SOLSTAD OFFSHORE ASA

2012

ANNUAL REPORT

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 2013

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

Annual Report 2012: **15th April 2013**

Result 1st quarter 2013 / Ordinary General Meeting: **14th May 2013**

Result 2nd quarter 2013: **26th August 2013**

Result 3rd quarter 2013: **6th November 2013**

Preliminary result 2013: **Ultimo February 2014**

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 51 wholly owned and jointly owned vessels, including 1 vessel under construction in Norway. Including the new order signed during 1st quarter 2013, Solstad Offshore ASA own and operate 21 construction vessels, of which two are under construction. In addition, the fleet consists of 22 anchor handling vessels and 9 platform supply vessels. The vessels under construction will be delivered from the shipyards during 2nd quarter 2014.

Our vessels currently operate world-wide and approximately 61% are operating outside the North Sea.

Solstad Offshore ASA has around 1.800 employees. In addition to its head office in Skudeneshavn, Solstad has branch offices in Aberdeen, Singapore. Rio de Janeiro, Perth and Manila.

CORPORATE STRUCTURE

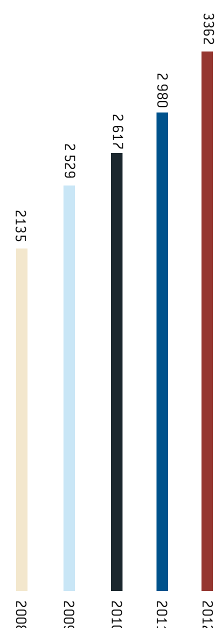
PER 15TH APRIL 2013

SOLSTAD OFFSHORE ASA

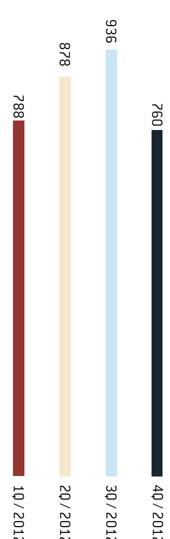
- SOLSTAD OFFSHORE ASIA PACIFIC LTD (100%)
  - NORCE OFFSHORE PTE LTD (100%)
  - SOLSTAD OFFSHORE CREWING SERVICES PHILIPPINES, INC (100%)
  - SOLSTAD OFFSHORE PTY LTD. (100%)
- SOLSTAD SHIPPING AS (100%)
- SOLSTAD MANAGEMENT AS (100%)
- SOLSTAD OFFSHORE UK LTD (100%)
  - SOLSTAD CABLE UK LTD (62,5%)
    - 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%)
- NORMAND OCEANIC AS (50%)
- NORMAND OCEANIC CHARTERING AS (50%)
- OCEAN SOLSTAD AS (50%)
- OCEAN SOLSTAD OPERATIONS AS (50%)

FINANCIAL HIGHLIGHTS

OPERATING INCOME
LAST FIVE YEARS (NOK million)



OPERATING INCOME
2012 QUARTERLY (NOK million)



	Ref	2012	2011	2010	2009	2008
PROFIT AND LOSS ACCOUNTS (NOK million)	9					
Freight revenues		3 288	2 975	2 614	2 519	2 135
Other income / Gain on fixed assets		74	5	3	11	74
Operating result before depr./write-downs		1 434	1 070	981	1 195	1 318
Operating result		869	163	342	466	797
Net finance		-420	-562	-209	401	-941
Ordinary profit before tax		362	-399	133	866	-144
Net profit for the year		397	-407	19	1 038	27
Hereof majority's share		377	-362	48	1 027	46
BALANCE	9					
Deferred tax asset		95	43	17	-	24
Long term assets		12 988	14 048	13 856	9 974	8 638
Current assets		1 624	1 582	1 693	2 293	1 551
Total assets		14 707	15 673	15 566	12 267	10 213
Equity		4 665	4 416	4 989	4 630	3 698
Deferred tax		-	-	-	27	-
Long-term liabilities		7 165	9 509	8 584	6 414	5 114
Current liabilities		2 815	1 657	1 884	1 176	1 402
Long-term interest bearing liabilities		9 222	10 387	9 606	6 379	5 267
Bank overdraft		65	102	103	100	439
Free and restricted bank deposits		807	646	872	1 445	830
Net interest-bearing liabilities		8 480	9 843	8 837	5 035	4 876
PROFITABILITY						
Operating margin	1	43 %	36 %	37 %	47 %	60 %
Earning on equity	2,6	8 %	-8 %	3 %	21 %	-4 %
Earning on capital employeed	3	6 %	1 %	3 %	5 %	9 %
LIQUIDITY						
Liquid assets		807	646	872	1 445	830
Working capital		866	804	832	1 117	149
EBITDA	4	1 428	1 106	981	1 195	1 124
Current ratio	5	0,6	1,0	0,9	1,9	1,1
ASSETS						
Total assets		14 707	15 673	15 566	12 267	10 213
Equity		4 665	4 416	4 989	4 630	3 698
Equity ratio	6	32 %	28 %	32 %	38 %	36 %

KEY FIGURES
PER SHARE

KEY FIGURES PER SHARE	REF	2012	2011	2010	2009	2008
Result of the year	7	9,74	-9,63	1,29	27,28	1,21
EBITDA	4	37,87	29,27	26,10	31,72	29,76
Booked equity	8	120,59	115,09	132,73	123,09	98,13
Price/Earnings (P/E)		10,27	-8,88	90,05	3,96	48,49
Price/EBITDA		2,64	2,92	4,45	3,40	1,97
Dividend		2,50	1,50	2,00	2,50	2,00
Share capital (NOK mill)		77,37	77,37	75,59	75,59	75,59
Quoted share price 31.12. (NOK)		100,00	85,50	116,00	108,00	58,50
Market capitalisation (NOK mill)		3 869	3 308	4 384	4 082	2 211
Average number of shares incl. adj. for stock of treasury shares.		38 662 733	37 587 310	37 587 310	37 659 312	37 767 314
No. of shares per 31.12 incl. adj. for stock of treasury shares		38 682 077	38 370 349	37 589 593	37 617 495	37 682 466

REFERENCES:

1. Operating result before depreciation in percentages of total operating income.
2. Result before tax, in percentage of average equity including minority interests
3. Operating result plus interest income and result from associated company divided by average book shareholders' equity and interest-bearing debt.
4. Operating result before depreciation adjusted for gain/(loss) on sale of fixed asset and other material noncash effects.
5. Current assets divided by current liabilities
6. Booked equity including minority interests in percentage of total assets.
7. Result of the year for the Group divided by average number of shares.
8. Shareholders' equity divided by outstanding number of shares per 31.12.
9. Joint ventures are booked according to the equity method in 2012. Comparative figures for 2011 are changed accordingly.

Our values

- **S**AFETY
- PERF**O**RMANCE
- F**L**EXIBLE & RELIABLE
- HAND**S** ON
- COMPE**T**ENCE
- WE C**A**RE
- CUSTOMER FOCUSE**D**

Solstad Offshore has been through a period of strong growth and is an international company with employees world-wide. It is has therefore become important to define our values – the values which define our whole organization. Through a process which started in the summer of 2012, our employees offshore have contributed to define the values which identify Solstad. These values shall be underpinned throughout our organization and become guidelines for how we act as a company, towards each other and to our associates.

SAFETY

Our Solstad employees are our most valuable asset and we will not compromise their safety. We prioritize the safety of our crew, the environment, vessels and assets in all our endeavours.

"We are proud of being able to carry out demanding operations whilst maintaining a high level of safety for all onboard. Our crew make a valuable contribution to ensure we operate without injuries."

Daniel Inglis, Captain, Nor Australis

[S] SAFETY
[O] PERFORMANCE
[L] FLEXIBLE & RELIABLE
[S] HANDS ON
[T] COMPETENCE
[A] WE CARE
[D] CUSTOMER FOCUSED

PERFORMANCE

We focus on delivering a quality service in everything we do. Every day we stretch ourselves to improve and achieve new goals. We work together and with our clients to ensure effective and safe operations. We rely on modern technology and advanced vessels and have good maintenance programs for both our vessels and equipment.

"All our crew try that bit harder to do their best every day. This is mainly due to good cooperation and communication, with each other and with our clients."

Tørres Kristoffersen, Captain, Normand Oceanic

[S] SAFETY
[O] PERFORMANCE
[L] FLEXIBLE & RELIABLE
[S] HANDS ON
[T] COMPETENCE
[A] WE CARE
[D] CUSTOMER FOCUSED

FLEXIBLE AND RELIABLE

We are adaptable and determined to find solutions – not problems. We can be trusted to treat everyone fairly and with respect. We keep our promises!

"It is part of our culture to act fairly. We should be trusted to treat people properly, whether they are our employees, clients, suppliers or other associates. At the same time we should be adaptable and focused on finding solutions. Flexible and reliable has been our motto for over fifty years, this is what we want to deliver."

Lars Peder Solstad, CEO

[S] **SAFETY**
[O] **PERFORMANCE**
[L] **FLEXIBLE & RELIABLE**
[S] **HANDS ON**
[T] **COMPETENCE**
[A] **WE CARE**
[D] **CUSTOMER FOCUSED**

HANDS ON

In Solstad Offshore we have an operational focus and are on top of our daily challenges. We are innovative and open to new ideas and solutions. We use our employees with operational experience in our development and it is a short distance from the deck to the boardroom!

"There is close contact between the seafarers and our onshore organisation. We have a stable crew and well-established team, something which is important with Solstad's advanced vessels and operations."

Vegar Rabben, Captain, Normand Ivan

[S] SAFETY
[O] PERFORMANCE
[L] FLEXIBLE & RELIABLE
[S] HANDS ON
[T] COMPETENCE
[A] WE CARE
[D] CUSTOMER FOCUSED

COMPETENCE

Our most important task is to ensure that we have people with the correct competency and attitude on our vessels and in our offices at all times. Our company is an industry leader in the number of apprentices and cadets we train world-wide. We shall continue to develop the competence of our crew as one of the leaders in our branch.

"This is a cadet's dream, working with the best, modern equipment. The crew onboard are good at training, they take an interest and are willing to give me responsibility. The result is that I feel I am developing my skills and will be ready for a mate's position when the time comes"

Catho Spissøy, Deck Cadet, Normand Clipper

(S) SAFETY
(O) PERFORMANCE
(L) FLEXIBLE & RELIABLE
(S) HANDS ON
(T) COMPETENCE
(A) WE CARE
(D) CUSTOMER FOCUSED

WE CARE

We value our employee as a person and not just for the work they do. We give something back to the countries we operate in by investing in the training and development of local employees and by sponsoring social projects. We are protective of the environment and are focused on reducing our environmental impact.

"We have a commitment to the environment throughout the whole of our organisation, from dedicated management to the crew who perform Solstad Green Operations on a daily basis."

