 145	33 291
Financial fixed assets			
Investments in subsidiaries	6	3 657 082	2 764 099
Loan to companies in the Group	9	567 182	328 313
Investment in jointly-owned companies	7	1 706	1 706
Investment in associated companies	7	19 367	18 789
Other long-term receivables	8	109 276	87 617
Total financial fixed assets		**4 354 613**	**3 200 524**
Total fixed assets		**4 395 758**	**3 233 816**
Current assets			
Investments			
Market-based shares	7		140 800
Receivables			
Other short-term receivables	9	126 759	66 640
Bank deposits and cash equivalents		**13 069**	**9 612**
Total current assets		**139 827**	**217 051**
TOTAL ASSETS		**4 535 585**	**3 450 867**

BALANCE

PARENT COMPANY **(NOK 1 000)**

	Notes	31.12.2011	31.12.2010
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital (38.687.377 at NOK 2.00)		77 375	75 588
Treasury shares		-51	-380
Share premium reserve		224 015	111 648
Total restricted equity	**11**	**301 339**	**186 856**
Earned equity			
Other equity	11	2 573 276	2 190 623
Total earned equity		**2 573 276**	**2 190 623**
Total equity	**11**	**2 874 615**	**2 377 479**
Liabilities			
Provisions			
Other provisions	16	21 018	21 018
Total provisions		**21 018**	**21 018**
Other long-term liabilities			
Debt Group companies	9	23 982	29 287
Bond Loan	17	1 400 000	837 127
Total long-term liabilities		**1 423 982**	**866 414**
Current liabilities			
Accounts payable	9	7 008	1 781
Bank overdraft		102 205	102 734
Dividends	11	58 031	75 588
Other current liabilities		48 727	5 853
Total current liabilities		**215 970**	**185 956**
Total liabilities		**1 660 970**	**1 073 388**
TOTAL EQUITY AND LIABILITIES		**4 535 585**	**3 450 867**
Guarantees etc.	14		

Skudeneshavn, 28. March 2012

Harald Eikesdal
Chairman

Terje Vareberg
Director

Toril Eidesvik
Director

Anette Solstad
Director

Ketil Lenning
Director

Lars Peder Solstad
Managing Director

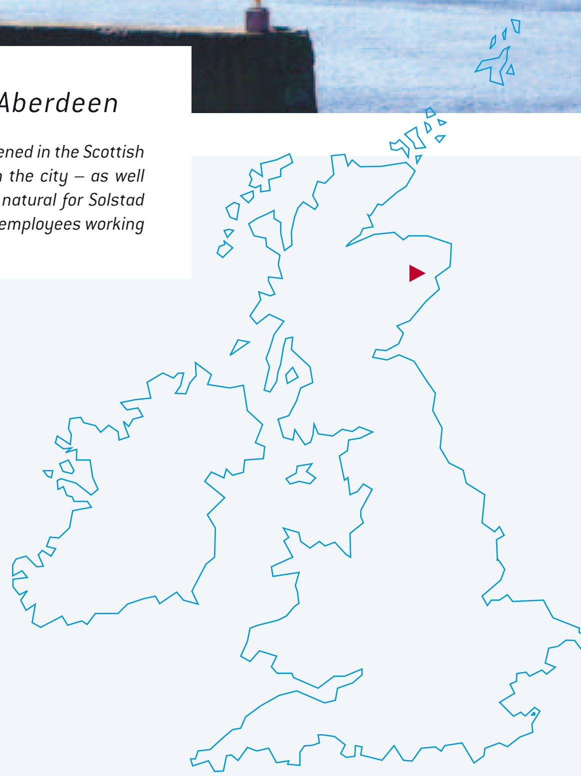
STATEMENT OF CASH FLOW

1.1 - 31.12

PARENT COMPANY		(NOK 1 000)	
		2011	**2010**
CASH FLOW FROM OPERATIONS			
Profit/loss before taxes		**412 740**	**-27 855**
Taxes payable			
Unrealised currency gain/loss		-15 243	10 309
Change in short-term receivables/payables		5 227	-11 239
Change in other accruals		-17 245	-14 306
Net cash flow from operations	**(A)**	**385 479**	**-43 092**
CASH FLOW FROM INVESTMENTS			
Disposal of bonds		140 800	
Investments in shares		-756 903	-265 952
Payment of long-term receivables		-245 270	51 057
Disposal of shares			120
Net cash flow from investments	**(B)**	**-861 373**	**-214 775**
CASH FLOW FROM FINANCING			
Payment of dividends		-75 588	-93 966
Purchase and sale of treasury shares		-2 084	1 831
Bank overdraft		-545	-463
New/ repayment of (-) long-term debt		557 568	29 287
Net cash flow from financing	**(C)**	**479 351**	**-63 311**
Net change in cash and cash equivalents	(A+B+C)	3 457	-321 177
Cash and cash equivalents at 01.01		9 612	330 789
Cash and cash equivalents at 31.12	**(Note 15)**	**13 069**	**9 612**

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
Per 31.12.10	9,0680	5,8564	7,8125
Per 31.12.11	9,2829	5,9927	7,7540

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 2011:
In April 2011 the company entered into an agreement with the other shareholder in NOR Offshore LTD to acquire remaining 40.9% of the shares in the company. The transaction was completed April 14, 2011. The compensation,of total USD 41.5 million, was settled partly by cash and partly by issuing compensation shares. NOR Offshore Ltd subsequently changed its name to Solstad Offshore Asia Pacific Ltd.

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.

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 counter parties 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

	2011	2010
Wages	4 957	4 134
Employer's National Insurance	811	652
Pension costs	299	151
Other benefits	340	88
Travelling costs, courses and other personnel costs	470	542
Total employee costs	**6 877**	**5 568**
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	1 927	103	60
Sven Stakkestad (Deputy Managing Director)	5	2 242	74	239
Board of Directors:				
Harald Eikesdal, Chairman	275			
Johannes Solstad	150			
Toril Eidesvik	150			
Arne Austreid	87			
Anette Solstad	150			
Ketil Lenning	25			
Per Gunnar Solstad (Deputy)	150			

In 2011, NOK 450,000 is charged as auditors fees and NOK 132,230 and NOK 66,997, 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 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.

NOTES

NOTE 5 FINANCIAL ITEMS

Oher financial income, totalling NOK 493.6 million includes guarantee commission of NOK 15.3 million, final settlement MPU of NOK 3.3 million, dividends from Solstad Rederi AS of NOK 450 million, unrealized currency gain of NOK 15 million, income from investments in subsidiaries of NOK 2.8 million, and group contributions of NOK 7.2 million.

Comparative figures of 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.

Other financial costs of NOK 2.9 million includes loss on settlement of bond loan of NOK 2.5 million and realized currency loss of NOK 0.5 million.
Comparative figures of NOK 4.7 million is realized currency loss.

NOTE 6 SHARES IN SUBSIDIARIES

31.12.2011	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 %	71 500	100	7 150	2 428 271
Normand Drift AS	Skudeneshavn	100 %	150	1 000	150	150
Solstad Offshore UK Ltd	Aberdeen	100 %	11 000 100	GBP 1	GBP 11.000	145 284
Solstad Management AS	Skudeneshavn	100 %	2 000	1 000	2 000	10 000
Normand Skarven AS	Skudeneshavn	100 %	1	950 000	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
Solstad Offshore Asia Pacific Ltd	Singapore	100 %	20 000 000 000	(*)	USD 175.877	1 025 103
Total						**3 657 082**

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 11.000	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(*)		USD 91.858	344 120
Total						**2 764 099**

(1) Singapore shares does not have nominal value.