Svein Erik Isaksen, Environmental Engineer

(S) **SAFETY**
(O) **PERFORMANCE**
(L) **FLEXIBLE & RELIABLE**
(S) **HANDS ON**
(T) **COMPETENCE**
(A) **WE CARE**
(D) **CUSTOMER FOCUSED**

CUSTOMER FOCUSED

Solstad Offshore is a service company and offers a service to both internal and external clients. We build strong relationships with our clients and find solutions together with them. We are a global company with a local presence where we operate to ensure close contact with our clients and associates world-wide.

"We have a close relationship with our clients and always find solutions to any challenges that might arise. Our customer surveys indicate we have very satisfied customers and we see that they repeatedly come back to us."

Hans Knut Skår Jr., Chartering and Operations Director

(S) SAFETY
(O) PERFORMANCE
(L) FLEXIBLE & RELIABLE
(S) HANDS ON
(T) COMPETENCE
(A) WE CARE
(D) CUSTOMER FOCUSED

ANNUAL REPORT

Solstad Offshore ASA group reported earnings from operations of MNOK 3,362 in 2012, compared with MNOK 2,980 the year before. The year's result after taxes MNOK 397, compared with a loss of MNOK 407 in 2011. The year's cash flow (EBITDA) was MNOK 1,428 compared with MNOK 1.106 in 2011.

In recent years, major oil and gas discoveries have boosted optimism for the possibility of making future commercial discoveries. With sustained high oil prices this raises expectations for increased specialist investments in exploration and development in future years. The company has high expectations for increased activities in subsea and deep water areas. This will have a positive effect on the demand for shipping services and thus higher overall earnings and utilization. Any improvement will depend on the number of new builds in each segment. The number of new builds under construction is somewhat reduced compared to last year but is still relatively high. Solstad Offshore ASA was involved in extensive activities world-wide in 2012 as illustrated by the share of earnings from non-North Sea regions, which was 61 % in 2012, compared with 65 % in 2011.

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 51 wholly or partially owned ships, of which one new build. Including the latter, the fleet consisted of: 19 Construction Service Vessels (CSV), one Derrick Lay Barge (DLB), 22 Anchor Handling Tug Supply Vessels (AHTS), and 9 Platform Supply Vessels (PSV).

The largest individual transactions in 2012 were the handing over of one new build, the exercise of purchase options for two vessels previously on a bareboat lease and the sale of 50% of a CSV.

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 2012 consisted of 49 % from CSV, 38 % from AHTS and 13 % from PSV. Geographically freight earnings came 39 % from the North Sea, 23 % from South America, 1 % from West Africa, 8 % from the US Gulf, 7 % from the Mediterranean and Europe, and 22 % from Asia.

By year's end the fleet consisted of 51 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 9 ships are operating offshore Brazil, 4 in the US Gulf/ Gulf of Mexico, 3 in Africa, 8 in Asia, 4 in the Mediterranean, and the other 22 in the North Sea basin.

Solstad Offshore ASA has two new builds under construction, one ordered in February 2013, and both due for delivery in the second quarter of 2014. On handover, both vessels will start on five year charters (plus options) from delivery with Ocean Installer AS and Reach Subsea ASA respectively, operating in the subsea market.

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

3. OFFSHORE MARKET

Despite a fluctuating economic climate in important areas world-wide, the overall demand for vessels, together with sanctions imposed by OPEC, has been enough to keep the oil price relatively high and stable for a longer period. This combination, together with several larger discoveries at different locations in later years, has resulted in increased investment. It is estimated that total investments increased by 10 per cent last year to a total of USD 250 billion. The investments and increased demand for maritime services are both in existing oil fields (to increase production and extraction rates) and in new exploration and development projects.

Our main types of offshore service vessel are AHTS's, PSV's and CSV's. The first two types are grouped in accordance with the vessels engine and loading capacity, as well as their technical specification. The CSV segment with vessels performing subsea activities is more diverse, dependent on what the vessel can be used for. Various activities ranging from inspection work to more complex installation work requires a range of vessel sizes and equipment. The amount invested in the more advanced vessels is typically twice that of the standard CSV. The world fleet of AHTS's over 15,000 bhp at year end was around 229 vessels whilst there were 643 PSV's with a capacity of more than 3,000 dwt. There were around 50 and 250 respectively of these vessels operating in the North Sea.

At the end of the year, 32 AHTS's over 15,000 bhp and 275 PSV's over 3,000 dwt were under construction. The majority of these are being built in Europe (Norway), Asia (Singapore, Vietnam, China, India and Indonesia) and the USA. There are some 40 CSVs over a certain size under construction at shipyards in Europe and Asia. It is worth bearing in mind that there are major differences in how the CSV segment is defined.

The global demand for shipping services developed more or less as expected in 2012, with Brazil as a significant exception. The effect of what is believed to be a "quiet year" from Petrobras and the delivery of a significant number of new builds in 2012, has meant that the rates and utilization of vessels in the offshore market has not improved much since 2011.

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 12th April 2013 was 2,886, including about 10 % international investors.

The board will propose to the general meeting on 14th May 2013 that a dividend of NOK 2.50 per share be paid for 2012. Payment will be made on 7th June 2013.

The company's share has increased in value during the year. At the beginning of the year it was priced at NOK 81, at year's end it was NOK 100, representing an increase of 23%. The company paid dividend of NOK 1.50 per share in 2012 (for the financial year 2011).

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 2012 the account held 5,300 treasury shares, compared with 25,300 the previous year.

At the general meeting in May 2012 the board's authority to increase the shareholders' capital by maximum NOK 4 million was reaffirmed. This authorisation, which again runs until the next annual general meeting, has not been exercised to today's date. The board will propose to the annual general meeting on 14th May 2013 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 23rd October 2012. 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 2012 have been prepared in accordance with IFRS (International Financial Reporting Standards), as approved by the European Union, with comparative figures for 2011.

Operating income in 2012 of MNOK 3,362 compared with MNOK 2,980 the previous year. The group fleet capacity measured in available days has increased by roughly 3 % from 2011 and utilisation increased from 89 % in 2011 to 90% in 2012. Cash flow (defined as earnings before depreciation and amortisation, adjusted for sales profits and share of cash flow from joint ventures and associated companies) from operations amounted to MNOK 1,428 (MNOK 1,106) for the year.

The operating profit after depreciation and impairment amounted to MNOK 896 compared with MNOK 163 in 2011. Impairment of vessels has been recognised with MNOK 92 in 2012 (MNOK160 in 2011).

After taxes the group posted profit of MNOK 397 in 2012, compared with a loss of MNOK 407 in 2011. This year's result includes a net financial loss of MNOK 420 (MNOK 562 in 2011). The year's financial costs consist mainly of net interest cost of MNOK 524 (MNOK 550 in 2011) and MNOK 99 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 44 in 2011). The year's earnings per share were at NOK 9.74 (NOK -9.44 in 2011).

The result from operations (exclusive sales gain) before depreciation and impairment gave an operating margin of 41 % of operating income, compared with 36 % in 2011.

With effect from 1st of January 2012, the Group has passed a resolution to change the principles for presentation of joint ventures (JV) in the consolidated group accounts. JV's have previously been consolidated line for line (gross consolidation) in both the profit and loss and balance sheets, based on the Group's share. The JV's are now booked in accordance with the equity method. The comparative figures for 2011 have been adjusted accordingly. The effects on the accounts are shown in Note 23.

The Group has, with effect from 1st of January 2012, decided to change the estimates relating to useful lifetime and residual value of its vessels. This change is based on the Group wanting to present a depreciation profile that is more representative of the changes in value during the life cycle of the Group's vessels. The change of method has led to a reduction of the depreciation cost approximately MNOK 250 for 2012, compared to the previous method.

The largest change in the group balance sheet in 2012 was the sale of a large CSV. The vessel was sold to a company in which the group holds a 50% interest (joint venture). The sale resulted in a gain of MNOK 53. Furthermore, investments in vessels, debt and investment in joint venture companies had a significant impact.

The market value of the group fleet at year's end 2012 was MNOK 18,141 (MNOK 17,846). This estimate is based on charter-free vessels (excluding ships under construction), and is the average of three brokerestimates. The value-adjusted equity before taxes, after minority interests, based on this figure, was NOK 237 per share at year's end 2012, compared with NOK 215 per share at the same time last year. Vessel values were almost unchanged from the mid-year mark. The reported equity of MNOK 4,665 at year's end 2012 corresponds to NOK 121 per share. The board has assessed the reported value of vessels against the requirement in IAS 36, related to impairment of assets. The assessment resulted in a write down of vessels of MNOK 92 in the 2012 accounts.

The long-term interest-bearing debt at year's end 2012 of MNOK 9,222 (MNOK 10,387) included MNOK 2,057 (MNOK 878) which is classified as current liabilities. The denomination of the debt is 65 % in NOK, 25 % in USD and 10 % in GBP. At year's end 2-5 year interest hedging contracts were in place for about 25 % 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 56 % NOK, 34 % USD and 10 % GBP.

The group's net interest-bearing debt at year's end 2012 of MNOK 8,480 compares with MNOK 9,843 in 2011.

The group is exposed to operational and financial market risk by the nature of its business. This is the risk that changes in freight rates, currency exchange rates and interest rates will impact on the value of the group's assets, liabilities 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. The group is exposed to both interest

and currency risk, mainly through its long-term financing and long-term charter contracts. 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. The activities in Solstad Offshore Asia Pacific Ltd and associated subsidiaries were certified in line with other operations in 2012 during 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 2012 approximately 16,000 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. 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 three lost-time incidents, resulting in an H factor (number of LTIs per 1 million working hours) of 0.36 in 2012. 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 2013. 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 1216 litres of oil product spills into the sea in 2012. 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 was 5 % in 2012.

Among administrative personnel in the company, roughly 65 % are male and 35 % female. Of our sailing personnel at year's end, 36 were female. Personnel recruitment focuses strongly on equality. Availability of female marine personnel are 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 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.

In 2012, the company and employees offshore and onshore began a comprehensive and engaging process of setting company values, resulting in seven main values presented in the annual report.

8. EXPECTATIONS FOR 2013

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 2013 are 65 % (against 60 % twelve months earlier), and for 2014 they are 39 % (35 %). Including options the contract coverage for the remainder of 2013 and entire 2014 are 78 % and 61 %, respectively.

The company expects there will be a gradual improvement in all areas of the market balance during 2013. The forecast for improved utilization and revenue in 2013 is believed to be better than expected in 2012, especially because of the activity in Brazil. On the Norwegian Continental Shelf it is anticipated that total investments will reach BNOK 190-200 for the year which is a historically high level. Currently there are 90 new drilling rigs and drill ships under construction and 84 jack ups being delivered through to 2015. In addition, there is a number of floating production installations planned. Petrobras is also planning to increase

capacity by 30 drilling rigs in the period 2016-2020 but there is uncertainty as to the exact delivery dates. After year end, Solstad Offshore ASA has signed several contracts on higher day rates than last year. The number of tenders is also increasing.