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	Equility 31.12.11 (100%)	Result 2011 (100%)
ADSI Inc. (JV)	Marly (Switzerland)	50 %	250 050	1 337	-59 871	3 842
NISA Inc. (JV)	Marly (Switzerland)	50 %	501	295	7 430	2 867
Normand Edda AS (JV)	Haugesund	50 %	75	75	161	2
Total				**1 706**	**-52 281**	**6 710**
Deep Well AS	Haugesund	39 %	94 817	19 367	27 988	-5 679
Total				**19 367**	**27 988**	**-5 679**

NOTES

NOTE 8 OTHER LONG TERM ASSETS

Other long term assets include:	31.12.2011	31.12.2010	Interest
Shareholders loan ADSI Inc	88 681	73 261	1,96 %
Loan to DeepWell AS	5 724	5 396	6% - fast
Posted financial cost	14 871	8 960	
Total	**109 276**	**87 617**	

The loans are convertible subordinated loans.

NOTE 9 INTER COMPANY GROUP

Solstad Offshore ASA had the following receivables / debt from companies in the group:	31.12.2011	31.12.2010	Interest
Solstad Cable (UK) Ltd	40 160	39 217	2,10 %
Solstad Offshore (UK) Ltd	205 938	198 013	2,80 %
Normand Ranger AS	136 084	64 036	6,28 %
Normand Skarven AS		521	4,25 %
Normand Drift AS	3 316	3 174	4,37 %
Solstad Brasil AS	50 432	23 352	6,64 %
Nor Sun AS	16 584		5,71 %
Solstad Offshore Asia Pacific Ltd	61 964		5,00 %
Norce Offshore LTD	52 704		5,00 %
Inter company loans	**567 182**	**328 313**	
Solstad Shipping AS	125 569	63 079	
Solstad Management AS	1 190	2 738	
Other companies		822	
Other current assets	**126 759**	**66 640**	
Solstad Management AS	-7 008	-1 781	
Trade account payable	**-7 008**	**-1 781**	

Group receivables, due more than one year after expiry of the financial year, are around NOK 436 million.

NOTE 10 TAX

Taxable incomet	2011	2010
Result before tax	412 740	-27 855
Changes in temporary differences	3 595	-5 739
Permanent differences	445	380
Share of result in limited partnerships	-1 968	-10 356
Dividends/ repayments from limited partnerships	-2 765	-10 369
Dividend received- (participation exemption method)	-450 000	
3% taxable dividend	13 500	
Taxable income	**-24 453**	**-53 939**
Change in deferred taxes	-7 853	-13 496
Tax on ordinary result	**-7 853**	**-13 496**
Shares/ownership (current assets)	3 111	6 706
Long term receivables	-2 000	-2 000
Unrecovered loss carried forward	-148 056	-123 604
Total temporary differences	**-146 945**	**-118 898**
Deferred tax (-)/ tax asset	**41 145**	**33 291**
Analysis of effective tax rate:		
28% of profit before tax	115 567	-7 799
Tax effect of dividends and gain / loss of shares	-123 545	-5 803
Tax effect og permanent diffenrences	125	106
Estimated tax	**-7 853**	**-13 496**

Provisions for deferred tax are posted for accounting position where a future realization will result in payable taxes.

NOTES

NOTE 11 EQUITY, SHAREHOLDERS AND TREASURY SHARES

	Share capital	Treasury shares	Other restricted Equility	Other Equility	Total Equility
Equity 31.12.2010	75 588	-380	111 648	2 190 623	2 377 479
Capital increase	1 786		112 367		114 153
Purchase of treasury shares (50.000)		-100		-4 108	-4 208
Sale of treasury shares (214.769)		430		25 985	26 415
Annual result				420 593	420 593
Allocated dividend				-58 031	-58 031
Paid out dividend beyond allocated dividend				-1 786	-1 786
Equity 31.12.2011	**77 375**	**-51**	**224 015**	**2 573 276**	**2 874 615**

At 31.12.11, the Company's share capital represents 38,687,377 shares at NOK 2. The number of shareholders at 31.12.11 was 2,435. 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 31.12.2011:	**Number of shares**	**Ownership**
Soff Holding AS	13 906 506	35,95 %
Odin Norden	2 407 195	6,22 %
Ivan II AS	2 358 158	6,10 %
Pareto Aksje Norge	2 185 888	5,65 %
Skagen Vekst	1 938 650	5,01 %
Solstad Invest AS	1 861 604	4,81 %
Fidelity Low-Priced Stock Fund	1 250 000	3,23 %
Pareto Aktiv	1 010 942	2,61 %
Odin Offshore	814 400	2,11 %
Perny AS	738 757	1,91 %
Solhav Invest X AS	563 080	1,46 %
Pareto Verdi	555 839	1,44 %
MP Pensjon PK	535 355	1,38 %
RBC Dexia Investor Services BA	470 429	1,22 %
	30 596 803	**79,09 %**

Board of directors and managing directors share interest in the comany:

In accordance with the definition in corporation law, the Directors had the following holdings at 31.12.11:

Harald Eikesdal	0 shares
Terje Vareberg	0 shares
Anette Solstad	56 402 shares
Toril Eidesvik	0 shares
Ketil Lenning	0 shares
Per Gunnar Solstad (Deputy)	563 080 shares

The Deputy Managing Director Sven Stakkestad owned 2,725 shares at 31.12.2011. The company's auditor does not hold shares in the company.
On 31.12.2011 the company acquired 25,300 treasury shares at a cost price of NOK 2.1 million.

NOTE 12 EARNINGS PER SHARE

In 2011, earnings per share was NOK 10.87. The equivalent value in 2010 was NOK -0.38.
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.

NOTES

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. Intercompany debt/receivables are interest bearing.

NOTE 14 GUARANTEES

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

Solstad Offshore UK Ltd	246	- for purchase of vessels
Solstad Offshore Service Vessel UK Ltd	148	- for purchase of vessels
Trym Titan AS	300	- for purchase of vessels
Solstad Offshore Asia Pacific Ltd	528	- for bare-boat rental and purchase of vessels
ADSI Inc	210	- for financial lease of vessels
Deep Well AS	52	- for financing of fixed assets
Normand Ranger AS	291	- for purchase of vessels

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 Solstad Offshore Asia Pacific 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 31.12.2011**	**Book value 31.12.2010**	**Maturity**
SOFF01		137 127	06/2011
SOFF02	700 000	700 000	09/2014
SOFF03	700 000		02/2016
	1 400 000	**837 127**	

ERNST & YOUNG

Statsautoriserte revisorer
Ernst & Young AS
Vassbotnen 11 Forus, NO-4313 Sandnes
Postboks 8015, NO-4068 Stavanger
Foretaksregisteret: NO 976 389 387 MVA
Tlf.: + 47 51 70 66 00
Fax: + 47 51 70 66 01
www.ey.no
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 2011, the statements of income and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements of the Group comprise the consolidated balance sheet as at 31 December 2011, the consolidated 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 financial statements of 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

ERNST & YOUNG

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.

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 2011 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.

Opinion on the financial statements of the Group

In our opinion, 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 2011 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and the statement on corporate governance

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and the statement on corporate governance and management 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.