In later years larger oil and gas discoveries in deep water acreage in Brazil, Norway, Australia and East Africa have increased optimism for future exploration. Together with sustained high oil prices this raises expectations that investment in exploration and development will increase further in future years. The company has high expectations that subsea and deep water activities or a combination of these will increase. Activity in Brazil is also expected to increase again. In other important areas such as the North Sea, Africa (both East and West), the Mexican Gulf and parts of Asia and Australia activity will increase provided that current macroeconomic conditions do not change significantly in a negative direction.

Overall there are a significant number of offshore service vessels on order, with PSV's representing the largest segment. The number of AHTS's and CSV's over a certain size and capacity on order are around the same as 2012.

9. PARENT COMPANY ECONOMY

For the year 2012, Solstad Offshore ASA reports earnings of MNOK 263 (MNOK 421 in 2011). Net financial items representing a profit of MNOK 256 (MNOK 423 in 2011) consisted mainly of dividend received from Solstad Rederi AS of MNOK 331, net interest cost of MNOK 107 and interest income from group companies of MNOK 28. Net financial items also include guarantee provision taken to income, unrealised exchange rate gain, and group contribution totalling MNOK 25. Lower financial profit compared to 2011 is mainly due to higher dividend last year. The operating result for the year was a loss of MNOK 13.6 mill (loss of MNOK 10.7 in 2011).

Company assets are largely the recognition of share values in subsi-diaries and associated companies, and loans to group companies. Recognised equity at year's end amounted to MNOK 3,043, of which MNOK 2,509 may lawfully be declared as dividend. The debt at the same date was MNOK 1,676, of which MNOK 1,400 in bond loans, MNOK 65 in current credit facility, and MNOK 97 set aside for dividend for 2012.

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 approve remuneration to the directors for 2012 totalling NOK 1,025,000,-. A proposition to approve the auditor's fee for the parent company in 2012 of NOK 470,000 will be made, that relates to audit services only.

The Board proposes to apply the following distribution:

Provided for dividend	NOK	96.718.443,-
Transferred from retained profits	NOK	166.476.532,-
Net applied/ transferred	NOK	263.194.975,-

On the Board of Solstad Offshore ASA
Skudeneshavn, 15th April, 2013

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 2012 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, 15th April, 2013

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

Toril Eidesvik *(født 1968)*
Toril Eidesvik is a solicitor. She was the former Managing Director of Green Reefers ASA, a solicitor in the firm Simonsen Musæus and also worked for GjensidigeNor Sparebank. She has long experience as a board member from several listed companies. Toril Eidesvik has been a board member since 2005 and is up for election in 2013. 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 Administration1974. He is chairman in Norsk Hydro. He has worked as Cheif Executive Officer in Sparebank1 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 2011 and is up for election in 2013. He has an interest in Solstad Offshore ASA 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 has previously worked for Wilhemsen Lines, US within operations and commercial analysis and as a system developer for Prudential Securities. She does not hold any other directorships. Anette Solstad has been a director since 2007 and is up for election in 2013. She holds an interest in Solstad Offshore ASA's shareholders 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 CEO 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. 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 23rd October 2012.

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 organization 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 Annual Report.

Equity and dividends

The company's posted equity amounted to 32% of total assets at year's end 2012. 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 increase and paid 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 2012, Solstad Offshore ASA declared dividend of NOK 1,50 per share for the fiscal year 2011. The directors will propose to the General Meeting that this year's dividend shall be set at NOK 2,50 per share for 2012.

The General Meeting held on 14th May 2012 authorized 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 authorization, which remain in force until the General Meeting in 2013, also covers a decision to merge under the Public Companies Act, section 13-5.
- Acquire treasury shares to a total value of maximum NOK 7.737.475,- 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 a minimum NOK 1,- and maximum NOK 250,- per share acquired under this authorization. The authorization remains in force until the General Meeting in 2013.
- 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 preemptive rights to these shares. The directors will determine the subscription price and other condition of sale. The authorization remains in force until the General Meeting in 2013.

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 2012 there were no transactions between the company and the shareholders, the board of directors and the executive management and their close associates, expect 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 sale / 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 general meeting 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 general meeting, as does the company auditor. The meeting invitation and briefing documents for the general meeting 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 shareholder as possible to take part. The deadline for attendance is put as close as possible to 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 authorization 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 article 6 of the Articles of Association . The chairman opens the general meeting and a meeting chair is elected. The minutes of the general meeting 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. The chairman of the board and Johannes Solstad 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 bard should also be composed so that directors can act independently of special interests and have a minimum of two shareholder elected directors who are independent of the major shareholder. In connection with new directorship candidates the focus is on gender equality, in addition to looking for appropriate expertise and capacity. Directors are elected for a two-year term of office. Representatives from the executive personnel in the administration 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 report 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 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 through the reports from the administration.

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 undertakes 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 general meeting 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 obligation. 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 defense 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 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 from the administration present.

CONSOLIDATED
FOR SOLSTAD OFFSHORE ASA

STATEMENT OF COMPREHENSIVE INCOME

1.1 - 31.12

GROUP			**(NOK 1 000)**
	Notes	**2012**	**2011**
Freight income	4	3 287 920	2 975 101
Other operating income	4,5	74 283	4 988
Total operating income		**3 362 203**	**2 980 088**
Personnel costs	5,6	-1 228 999	-1 159 663
Ordinary depreciation and write down	8	-417 434	-730 467
Depreciation on capitalised periodic maintenance	8	-167 383	-188 059
Other operating expenses	5,10	-698 867	-750 248
Income from investment in joint ventures	9	19 929	11 662
Total operating costs		**-2 492 754**	**-2 816 775**
Operating profit/loss		**869 449**	**163 313**
Termination lease	12	-86 758	
Income from investment in associated companies	9	3 132	-2 229
Interest income		6 090	17 853
Other financial income		607 030	448 789
Interest charges		-524 362	-549 968
Other finance costs		-512 134	-476 899
Net financing	**7**	**-420 244**	**-562 454**
Ordinary profit before taxes		**362 448**	**-399 141**
Tax on ordinary result	12	34 103	-7 437
Net profit for year		**396 551**	**-406 577**
Comprehensive income			
Translation adjustments foreign currency		-91 273	6 404
Net gain on available for sale financial assets		50	23
Comprehensive income		**305 327**	**-400 151**
Net profit attributable to:			
Minority shares		19 927	-44 537
Majority shares		376 623	-362 041
Comprehensive income attributable to:			
Minority shares		19 927	-44 537
Majority shares		285 400	-355 614
Earnings and diluted earnings per share (NOK)	14	9,74	-9,44

BALANCE SHEET

GROUP		(NOK 1 000)	
	Notes	**31.12.12**	**31.12.11**
ASSETS			
Long-term assets			
Intangible fixed assets			
Deferred tax asset	12	95 463	43 061
Total intangible fixed assets		**95 463**	**43 061**
Long-term fixed assets			
Vessels and new build contracts	2,8	12 400 695	13 617 667
Capitalized periodic maintenance	8	245 830	234 822
Other tangible fixed assets	8	18 393	23 421
Total long-term fixed assets		**12 664 919**	**13 875 909**
Financial assets			
Investment in joint ventures	9	189 225	-5 850
Loans to associated companies and joint ventures	15	41 687	87 849
Investments in associated companies	9	32 847	19 648
Investments in stocks and shares	9	5 031	5 074
Other financial assets	3	51 651	31 140
Other long-term receivables	19	2 462	27 060
Pension funds	6		2 682
Total financial assets		**322 903**	**167 603**
Total long-term assets		**13 083 285**	**14 086 573**
Current assets			
Stock	**21**	**73 470**	**59 843**
Receivables			
Account receivables	20	518 041	700 208
Other short-term receivables	20	199 640	161 213
Other current financial assets	3	25 524	14 569
Total receivables		**743 204**	**875 991**
Investments			
Market based shares	9	394	344
Bank deposits and cash equivalents	**16**	**807 105**	**646 084**
Total current assets		**1 624 173**	**1 582 261**
Asset held for sale	**8**		**4 644**
TOTAL ASSETS		**14 707 457**	**15 673 478**

BALANCE SHEET

GROUP		(NOK 1 000)	
	Notes	31.12.12	31.12.11
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital (38.687.377 a 2,-)	13	77 375	77 375
Treasury shares	13	-11	-51
Other paid-in capital		111 648	111 648
Share premium reserve		1 654 186	1 654 182
Total restricted equity		**1 843 199**	**1 843 154**
Earned equity			
Other equity		2 863 255	2 634 061
Total earned equity		**2 863 255**	**2 634 061**
Minority interests		**-41 941**	**-61 301**
Total equity		**4 664 513**	**4 415 914**
Liabilities			
Provisions			
Taxes payable	12		39 931
Pension obligations	6	11 484	
Other financial liabilities	3	51 112	52 373
Total provisions		**62 596**	**92 304**
Other long-term liabilities			
Other long-term loans	11	50 954	36 487
Debt to credit institutions/leasing obligations	11	7 114 130	9 472 153
Total long-term liabilities		**7 165 084**	**9 508 640**
Current liabilities			
Accounts payable		187 303	257 067
Bank overdraft	3	64 938	102 205
Taxes payable	12	67 702	75 364
Accrued salaries and related taxes		46 388	58 468
Other current financial liabilities	3		10 314
Other current liabilities	22	391 754	275 185
Current interest bearing liabilities	10,11	2 057 178	878 016
Total current liabilities		**2 815 264**	**1 656 619**
Total liabilities		**10 042 945**	**11 257 564**
TOTAL EQUITY AND LIABILITIES		**14 707 457**	**15 673 478**
Mortgages	11		
Guarantees etc.	3,7,11		

Skudeneshavn, 15th April 2013

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

STATEMENT OF CHANGES IN EQUITY

GROUP **(NOK 1.000)**

	Note	Share capital	Treasury shares	Share premium reserve	Other paid-in capital	Translation adjustments	Value changes	Other equity	Total majority shares	Minority shares	Total equity
Equity 01.01.2011		**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
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**	**1 654 182**	**111 648**	**-3 208**	**-85**	**2 637 354**	**4 477 215**	**-61 301**	**4 415 914**
Equity 01.01.2012		**77 375**	**-51**	**1 654 182**	**111 648**	**-3 208**	**-85**	**2 637 354**	**4 477 215**	**-61 301**	**4 415 914**
Annual result								376 623	376 623	19 927	396 551
Translation adjustments						-91 273			-91 273		-91 273
Value changes in assets available for sale	9						50		50		50
Comprehensive income						-91 273	50	376 623	285 400	19 927	305 327
Purchase and sale treasury shares	13		40					1 804	1 844		1 844
Paid dividend/ surplus								-58 031	-58 031	-568	-58 599
Unallocated dividend on treasury shares								38	38		38
Other adjustments				5				-17	-12		-12
Equity 31.12.2012		**77 375**	**-11**	**1 654 186**	**111 648**	**-94 481**	**-35**	**2 957 771**	**4 706 453**	**-41 941**	**4 664 513**