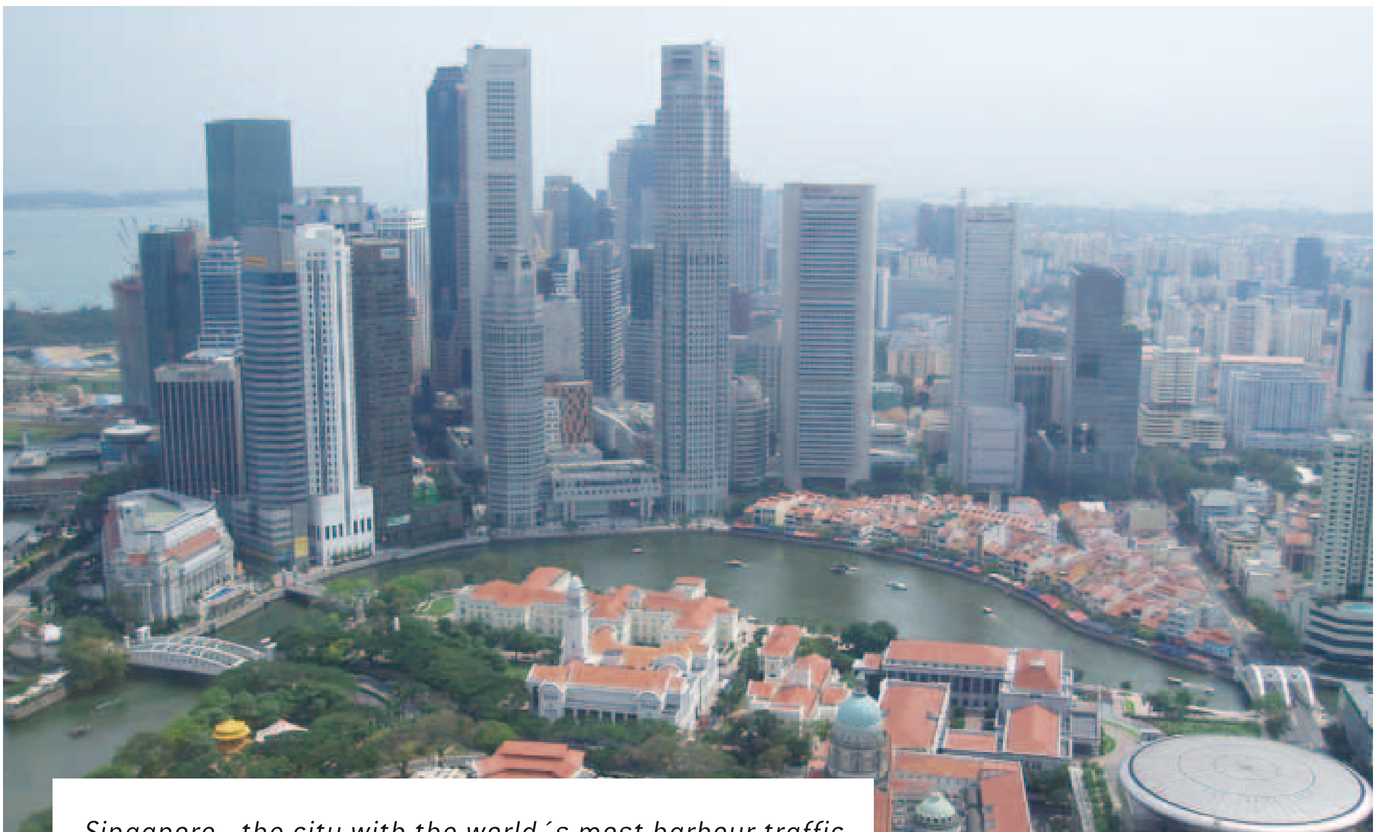
Opinion on registration and documentation

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 Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Stavanger, 28 March 2012
ERNST & YOUNG AS

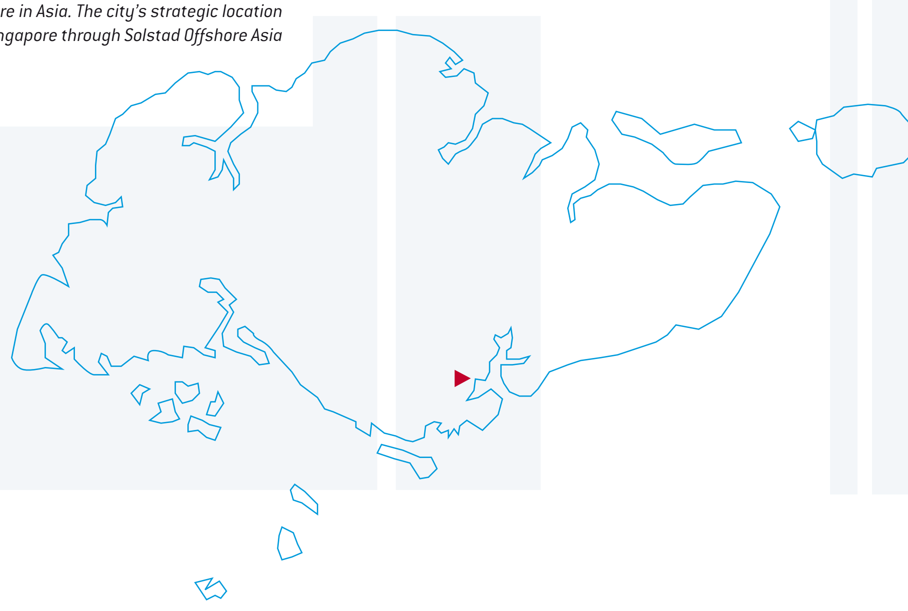
Jostein Johannessen
State Authorised Public Accountant (Norway)

(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 Solstad Offshore Asia Pacific Ltd.



THE YEAR
IN A NUTSHELL 2011

JANUARY
NOR Offshore Ltd (NOR), 59% owned by Solstad Offshore ASA (SOFF) has sold the AHTS vessel Nor Sky to the vessels charterer. The sale will give NOR a gain of approximately USD 3,1 mill which will be booked in 1st quarter 2011.

FEBRUARY
Solstad Offshore ASA has signed following new contract and contract extensions: CSV Normand Commander, Global Industries have exercised a 1 year option on present contract for US Gulf operation and for the CSV Normand Fortress, 6 months firm with a 6 month optional period for Diavaz, Mexico.

In addition, the company has received Letter of Intent for the following vessels: CSV Normand Progress, approx 2 years extension of present contract with Technip for operation in Brazil. CSV Normand Flower, approx 200 days with Technip for operation in the Mediterranean.

The total value of the firm part of the various contracts are approx NOK 350 million.

MARCH
Solstad Offshore ASA has entered into a charter agreement for the PSV Normand Vester with Petrobras for a period of 4 years firm plus options. The value of firm part the contract is approx USD 44 million.

Statoil ASA has exercised their option to extend the contract for the platform supply vessel Normand Skipper with one year from April 2011. This was the last of a total of two yearly options that Statoil ASA had for the Normand Skipper.

The company has entered into a long term contract for its CSV Nor Valiant with DMGP Servicios de Integridad, a company of Groupo Diavaz in Mexico. The duration of the contract is 8 years and the value of the contract is about USD 75 mill. During the contract period, Groupo Diavaz has an option to purchase the Nor Valiant at a pre agreed price that is in accordance with the market value of the vessel.

Solstad Offshore ASA also entered into two long term contracts with Petrobras SA for the Normand Mariner and Normand Master. The two contracts have a duration of 4 years firm with an option to extend each contract for an additional 4 more years. The value of the firm part of the contracts is approximately USD 130 mill.

In addition, BG Tunisia, has awarded a 1 year contract for the vessel Nor Star in direct continuation of present contract. Further BG has an option to extend the contract with 1 year.

Normand Oceanic a large CSV, was delivered from STX OSV Brattvaag March 31, 2011. She is specially designed for operation in deep water. Normand Oceanic has a 400t offshore crane with a capacity for work in water depths down to 3,000 m, equipped with DP Class 3, cabins for 140 people and has a working deck in excess of 2,100 m2.

APRIL
Solstad Offshore ASA has entered into agreement with Nortrans Invest Pte. Ltd (Nortrans) for 100% acquisition of NOR Offshore Ltd (NOR). The transaction was done with settlement in cash (40% of purchase price) and shares in SOFF (60% of purchase price). The purchase price is determined through negotiations between the two parities in addition to an independent third party valuation.

The transaction was completed as scheduled on 14th April 2011, and the new shares in SOFF was issued and registered on 15th April 2011. The Board of directors of SOFF has thus issued 893,217 new shares to Nortrans (representing 2.31 % of the total shares issued in SOFF after completion of the transaction) under a power of attorney granted the board of directors in SOFF by the ordinary general meeting in May 2010. The price per share in the new issue was NOK 127.80 per share.

Solstad Offshore ASA has entered into the following new contracts: ConocoPhillips Skandinavia AS has extended present contract for Normand Mjolne with approximately 3 months in direct continuation of present contract expiring in April 2011 and in addition they awarded a new 1 year contract for the same vessel with commencement in December 2011.