STATEMENT OF CASH FLOW

1.1 - 31.12

GROUP		(NOK 1 000)	
		2012	**2011**
CASH FLOW FROM OPERATIONS			
Result before tax		**362 448**	**-398 852**
Taxes payable		-66 450	-101 024
Ordinary depreciation and write downs		584 817	918 526
Loss/ gain long-term assets		-78 738	18 361
Effect of change in pension assets		14 167	6 668
Change in value of financial instruments		-54 568	18 811
Unrealised currency gain/loss		-114 685	77 926
Change in short-term receivables/payables		113 243	-181 648
Change in other accruals		88 248	7 727
Net cash flow from operations	**(A)**	**848 481**	**366 495**
CASH FLOW FROM INVESTMENTS			
Investment in tangible fixed assets		-614 046	-1 248 085
Payment of periodic maintenance		-178 392	-150 136
Sale of fixed assets		1 269 445	101 613
Payment of long-term receivables		70 840	-32 737
Investments in other shares/ interests		-185 330	-1 100
Realized shares and interests		1 975	
Net cash flow from investments	**(B)**	**364 491**	**-1 330 445**
CASH FLOW FROM FINANCING			
Payment to minority interests		-568	-60 872
Payment of dividends		-57 993	-77 375
Purchase/ sale treasury shares		1 844	-2 084
Bank overdraft		-37 267	-529
Long-term debt		774 448	4 161 504
Repayment of long-term debt		-1 732 416	-3 276 867
Net cash flow from financing	**(C)**	**-1 051 952**	**743 777**
Net change in cash and cash equivalents	(A+B+C)	161 021	-220 173
Cash and cash equivalents at 01.01.		646 084	866 257
Cash and cash equivalents at 31.12.		**807 105**	**646 084**

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 15th of April 2013, and will be presented for approval in the Annual General Meeting.

Statement of Compliance and basis for preparation

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

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

Changes in accounting principles

New and amended IFRS and IFRIC interpretations used during the year are presented below. Except for early implementation of IFRS 11 Joint Arrangements, the amendments have not had any material impact on the profit and loss account but more detailed information is given in the notes.

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 have implemented the changes from 1 January 2012.

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 2014. The Group has elected early implementation of IFRS 10 from 1 January 2012.

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 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 2014. The Group has elected early implementation of IFRS 11 from 1 January 2012.

Implementation of IFRS 11 have had material effect on the financial statement as joint ventures, previously consolidated line-by-line, now are accounted for using the equity method. Both assets, liabilities, income and expenses are affected. Further details are set out in note 23.

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 2014. The Group has elected early implementation of IFRS 12 from 1 January 2012.

Approved IFRS and IFRIC interpretations not yet implemented

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 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.

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Changes in IAS 12 Income tax
The amendment clarifies the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 shall be determined on the basis that its carrying amount will be recovered through sale. The presumption can be rebutted if two specific criteria have been met. The amendment also includes an implementation of SIC 21 – Income Taxes – Recovery of Revalued Non-depreciable Assets stating that deferred tax on non-depreciable assets measured using to the revaluation model in IAS 16 Property, Plant and Equipment shall always be measured on a sale basis. Within the EU/EEA area, the amendments are effective for annual periods beginning on or after 1 January 2013. The Group will apply IAS 12 as of 1 January 2013.

Changes in IAS 19 Employee benefits
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. Removing the corridor mechanism implies that actuarial gains and losses shall be recognised in other comprehensive income (OCI) in the current period. The amendments to IAS 19 will impact the net benefit expense, as the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation.

The amendments are effective for accounting periods beginning on or after 1 January 2013, with retrospective effect from 1 January 2012. The Group will apply IAS 19 as of 1 January 2013.

Changes in IAS 28 (Revised) Investment in Associates and Joint Ventures
As a consequence of the new standards IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates has been renamed IAS 28 Investment in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. Within the EU/EEA area, the amendments are effective for annual periods beginning on or after 1 January 2014. The Group expects to apply to the changes from 1 January 2014.

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 change relating to removal of the «corridor mechanism» in IAS 19 will have effect on both profit and loss and the balance sheet. The equity effect is estimated to be approx. NOK 107 million as per 1 January 2012.

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, according to IFRS 10. 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.

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

Acquisitions of subsidiaries are accounted for using the purchase method of accounting. The cost of an acquisition is 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 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 and joint ventures
The Group's investment in its associates and joint ventures are 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. 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.

The reporting dates of the associates, joint venture and the Group are the same and the same accounting principles are applied.

Investments in an associate and joint ventures are posted in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate or joint venture, less any impairment in value. The

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profit and loss for the Group reflects the associates' or joint ventures' share of profits under operating costs. Changes posted directly in the associates' or joint ventures' 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 or joint venture 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.

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

	GBP	USD	EUR	BRL
Pr 31.12.11	9,2829	5,9927	7,7540	3,2100
Pr 31.12.12	8,9958	5,5664	7,3410	2,7189

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

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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 expected lifetime of the assets is set to 30 years for all of the components, except for planned periodic maintenance.

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

Ordinary repairs and maintenance costs are charged to the income statement in the period in which they are incurred. The cost of major conversions and periodic maintenance of vessels is capitalised and depreciated over the useful lifespan of the parts replaced. The useful lifespan of periodic maintenance will normally be the period until the next docking, which usually is 24-36 months.

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

The business segments are the Group's strategic units of control. However, while calculating the recoverable amount, each vessel is treated as one cash-generating unit.

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

New build contracts

Installments on new build contracts are posted in the balance sheet as fixed assets. Costs related to the on-site supervision and other pre-delivery construction costs including construction loan interest are capitalized per vessel. The depreciation starts from when a new build is delivered from the yard.

Leases

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

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

Trade and other receivables

Trade receivables are booked at their anticipated realizable value, which is the original invoice amount less an estimated amount for depreciation of these receivables. The amount for depreciation of trade receivables is calculated when there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original terms and conditions.

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, short-term deposits and other short-term highly liquid investments with maturity dates of less than three months. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

Tied bank deposits are funds on separate bank accounts for tax deductions.

Treasury shares

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

Interest-bearing loan and borrowings

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

After initial registration, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recorded in the profit and loss. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognized in net profit or loss when the liabilities are devalued or depreciated.

Provisions

Provisions are made in the financial statements if the Group considers it likely, based on the legal provisions or business liabilities of past events, that an outflow of resources will be required to cover its liabilities and if the amount can be accurately estimated. All provisions shall be reviewed on

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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.

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

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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. With effect from January 1st, 2012 a strategic change of the useful lifetime of the vessels was made. The Group's useful life for the vessels was adjusted from 30 years to 20 years. The main change is an assumption to operate the vessels for 20 years instead of the full physical lifetime.

Residual value of vessels will also affect ordinary depreciation. Historically the residual value of the Group's vessels has been estimated based on the vessels weight in steal and the steel price at the balance sheet date. With effect from January 1, 2012 the vessels market values are used as basis for the residual value. Market values, less any sales related expenses, are multiplied with a percentage dependent on the age of the vessel. The factor is 50% for a newbuild, increasing to 100% for a 20 year old vessel.

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 the Norwegian Covered Bonds Market interest rate. Posted pension over-funding for 2011 was NOK 2.7 million whilst at the end of 2012 there was a liability of NOK 11.5 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.

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NOTE 2 MAJOR TRANSACTIONS/EVENTS

Major transactions/ events in 2012:

In the 1st quarter, the Group took delivery of the platforrm supply vessel Normand Arctic. The vessel , with cost price NOK 475 million, is the Group's first vessel which can be operated on LNG.

The Group exercised purchase options for two anchor-handling vessels on bareboat in the 2nd quarter, at total price USD 38 million.

In the 3rd quarter the Group established a joint venture (50/50 ownership) with one of its customers. The Construction service vessel Normand Oceanic was sold to the joint venture. Operation and administration remains with the Group. The transaction contributed with a net gain of NOK 53 million.

In the 1st quarter of 2013, a final settlement for termination of leasing structures for 3 vessels was performed. An accrual of approx NOK 87 million was charged to the accounts in the 4th quarter of 2012. For more details, see Note 12.

Major transactions/ events in 2011:

In 2011 the Group took delivery of one construction service vessel. 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. 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.

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.

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NOTE 3 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

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

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

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

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

CREDIT RISK. The Group is exposed to possible losses on trade accounts receivables. However, no material losses are anticipated. As at December 31, 2012, accounts receivables were NOK 518 million (NOK 700 million in 2011). 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 31.12.2011	Not yet due	0 - 1 month over due	1- 3 months over due	Older than 3 months	Total
Trade accounts receivable	453 363	127 801	83 235	35 810	700 208

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.

Per 31.12.2012	Not yet due	0 - 1 month over due	1- 3 months over due	Older than 3 months	Total
Trade accounts receivable	391 882	79 567	33 688	12 904	518 041

90% of the trade accounts receivable at year-end relates to 40 customers. The top 10 customers amount to 49% of total trade accounts receivable.

There are no accruals for bad debt at 31.12.2012 or at 31.12.2011. 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 - Brasil	486 129	137 842	348 286	

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, 2012 the Group has entered 7 fixed interest rate contracts, up to 6 years maturity, for approximately 18% 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 77% of the debt has floating interest. As at December 31, 2012, the interest swaps have a negative value of NOK 30 million (negative NOK 39 million in 2011). The Group has entered interest and currency swap agreements with 1-7 years maturity. At December 31, 2012 these agreements have a net positive value of NOK 77 million (NOK 31 million in 2011).

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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	2012	+ / - 91.614
+ / - 100	2011	+ / - 93.399

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, 2012; NOK 56%, USD 34% and GBP 10%. The corresponding allocation for 2011 was 51% USD, 41% NOK and 8% 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%	2012	+ / - 281.550
+ / - 10%	2011	+ / - 254.254

Increase/decrease in all currencies		Effect on result before tax
+ / - 10%	2012	+ / - 184.256
+ / - 10%	2011	+ / - 171.942

Increase/decrease in all currencies		Effect on result before tax
+ / - 10%	2012	+ / - 67.115
+ / - 10%	2011	+ / - 72.151

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 not met the two last years.

Loans with maturity within the next 12 months are significantly higher than last year. The main reason is that the Group has several loans with maturity in 2012. A plan for refinancing is established, and loans for approximately NOK 750 million are already refinanced.

The Group monitors the risk of lack of available capital by thorough evaluation of the maturity of its financial investments, financial assets and projected cash flows from operations. Risk management includes maintenance of sufficient liquid assets and the possibility of financing through credit facilities.

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

Per 31.12.2012	Less than 3 months	3 to 12 months	2 to 3 years	4 to 5 years	over 5 years	Total
Interest bearing loans	185 110	1 937 006	3 760 251	3 010 848	343 031	9 236 246
Other debt				50 954		50 954
Trade accounts payable	187 303					187 303
	372 414	**1 937 006**	**3 760 251**	**3 061 802**	**343 031**	**9 474 504**

Per 31.12.2011	Less than 3 months	3 to 12 months	2 to 3 years	4 to 5 years	over 5 years	Total
Interest bearing loans	154 110	826 111	4 062 298	4 323 955	1 085 900	10 452 374
Other debt				36 487		36 487
Trade accounts payable	257 067					257 067
	411 178	**826 111**	**4 062 298**	**4 360 442**	**1 085 900**	**10 745 929**

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 2013, are factors that assumably will have a positive effect on booked equity the comming years.

	31.12. 2012	2011
Total equity	4 664 513	4 415 914
Total assets	14 710 457	15 673 478
	32 %	28 %

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 31.12.12	Value as at 31.12.11
Contract 1	51 639	7 377	USD	1,98 %	05-01-18	-11 520	-11 025
Contract 2	22 850	2 100	USD	3,55 %	21-01-14	-4 074	-7 859
Contract 3	59 367	2 167	USD	4,85 %	16-04-12		-7 739
Contract 4	45 833	4 167	USD	0,93 %	20-04-16	-2 973	
Contract 5	12 594	1 875	USD	2,47 %	07-01-14	-1 961	-2 963
Contract 6	12 594	1 875	USD	2,48 %	07-01-14	-1 966	-3 153
Contract 7	12 594	1 875	USD	2,48 %	07-01-14	-1 962	-3 193
Contract 8	12 594	1 875	USD	2,48 %	07-01-14	-1 673	-3 162
Contract 9	115 469	10 656	USD	0,70 %	27-04-16	-3 966	

Interest- and currency swap contracts	Nominal value	Yearly regulation	Currency	Maturity	Value as at 31.12.12	Value as at 31.12.11
Interest- and currency swaps NOK/USD	315 000	45 000	NOK	05-07-19	45 925	31 049
Interest- and currency swaps NOK/USD	109 617	20 713	NOK	29-05-15	5 725	
Interest- and currency swaps NOK/USD	316 498	35 000	NOK	23-09-13	21 243	
Interest- and currency swaps USD/NOK	63 094	63 094	NOK	01-11-13	4 280	91
					77 174	**31 140**

NOTES

Financing risk
The following table shows the total mortgage loan based on existing financing and their maturity dates as per 31.12.2012:

	Mortgage loan	Drawn	Maturity	Duration	Interest
Loan 1 Floating interest - NOK	315 617	315 617	06-01-17	58	4,96 %
Loan 2 Floating interest - NOK	466 000	457 126	16-11-15	34	3,77 %
Loan 3 Floating interest - NOK	540 000	456 312	31-05-15	28	2,16 %
Loan 4 Floating interest - NOK	490 000	478 422	22-09-13	9	5,53 %
Loan 5 Floating interest - NOK	400 000	393 124	01-10-14	21	5,10 %
Loan 6 Floating interest - NOK	315 000	315 000	06-07-19	77	4,20 %
Loan 7 Floating interest - NOK	70 000	70 000	06-07-15	30	3,46 %
Loan 8 Floating interest - NOK	105 000	105 000	14-03-16	38	4,57 %
Loan 9 Floating interest - USD	9 732	9 732	16-09-14	20	2,72 %
Loan 10 Floating interest - USD	15 994	15 994	30-01-14	13	2,50 %
Loan 11 Fixed interest - NOK	123 067	123 067	29-03-19	74	5,53 %
Loan 12 Fixed interest - NOK	227 733	227 733	15-09-14	20	6,46 %
Loan 13 Fixed interest - NOK	120 000	120 000	15-09-14	20	5,95 %
Loan 14 Floating interest - NOK	124 694	124 694	15-09-14	20	4,28 %
Loan 15 Floating interest - NOK	150 000	150 000	20-11-13	10	5,04 %
Loan 16 Floating interest - NOK	125 000	125 000	22-04-13	4	3,55 %
Loan 17 Floating interest - NOK	9 750	9 750	22-04-13	4	2,78 %
Loan 18 Floating interest - GBP	84 000	65 645	16-06-14	17	1,58 %
Loan 19 Floating interest - USD	5 280	5 280	14-01-14	12	1,60 %
Loan 20 Floating interest - NOK	10 170	10 170	14-01-14	12	1,18 %
Loan 21 Floating interest - USD	237 500	237 500	30-09-15	32	3,51 %
Loan 22 Floating interest - USD	91 667	91 667	18-07-16	42	1,58 %
Loan 23 Floating interest - USD	184 000	161 304	27-04-16	39	3,50 %
Loan 24 Floating interest - USD	100 000	100 000	16-05-13	4	5,03 %
Loan 25 Floating interest - USD	35 625	35 625	27-06-16	41	3,85 %
Loan 26 Floating interest - USD	39 583	39 583	29-06-17	53	4,36 %
Loan 27 Floating interest - NOK	454 167	454 167	05-11-17	57	5,53 %
Loan 28 Floating interest - NOK	503 125	503 125	09-04-17	74	5,72 %
Loan 29 Fixed interest - NOK	449 667	449 667	05-05-22	110	3,60 %
Loan 30 Floating interest - NOK	53 250	53 250	05-05-20	87	5,78 %
Loan 31 Floating interest - NOK	189 333	39 444	05-05-28	181	5,78 %
Total mortgage loan in NOK	**8 100 712**	**7 816 872**			
Bank overdraft - USD	17 500	11 666	31-12-13	12	2,29 %
Bond loan - NOK	700 000	700 000	11-12-14	23	7,57 %
Bond loan - NOK	700 000	700 000	25-02-16	37	6,87 %
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 31.12.12	Value based on forward contract	Value as at 31.12.11
Currency contract NOK/USD (current)			422 917	14 569
Option contract NOK/USD (current)			-422 917	-10 314
Total currency contracts				**4 255**

NOTES

FAIR VALUE

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

Financial assets		2012		2011	
	Note	Booked value	Fair value	Booked value	Fair value
Cash at bank	11,18	807 105	807 105	646 084	646 084
Investments in shares (long-term)	9	37 878	37 878	24 723	24 723
Other current financial investments		25 524	25 524	14 569	14 569
Other long-term financial investments		54 112	54 112	58 200	58 200
		924 619	**924 619**	**743 575**	**743 575**

Financial obligations		2012		2011	
	Note	Booked value	Fair value	Booked value	Fair value
Short-term part of long-term debt	11	2 057 178	2 057 178	878 016	878 016
Mortgage loan with floating interest	11	6 471 315	6 548 489	8 436 953	8 468 093
Mortgage loan with fixed interest	11	642 815	612 721	1 035 200	996 106
		9 171 308	**9 218 388**	**10 350 169**	**10 342 215**

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.

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

		2012			2011	
Current financial assets	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Shares	394			344		
Total per level	**394**			**344**		
Total all levels	**394**			**344**		
Fixed interest contracts						
Interest- and currency swaps		25 524				
Currency swap contracts					14 569	
Total per level		**25 524**			**14 569**	
Total all levels	**25 524**			**14 569**		

		2012			2011	
Non current assets	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Shares			5 031			5 074
Total per level			**5 031**			**5 074**
Total all levels	**5 031**			**5 074**		
Fixed interest contracts						
Interest- and currency swaps		51 651			31 140	
Currency swap contracts						
Total per level		**51 651**			**31 140**	
Total all levels	**51 651**			**31 140**		

		2012			2011	
Current liabilities	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Fixed interest contracts					7 739	
Interest- and currency swaps						
Currency swap contracts					10 314	
Total per level					**18 053**	
Total all levels				**18 053**		

		2012			2011	
Non current liabilities	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Fixed interest contracts		30 095			31 355	
Interest- and currency swaps						
Currency swap contracts						
Guarantees			21 018			21 018
Total per level		**30 095**	**21 018**		**31 355**	**21 018**
Total all levels	**51 112**			**52 373**		

NOTES

NOTE 4 REPORTING BY SEGMENTS AND GEOGRAPHICAL MARKETS

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

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

	AHTS		PSV	
Revenues	**2012**	**2011**	**2012**	**2011**
Net reveneus	1 266 656	1 204 157	439 197	402 202
Deferred income from assets	7 929	1 973	2 749	659
Total operating income	**1 274 585**	**1 206 130**	**441 946**	**402 861**
Results				
Operating result	268 200	138 309	78 648	62 037
Result from associated companies				
Operating result (1)	**268 200**	**138 309**	**78 648**	**62 037**
Assets and liabilities				
Fixed assets	4 048 847	4 003 773	1 733 508	1 323 929
Total assets	**4 048 847**	**4 003 773**	**1 733 508**	**1 323 929**
Segment liabilities	3 165 141	3 086 447	1 043 299	607 945
Total liabilities	**3 165 141**	**3 086 447**	**1 043 299**	**607 945**
Other segment information				
Annual investment	230 479	78 518	448 299	22 638
Depreciations and write-downs (2)	224 237	307 764	62 217	81 332

	CSV		Other	
Revenues	**2012**	**2011**	**2012**	**2011**
Net reveneus	1 582 067	1 368 741		
Deferred income from assets	63 605	2 356		
Total operating income	**1 645 672**	**1 371 097**		
Results				
Operating result	503 400	-11 694	-727	-9 040
Result from associated companies	21 613	11 662	3 151	-2 229
Operating result (1)	**525 013**	**-32**	**2 424**	**-11 269**
Assets and liabilities				
Fixed assets	6 647 182	8 213 630	18 393	93 463
Investments in associated companies	200 898	-5 930	22 877	19 648
Total assets	**6 848 080**	**8 207 700**	**41 270**	**113 112**
Segment liabilities	3 607 782	5 294 850		
Total liabilities	**3 607 782**	**5 294 850**		
Other segment information				
Annual investment	3 224	2 631 238	-72 708	-1 614 859
Depreciations and write-downs (2)	297 636	520 390	727	9 040

NOTES

	Total	
Revenues	**2012**	**2011**
Net reveneus	3 287 920	2 975 101
Deferred income from assets	74 283	4 988
Total operating income	**3 362 203**	**2 980 088**
Results		
Operating result	849 520	179 612
Result from associated companies	24 764	9 433
Operating result (1)	**874 285**	**189 045**
Assets and liabilities		
Fixed assets	12 447 930	13 634 795
Investments in associated companies	223 776	13 718
Unallocated assets	2 038 751	2 024 965
Total assets	**14 710 457**	**15 673 478**
Segment liabilities	7 816 222	8 989 242
Unallocated liabilities	1 355 086	1 360 927
Total liabilities	**9 171 308**	**10 350 169**
Other segment information		
Annual investment	609 294	1 248 085
Depreciations and write-downs (2)	584 817	918 526

(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 2012, PSV revenue is mainly from activity in the North Sea and Brazil, while revenues for AHTS and CSV activity are divided over all geographic areas.