International Subsea Services (ISS) has extended the contract for Normand Tonjer with 6 months in direct continuation of present contract expiring in May 2011. ISS has an option to extend this contract with 3 x 1 months.

JUNE
The Company has signed a contract with Saipem Ltd for use of the Construction Service Vessel Normand Oceanic The duration of the contract is 150 days with commencement end of June 2011.

AUGUST
Solstad Offshore ASA has signed a Letter of Intent with Subsea 7 for hire of CSV Normand Oceanic. The agreement is for a firm charter period of 3 years with 3 x 1 year option. Commencement is currently expected to be April 2012.

The company has also been awarded the following charter contracts for 3 AHTS's through its subsidiary Solstad Offshore Asia Pacific Ltd: Nor Spring is contracted to Saipem Singapore for a firm period of 180 days with charterers option to extend for a further 120 days. Commencement of charter will be in September 2011.
The contract for Nor Chief has been extended with its current charterer, ENI, Egypt, for a period of 30 months. Commencement of the new charter will be mid August 2011.
For Nor Supporter Murphy Sarawak Oil Company Ltd, Malysia has declared their option to extend the contract for a further 12 months from end of August 2011. Total value of the firm part of these contracts is approximately USD 22,5 mill.

The same month the company has signed a contract with Ocean Installer AS for hire of the offshore construction vessel Normand Clipper. The duration of the contract is firm for 5 years with further 5 x 1 year option. Commencement is expected to be during second quarter of 2012.

OCTOBER
The company has extended the present Frame Agreement with Technip UK Limited for supply of vessels for construction and subsea services. The Frame Agreement has a duration of 3 years firm in addition to 2 x 1 yearly options. Through this agreement, Technip will utilize the Normand Pioneer, Normand Progress and Normand Ranger (or a similar sized AHTS) in total minimum 360 days per year from 2012 onwards.

In addition, Technip Brazil will contract the Normand Clipper from Solstad for part of 2012 for projects in Brazil. Thereafter, Normand Clipper will commence its earlier announced 5 years contract with Ocean Installer AS.