Net revenues are allocated to the following areas:		**2012**		**2011**
North Sea	39 %	1 285 799	35 %	1 040 951
North- and Central America	8 %	250 379	11 %	323 288
Mediterranean/remaining part of Europe	7 %	216 127	7 %	198 857
West Africa	1 %	38 915	6 %	177 059
South America	23 %	765 494	23 %	670 010
Asia	22 %	731 205	19 %	564 936
Total	**100 %**	**3 287 920**	**100 %**	**2 975 101**

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	**2012**	**2011**
Gain on sale of vessels	53 702	
Management fees	3 808	1 724
Rental of personnel and equipment	16 773	3 264
Total other operating income	**74 283**	**4 988**

Other operating expenses	**2012**	**2011**
Technical cost	406 275	398 173
Bunkers and lube oil	66 018	37 101
Insurance	71 557	78 309
IT, communications and other costs	155 017	236 664
Total other operating expense	**698 867**	**750 248**

Wages and personnel costs	**2012**	**2011**
Employees, vessels	1 119 492	1 067 330
Employees, administration	109 507	92 332
Total employee cost	**1 228 999**	**1 159 663**

Wages and employee cost	**2012**	**2011**
Wages	793 692	703 275
Social security	99 676	91 593
Pension costs	36 173	30 621
Other benefits	50 075	48 388
Travelling costs, courses and other personnel costs	249 382	285 785
Total employee cost	**1 228 999**	**1 159 663**

Total employee cost:	1 687	1 355

The Group has received grants in respect of crew subsidiaries and net wage agreements totalling NOK 62 million (2011 NOK 69 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 (*):				
2012	12	3 719	217	193
2011	12	4 168	177	299

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 Directors:	**Directors fee**
Harald Eikesdal, Chairman	275
Toril Eidesvik	150
Terje Vareberg	150
Anette Solstad	150
Ketil Lenning	150
Per Gunnar Solstad (Deputy)	150

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

	2012	**2011**
Audit - statutory accounts	2 265	2 048
Other attestation services	83	50
Tax related services	3 016	2 498
Other services	829	359
Total	**6 194**	**4 954**

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 31.12.2012, there are 844 members of the pension plan. The scheme is based on the following assumptions: discounted interest 3.8% (2.6%), expected return 4.0% (4.1%), regulation of salaries 3.5% (3.5%) and regulation of pensions 3.25% (3.25%).

The Group also has a contribution plan for its administrative staff. Personnel employed prior to 1.1.2007 could choose membership of either scheme. Employees joining the firm after 1.1.2007 are automatically members of the contribution plan. 31.12.2012 the plan had 66 members.

Changes in pension obligation:	**2012**	**2011**
Estimated liability at beginning of the year	235 599	191 967
Interest expense	6 044	6 822
Annual pension earnings	28 499	24 270
Benefits paid	-6 302	-4 945
Actuarial (gain)/ loss on the obligation	-47 369	17 485
Estimated liability at year end	**216 471**	**235 599**

Changes in plan assets:		
Opening value of plan assets	144 197	122 549
Expected return	6 225	6 578
Contributions by employer	22 959	24 165
Benefits paid	-6 302	-4 945
Administration expense	-1 382	-1 181
Actuarial gain/ (loss)	-8 822	-2 971
Estimated plan assets at year end	**156 876**	**144 197**

Expected contribution by employer in 2013 is NOK 24 million.

Net plan assets/liabilities:		
Pension liabilities	216 471	-235 599
Plan assets	156 876	144 197
Unrecognized changes in assumptions	49 530	93 751
Social security	-1 419	-331
Net plan assets/ (liabilities)	**-11 484**	**2 679**

Pension cost:		
Present value of pension obligation	28 499	24 270
Interest expense on obligation	6 044	6 822
Expected return on plan assets	-6 225	-6 578
Administration expense	1 382	1 181
Changes in assumptions charged	6 473	4 927
Social security	4 188	3 623
Pension cost	**40 360**	**34 244**
Payments on contribution plan	2 471	1 635
Actual return on plan assets	-2 596	3 608
Total pension cost	**42 832**	**35 879**

Pension liability for 2011 and 2012 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.

For 2012 the "Norwegian Covered Bonds Market"-interest rate is used as basis for determination of the discounting rate. This is a change compared to previous years. The Norwegian 10 year state obligation interest rate, adjusted for average remaining time to maturity, used to be the basis. The change has increased the discounting rate from 2,6% to 3,8%.

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 4.1% to 4.0% in 2012.

The effect of changes of estimates between actual and return is charged over a 8 year amortisation period, when the changes exceed 10% of the higher of the pension liability or fair value of the plan assets.

According to revised IAS 19 - Employee benefits the "corridor mechanism" for no longer be allowed from January 1st, 2013. Unrecognized actuarial loss, estimated to be NOK 107 million, will be charged equity with retrospective effect as per 1 January 2012.

NOTES

NOTE 7 FINANCIAL ITEMS

Financial items	2012	2011
Interest expense	-524 362	-549 968
Interest income	6 090	17 853
Currency loss	-488 282	-426 115
Currency gain	519 784	377 983
Income from investment in associated companies	3 132	-2 229
Gain financial derivatives	87 011	70 706
Loss financial derivatives	-18 971	-66 130
Gain sale shares	224	
Dividends	11	101
Other financial expense	-4 881	15 346
Net financial items	**-420 244**	**-562 454**

Currency gain and -loss is mainly relating to change in currency rates in the period from posting of invoices and actual timing of payments, and unrealized currency gain and -loss on assets and liabilities in foreign currency.

NOTE 8 TANGIBLE FIXED ASSETS

	Vessel	Vessel under construction	Fixtures	Total
Cost price 01.01.2011	14 969 708	1 685 910	72 879	16 728 497
Acc. depreciation/ write down 01.01.2011	-3 424 578		-44 460	-3 469 038
Book value 01.01.2011	11 545 130	1 685 910	28 420	13 259 459
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 helt for sale	-4 644			-4 644
Disposal of acc. depreciations/ write downs			2 561	2 561
Translation adjustment	2 896	28 811	-47	31 660
Cost price 31.12.2011	17 692 656	65 969	79 407	17 838 032
Acc. depreciations/ write downs 31.12.2011	-4 140 958		-55 986	-4 196 944
Book value 31.12.2011	**13 551 698**	**65 969**	**23 421**	**13 641 088**
Depreciation/ write down current period	-716 380		-14 087	-730 467
Cost price 01.01.2012	17 692 656	65 969	79 407	17 838 032
Acc. depreciation/ write down 01.01.2012	-4 140 958		-55 986	-4 196 944
Book value 01.01.2012	13 551 698	65 969	23 421	13 641 088
Additions	600 957	6 415	1 922	609 294
Transfer	72 384	-72 384		
Disposals	-1 255 812		-2 777	-1 258 589
Disposal of acc. depreciations/ write downs	52 319		797	53 116
Translation adjustment	-208 233		-153	-208 386
Cost price 31.12.2012	16 901 952		78 399	16 980 350
Acc. depreciations/ write downs 31.12.2012	-4 501 256		-60 006	-4 561 262
Book value 31.12.2012	**12 400 695**		**18 393**	**12 419 088**
Depreciation/ write down current period	-412 617		-4 817	-417 434

NOTES

Capitalized periodic maintenance:	**2012**	**2011**
Capitalized periodic maintenance at 01.01.	234 822	240 110
Transferred from vessels		20 501
Additions this year	178 392	162 270
Depreciation of planned periodic maintenance this year	-167 383	-188 059
Capitalized periodic maintenance at 31.12.	**245 830**	**234 822**

The vessels are divided into the following categories; hull, anchor-handling-, loading- and unloading equipment, main- auxiliary engine, thruster, DP and cranes and other equipment. Assumed physical lifetime for all categories are 30 years.

Estimated useful life for the vessels have, from January 1st, 2012, been adjusted down by 10 years. The main reason for the adjustment is a change in the Group's strategy for use of the vessels. The change is mainly to operate the vessels for 20 years in stead of operation during the vessel total physical lifetime.

In addition to the change in useful life the estimates for residual values have been changed. Historically the residual value has been a product of weight and estimated steel price at the balance sheet date. Expenses relating to the discarding are deducted from the residual value. Form January 1st, 2012 the marked values/ brokers values for the the vessels are used as basis to determine the residual value. The brokers values, sales related expenses deducted, are multiplied with a factor dependent on the vessels age. The factor is 50% for a newbuild, inreasing to 100% for a 20 year old vessel.

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

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

Vessels with a book value of NOK 12,083 million are held as a guarantee for the Group's loans, see note 11.

Included in these additions is capitalized interest of NOK 40.000 (NOK 5.9 million). The applied interest rate is 5.26%.

Impairment valuation of fixed assets

Once a quarter the Group evaluate any issues that might indicate impairment of fixed assets. Throughout 2012 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 in use based on the Group's approved budgets for 2013, and for the period 2014-2017. The main assumptions used in the computations are charter rates, escalation of expenses, operational area, interest rate and the market as general. The computations are performed using several levels for the different assumptions. The assumptions's corresponding sensitivty is the evaluated, and a probability assessment for each result is performed. The discounting rate (WACC) used in the recoverable amounts calculation is 7.69%.

Two of the Groups vessels showed book value s exceeding the calculated future value in use. Based on this an impairment of NOK 92 million was booked.

New build contracts

As at 31.12.2012 the following ships are under construction:

New build contracts	**Delivery**	**Owner**	**Solstad Share**	**Contract Price**	**Paid Instalments**	**Remaining 31.12.2012**	**Due Date 2013**
NB "811" TBN Normand Vision	June 2014	Ocean Solstad AS	8 %	1 400 000	140 000	1 260 000	0

At 31.12.2011 the following ships were under construction:

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

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.
Vessel under construction at year end is fully financed.

Asset held for sale

One 3,500 tonn crane was agreed sold by the end of the year 2011. Agreed price was USD 775,000. The crane is classified as asset held for sale per 31.12.2011.

NOTES

NOTE 9 SHARES IN JOINT VENTURES, ASSOCIATED COMPANIES AND OTHER INVESTMENTS

The Group has the following shares in joint ventures (FKV) and associated companies (TS):

		Place of Business	Owner-ship	Date of Financial statement
Deep Well AS (DWAS)	TS	Karmøy	39 %	31-12-12
Ocean Solstad AS (OSAS)	TS	Stavanger	8% (*)	31-12-12
Ocean Solstad Operations AS (OSOP)	TS	Stavanger	30 %	31-12-12
Solstad Offshore Crewing Services Philippines	TS	Manilla, Filippinene	25 %	31-12-12
ADSI Inc	FKV	Marly, Sveits	50 %	31-12-12
Normand Edda AS (NOED)	FKV	Haugesund	50 %	31-12-12
PT Meratus Solstad Offshore (PTSO)	FKV	Jakarta, Indonesia	49 %	31-12-12
Normand Oceanic AS (NOCE)	FKV	Karmøy	50 %	31-12-12
Normand Oceanic Chartering AS (NOCH)	FKV	Karmøy	50 %	31-12-12

Joint ventures				2012			2011		
	ADSI Inc	**NOED**	**NOCE**	**NOCH**	**PTSO**	**Total**	**ADSI Inc**	**NOED**	**Total**
Cost price 01.01.	1 631	75				**1 706**	1 631	75	**1 706**
Acc. result and adjustments	-7 561	5				**-7 556**	-19 223	5	**-19 218**
Book value 01.01.	**-5 930**	**80**				**-5 850**	**-17 592**	**80**	**-17 512**
Share of result	12 202		7 840	453	-566	**19 929**	11 662		**11 662**
Other adjustments	-48		173 808	23	1 364	**175 147**			
Book value 31.12.	**6 223**	**80**	**181 648**	**477**	**798**	**189 225**	**-5 930**	**80**	**-5 850**
Share of balance sheet:									
Current assets	40 873	80	23 232	15 580	1 073	**80 838**	28 334	80	**28 415**
Long-term assets	246 188		628 573		4 565	**879 325**	262 994		**262 994**
Short-term liablilities	-43 861	-1	-4 904	-14 919	-4 840	**-68 525**	-49 704	-1	**-49 705**
Long-term liabilities	-236 977		-463 752			**-700 729**	-247 554		**-247 554**
Net assets	**6 223**	**80**	**183 148**	**661**	**798**	**190 910**	**-5 930**	**80**	**-5 850**
Share of revenues and profit:									
Revenues	74 635		28 076	13 930	265	**116 906**	69 003		**69 003**
Operating expense	-36 359		-7 994	-13 344	-497	**-58 193**	-46 983		**-46 983**
Financial expense	-25 942		-12 242	52	-335	**-38 467**	-10 214		**-10 214**
Result before tax	**12 335**		**7 840**	**638**	**-566**	**20 246**	**11 806**		**11 806**
Taxes	-133			-184		**-317**	-144		**-144**
Result	**12 202**		**7 840**	**453**	**-566**	**19 929**	**11 662**		**11 662**

Associated companies			2012			2011	
	OSOP	**OSAS**	**DWAS**	**SOCS**	**Total**	**DWAS**	**Total**
Cost price 01.01.			19 367		**19 367**	19 367	**19 367**
Acc. result and adjustments			282		**282**	1 933	**1 933**
Book value 01.01.			**19 648**		**19 648**	**21 300**	**21 300**
Share of result	-8	-22	3 229	-67	**3 132**	-2 229	**-2 229**
Other adjustments	89	9 911		67	**10 067**	578	**578**
Book value 31.12.	**80**	**9 889**	**22 877**		**32 847**	**19 648**	**19 648**
Share of balance sheet:							
Current assets	84	394	21 782	25	**22 284**	12 965	**12 965**
Long-term assets	3	11 327	62 643	63	**74 036**	72 619	**72 619**
Short-term liablilities	-7	-367	-20 497	-151	**-21 023**	-14 216	**-14 216**
Long-term liabilities		-1 464	-49 655		**-51 119**	-60 383	**-60 383**
Net assets	**80**	**9 889**	**14 273**	**-63**	**24 179**	**10 985**	**10 985**
Share of revenues and profit:							
Revenues			73 525		**73 525**	60 897	**60 897**
Operating expense	-7	-1	-66 022	-66	**-66 096**	-59 915	**-59 915**
Financial expense	-4	-30	-4 273	-1	**-4 308**	-4 091	**-4 091**
Result before tax	**-12**	**-31**	**3 229**	**-67**	**3 120**	**-3 109**	**-3 109**
Taxes	3	9			**12**	880	**880**
Result	**-8**	**-22**	**3 229**	**-67**	**3 132**	**-2 229**	**-2 229**

(*) The company is deemed to be an associated company even though owner share is only 8%, based on representation in Board of Directors and future options for shares.

NOTES

Investments available for sale - long term

	2012		2011	
Unlisted shares	**Share**	**Book value**	**Share**	**Book value**
ResQ AS	22,44 %	5 031	22,44 %	5 031
Karm-Med AS			23,40 %	43
		5 031		**5 074**

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

	2012			2011		
Listed shares	**Cost price**	**Share**	**Book value**	**Cost price**	**Share**	**Book value**
Rem Offshore ASA	429	0,04 %	394	429	0,04 %	344

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:

	2012	2011
Opening balance	-85	-108
Change in value of Rem Offshore shares	50	23
Ending balance	**-35**	**-85**

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:

	2012	2011
Received compensation	25 065	5 788

Advance payments are included in Other operating expenses.

During the last two years the Group has posted Loss of Hire-revenues of NOK 7,1 and NOK 0 million respectively.

NOTES

NOTE 11 MORTGAGE DEBT AND OTHER LONG-TERM LIABILITIES

	2012	2011
Mortgages	7 114 130	9 472 153
Total long-term debt	**7 114 130**	**9 472 153**
Short-term portion of long-term debt (1st year instalment)	2 057 178	878 016

Short-term portion of long-term debt includes three loans, of USD 100 million, NOK 136 million and GBP 7 million, with maturity in 2nd quarter 2013.
The loans have been refinanced in the 2nd quarter of 2013.

For maturity profile, please refer to Note 3.

Book value of assets:	**2012**	**2011**
Account receivables	518 041	700 208
Vessels	12 083 057	13 308 664
Total booked value	**12 601 098**	**14 008 872**

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 65% NOK, 25% USD and 10% GBP at 31.12.2012. The long term debt in NOK is partly linked to the USD through financial instruments. Actual apportionment is 56% USD, 34% NOK and 10% 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 31.12.12. In addition to the tied assets/negative security clauses the agreements include re-assignment of factoring agreements and insurance terms.

Borrowing cost	**2012**	**2011**
Capitalized borrowing cost	44 914	55 741

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

NOTES

Operational lease

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

	31-12-12		31-12-11	
	Minimum payment	**Present value minimum payment**	**Minimum payment**	**Present value minimum payment**
Next year	2 230 251	2 175 854	2 180 365	2 127 185
Next 2-5 years	2 018 591	1 878 326	3 397 779	3 160 602
Over 5 years				
Finance cost		194 662		290 357
Total minimum lease payment	**4 248 842**	**4 248 842**	**5 578 144**	**5 578 144**

Other lease agreements:

The Group has entered the following lease agreements:	**Yearly payment**	**Maturity**	**Extension**	**Adjustment of rent**
Offices Skudeneshavn	3 349	2026	4 times 5 years	Consumer price and 5 years swap-rate
Workshop Husøy, Karmøy	2 496	2016		Consumer price
Offices Aberdeen	390	2018		Fixed for the next 4 years

Future minimum payments of lease agreements:	
During the next year	6 235
In next 2-5 years	24 941
Beyond 5 years	26 359
Total minimum lease payments	**57 536**

Other long-term liabilities

Other long-term loans of NOK 50.9 million (NOK 36.5 million in 2011) are loans from minority shareholders to two of the group's subsidiaries.

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

Solstad Offshore UK Ltd	219	- for purchase of vessels
Solstad Offshore Service Vessel UK Ltd	104	- for purchase of vessels
Trym Titan AS	255	- for purchase of vessels
Solstad Offshore Asia Pacific Ltd	922	- for bare-boat rental and purchase of vessels
ADSI Inc	41	- for financial lease of vessels
Deep Well AS	52	- for financial lease of fixed assets
Normand Ranger AS	298	- for purchase of vessels
Normand Oceanic AS	417	- for purchase of vessels

NOTES

NOTE 12 TAXES

	2012	2011
Taxes payable	13 016	31 807
Under/over accrual of tax payable	5 237	1 328
Change in deferred taxes	-52 356	-25 698
Tax on ordinary result	**-34 103**	**7 437**
Apportionment of tax on ordinary result		
Norwegian tax - ordinary	-52 356	-20 975
Foreign	18 253	28 412
Total tax	**-34 103**	**7 437**
Outside Shipping Tax Regime		
Temporary differences:		
Shares/ownership (current assets)	-1 699	1 224
Over funding of pension	1 163	16 036
Fixed assets/ provisions	-110 269	-18 739
Unrecovered loss carried forward	-230 136	-152 308
Total temporary differences	**-340 941**	**-153 788**
Tax effect of temporary differences:		
Shares/ownership (current assets)	-476	343
Pension over funding	326	4 490
Fixed assets/provisions	-30 875	-5 247
Unrecovered loss carried forward	-64 438	-42 646
Net deferred tax/ deferred tax asset (-)	**-95 463**	**-43 061**
Changes in deferred tax in the balance sheet		
Opening balance deferred tax	-43 061	-17 362
Booked to profit and loss	-52 356	-25 698
End balance deferred tax/ deferred tax asset (-)	**-95 416**	**-43 061**
Payable tax in the balance sheet consist of		
Payable exit tax - old shipping tax regime - long term		39 931
Payable exit tax - old shipping tax regime - current	44 562	44 562
Tonnage tax	153	158
Other payable corporation tax	22 987	30 807
Total payable tax in the balance sheet	**67 702**	**115 295**

Tonnage tax is classified as operational expense.

Analysis of effective tax rate		
28% of pre-tax result	101 485	-111 759
Differential in tax rates foreign entities	-2 416	8 822
Permanent differences/ Shipping Tax Regime	-133 173	110 374
Estimated tax	**-34 103**	**7 437**

NOTES

In April 2010, 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 three years, with the last installment in 2013. The Group's tonnage taxed companies has no firm plans to exit the new tonnage tax 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.

Previously the Group had three vessels on long-term lease agreements from UK-based owners. In 2008 these vessels was purchased by companies in which Solstad Offshore ASA owns 62.5% (2 vessels) and 50.1% (1 vessel) respectively. 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 and the Group agreed a settlement with the UK tax authorities in 4th quarter 2012. Booked amount for the settlement is NOK 87 million. In addition the Groups share of the cost in the joint venture is ca NOK 16 million.

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.

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
31-12-10	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**
31-12-11	77 375	-51
Sale treasury shares (214.769)	40	
31-12-12	**77 375**	**-11**

At 31.12.12, the Company's share capital represents 38,687,377 shares at NOK 2. The number of shareholders at 31.12.12 was 2,906.
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 31.12.2012 the Group had 5,300 treasury shares with cost price of NOK 0.4 million
As at 31.12.2011 the Group had 25,300 treasury shares with cost price of NOK 2.1 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.