THE FLEET
PER 18. APRIL 2012

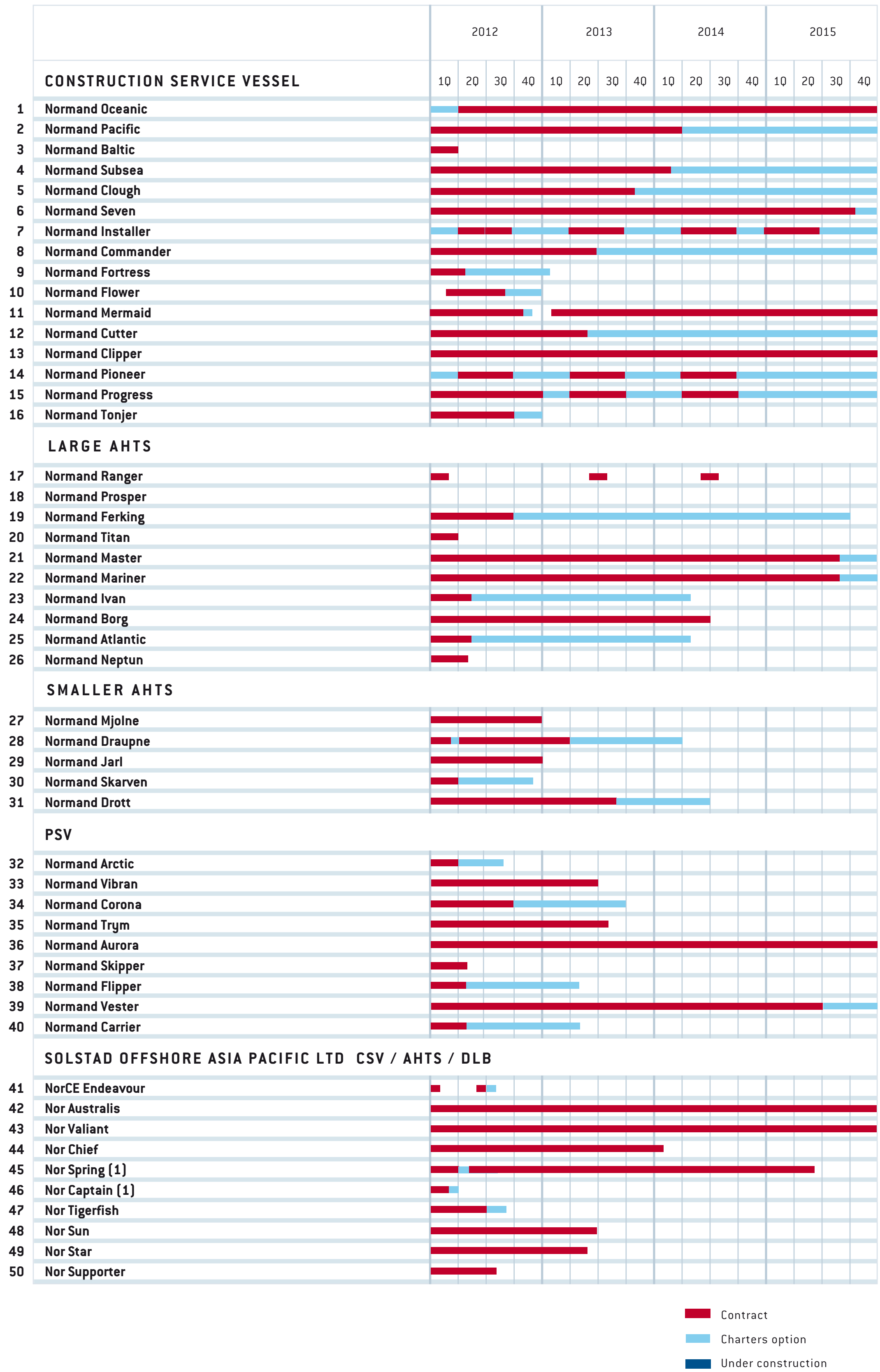
		Built year	Design	Reg.	HP	DWT	Deck m^2	Winch power	Bollard pull	A-frame Cap. t.	Constr. crane t.	DP class	Cabin cap.	Dry bulk	Other equipment
	CONSTRUCTION SERVICE VESSEL														
1	**Normand Oceanic**	2011	OSCV 06L		26 000	11 300	2 100				400	3	140		
2	**Normand Pacific**	2010	ST 256L		20 560	4 500	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	**Normand Arctic**	2012	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
	SOLSTAD OFFSHORE ASIA PACIFIC LTD (SINGAPORE)														
41	**NorCE Endeavour**	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

CONTRACT COVERAGE

PER 18. APRIL 2012



www.solstad.no

SOLSTAD OFFSHORE ASA

Head Office:
Solstad Offshore ASA
Postboks 13
4297 Skudeneshavn
NORWAY
Tel: +47 52 85 65 00
Fax: +47 52 85 65 01
Mail: firmapost@solstad.no

Subsidiary Office:
Solstad Offshore (UK) Ltd.
3rd. Floor, Salvesen Tower
Blaikies Quay
Aberdeen AB 11 5PW
UNITED KINGDOM
Tel: +44 1224 560 280
Fax: +44 1224 560 281
Mail: office@solstad.co.uk

Subsidiary Office:
Solstad Offshore Ltda.
Rua Lauro Muller 116,
Suite 2401 - Torre do Rio Sul
Botafogo, Rio de Janeiro - RJ
22290-160 BRASIL
Tel: +55 21 3544-0040/41
Tel: +55 21 8176-3180
Mail: post@solstad.com.br

Subsidiary Office:
Solstad Offshore Asia Pacific Ltd.
29 International Business Park #05-05
Acer Building Tower B
SINGAPORE 609923
Tel: +65 6319 8799
Fax: +65 6319 8783
Mail: soap.reception@solstad.sg

www.**abacuskommunikasjon**.no • Foto: Solstad