	2012	2011
Majority result from ordinary operations	376 623	-362 041
Average number of shares	38 668	38 396
Treasury shares	5	2 5
Average number of shares to calculate earnings per share	**38 663**	**38 370**
Earnings per share (NOK)	9,74	-9,44

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:	**Land:**	**2012**	**2011**
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 %
Deep Well AS	Norway	39 %	39 %
Solstad Offshore Asia Pacific Ltd	Singapore	100 %	100 %
Nor Asia Pte Ltd	Singapore	100 %	100 %
Nor Offshore Labuan Pte Ltd	Singapore	100 %	100 %
Nor Supply Pte Ltd	Singapore	100 %	100 %
Nor Supporter Pte Ltd	Singapore	100 %	100 %
Norce Offshore Pte Ltd	Singapore	100 %	100 %
Norce Offshore Pty Ltd	Singapore	100 %	100 %
Norce Offshore Thailand Ltd	Singapore	100 %	100 %
Solstad Offshore Ltda	Brazil	100 %	100 %
ADSI INC (FKV)	Switzerland	50 %	50 %
NISA INC (FKV)	Switzerland	50 %	50 %
Normand Edda AS (FKV)	Norway	50 %	50 %
Normand Oceanic AS (FKV)	Norway	50 %	-
Normand Oceanic Chartering AS (FKV)	Norway	50 %	-
Ocean Solstad AS	Norway	8% (*)	-
Ocean Solstad Operations AS	Norway	30 %	-
Solstad Offshore Crewing Services Pte	Singapore	100 %	-
Solstad Offshore Crewing Services Philippines	The Philippines	25 %	-
PT Meratus Solstad Offshore	Indonesia	49 %	-

Solstad Offshore UK LTD is the parent company of Solstad Cable (UK) LTD, Solstad Offshore Service Vessel (UK) LTD, ADSI Offshore (UK) Ltd, and PIOPRO (UK) Ltd.
Solstad Cable (UK) Ltd is the parent company of Solstad Cable Cutter, Ltd, Solstad Cable Clipper Ltd and Solstad Cable Holland BV.
Solstad Offshore Service Vessel (UK) Ltd is the parent company of Pioneer Offshore LP and Progress Offshore LP, whilst PIOPRO (UK) Ltd is the parent company of Pioneer Offshore Ltd and Progress Offshore Ltd. Solstad Rederi AS is the parent company of Trym Titan AS.
Solstad 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, Norce Offshore Pte Ltd. and Solstad Offshore Crewing Services Pte.
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 associated parties:

	Income		Expenses		Receivables		Payables	
Associated company:	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Deep Well AS	873	1 386			6 946	6 782		
Ocean Solstad AS					1 761			
Ocean Solstad Operations AS					25			
PT Meratus Solstad Offshore	3							
Joint venture companies:								
ADSI/ NISA	50 138	107 037	17 666	26 350	161	19 408		6 239
Normand Oceanic AS					808			
Normand Oceanic Chartering AS					9 773			
Management and Board of Directors								
Managing Director								
Chairman of the Board								
Other associated parties								
Owner of office and base premises	325	345	5 845	5 838	40	69	487	487
Owner of shipyard for repairs			536	1 123			10	216

The Group's affiliation with associated parties:
Deep Well AS is an associated company in which the Group has a 39,2% share. Receivables are subordinated loans and guarantee commission.
Ocean Solstad AS is an associated company in which the Group has a 7,8% share. Recievables are inter-company costs payable to manager
Ocean Solstad Operations AS is an associated company in which the Group has a 29,7% share. Recievables are inter-company costs payable to manager

ADSI/NISA is a joint venture company in which the Group has a 50% share. Cost is related to a bare-boat from NISA, whilst income is related to a time charter to ADSI
Normand Oceanic AS is a joint venture company in which the Group has a 50% share. Recievables are inter-company costs payable to manager
Normand Oceanic Chartering AS is a joint venture company in which the Group has a 50% share. Recievables are inter-company costs payable to manager

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%.

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

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

NOTE 16 BANK DEPOSITS

The Group's tied deposits total NOK 31.5 million (NOK 33.7 million) on which tax is withheld.

NOTE 17 ENVIRONMENTAL CONDITIONS

All of the company's vessels comply with current environmental requirements. In 2012, 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.

RThe 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:	**2012**	**2011**	**2010**
Ordinary dividend	58 031	75 588	75 588

Proposed dividend at general meeting:	**2012**	**2011**	**2010**
Ordinary dividend	96 718	58 031	75 588
Per share (NOK)	2,50	1,50	2,00

NOTES

NOTE 19 OTHER LONG-TERM ASSETS

	2012	2011
Loan to other companies	2 315	5 724
Other receivables	147	21 415
Total other long-term assets	**2 462**	**27 140**

The loans are secured convertible loans. Interest rate during 2012 has been 2,6%.

NOTE 20 ACCOUNTS RECEIVABLE AND OTHER SHORT-TERM RECEIVABLES

	2012	2011
Accounts receivable	502 459	699 151
Receivable from associated and joint venture companies	24 455	1 057
Total accounts receivable	**518 041**	**700 208**
Prepaid expenses	8 572	24 189
VAT receivable	670	2 686
Other short-term receivables	169 041	137 025
Receivable from associated and joint venture companies	21 356	
Total short-term receivables	**199 640**	**161 213**

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:

	2012	2011
Bunkers	36 394	25 453
Lube oil	20 344	14 677
Proviant	10 141	11 699
Other	6 592	8 015
Total stock	**73 470**	**59 843**

NOTE 22 OTHER CURRENT LIABILITIES

Other current liabilities consist mainly of accrued interests provision for planned periodic maintenance at year end, and accrual for settlement of vessels previously on bareboat hire, ref note 12.

NOTE 23 RESTATED COMPARATIVE FIGURES IN THE BALANCE SHEET

The Group's accounting principle for Joint Ventures (JV) has been changed. Previously JV's have been consolidated line-by-line based on ownership. From January 1, 2012 JV's are accounted for using the equity method.
The Group had 50% ownership in companies ADSI Inc and NISA Inc in Switzerland and Normand Edda AS in Norway. Comparative figures for 2011are changed accordingly. The effects on the financial statements are listed below.

PROFIT & LOSS	
Net operating income	-69 003
Personnel costs	20 114
Other operating expenses	19 118
Ordinary depreciation	7 751
Income from investment in associated companies	11 662
Net financing	7 985
Taxes	144

BALANCE	
Total long-term fixed assets	-262 994
Financial assets	81 998
Recievables	-17 229
Bank deposits and cash equivalents	-11 186
Current interest bearing liabilities	-183 076
Other current liabilities	-26 334

NOTE 24 SUBSEQUENT EVENTS

In February 2013 the Group ordered a newbuild Construction Service Vessel (CSV). The vessel will be delivered from the yard 2nd quarter 2014 at cost price of approximately NOK 595 million.

CORPORATE ACCOUNTS

FOR SOLSTAD OFFSHORE ASA (PARENT COMPANY)

PROFIT & LOSS ACCOUNT

1.1 - 31.12

PARENT COMPANY **(NOK 1.000)**

	Notes	2012	2011
Other operating income		1 900	1 124
Total operating income		**1 900**	**1 124**
Personnel costs	4	-6 058	-6 877
Other operating expenses	4	-9 460	-4 952
Total operating costs		**-15 518**	**-11 829**
Operating loss		**-13 618**	**-10 705**
Interest income from companies in the Group		28 241	28 894
Other interest income		2 000	10 791
Other financial income	5	357 094	493 611
Interest costs from companies in the Group		-3 174	-178
Other interest charges		-109 486	-106 741
Other financial charges	5,7	-18 558	-2 933
Net financing		**256 118**	**423 445**
Ordinary profit before taxes		**242 500**	**412 740**
Tax on ordinary result	10	20 695	7 853
Net profit for year		**263 195**	**420 593**
Transfers and disposable income:			
Dividends	11	96 718	58 031
Transfer to other equity	11	166 477	362 562
Total transfers and disposable income		**263 195**	**420 593**

BALANCE

PARENT COMPANY **(NOK 1 000)**

	Notes	31.12.2012	31.12.2011
ASSETS			
Fixed Assets			
Intangible fixed assets			
Deferred tax asset	10	61 840	41 145
Financial fixed assets			
Investments in subsidiaries	6	3 657 082	3 657 082
Loan to companies in the Group	9	649 756	567 182
Investment in jointly-owned companies	7	175 538	1 706
Investment in associated companies	7	29 367	19 367
Other long-term receivables	8	49 639	109 276
Total financial fixed assets		**4 561 381**	**4 354 613**
Total fixed assets		**4 623 221**	**4 395 758**
Current assets			
Receivables			
Other short-term receivables	9	85 203	126 759
Bank deposits and cash equivalents		**10 700**	**13 069**
Total current assets		**95 908**	**139 827**
TOTAL ASSETS		**4 719 123**	**4 535 585**

BALANCE

PARENT COMPANY **(NOK 1 000)**

	Notes	31.12.2012	31.12.2011
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital (37.794.160 at NOK 2.00)		77 375	77 375
Treasury shares		-40	-51
Share premium reserve		112 367	112 367
Other paid-in capital		111 648	111 648
Total restricted equity	**11**	**301 350**	**301 339**
Earned equity			
Other equity	11	2 741 623	2 573 276
Total earned equity		**2 741 623**	**2 573 276**
Total equity	**11**	**3 042 973**	**2 874 615**
Liabilities			
Provisions			
Other provisions	16	21 018	21 018
Total provisions		**21 018**	**21 018**
Other long-term liabilities			
Debt Group companies	9	72 603	23 982
Bond Loan	17	1 400 000	1 400 000
Total long-term liabilities		**1 472 603**	**1 423 982**
Current liabilities			
Accounts payable	9	12 299	7 008
Bank overdraft		64 938	102 205
Dividends	11	96 718	58 031
Other current liabilities		8 575	48 727
Total current liabilities		**182 530**	**215 970**
Total liabilities		**1 676 150**	**1 660 970**
TOTAL EQUITY AND LIABILITIES		**4 719 123**	**4 535 585**
Guarantees etc.	14		

Skudeneshavn, 15th April 2013

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)**
		2012	**2011**
CASH FLOW FROM OPERATIONS			
Profit/loss before taxes		**242 500**	**412 740**
Unrealised currency gain/lossp		-18 513	-15 243
Change in short-term receivables/payables		5 291	5 227
Change in other accruals		1 404	-17 245
Net cash flow from operations	**(A)**	**230 682**	**385 479**
CASH FLOW FROM INVESTMENTS			
Disposal of bonds			140 800
Investments in shares		-183 831	-756 903
Payment of long-term receivables		-4 514	-245 270
Net cash flow from investments	**(B)**	**-188 345**	**-861 373**
CASH FLOW FROM FINANCING			
Payment of dividends		-57 993	-75 588
Purchase and sale of treasury shares		1 844	-2 084
Bank overdraft		-37 177	-545
New/ repayment of (-) long-term debt		48 621	557 568
Net cash flow from financing	**(C)**	**-44 706**	**479 351**
Net change in cash and cash equivalents	(A+B+C)	-2 369	3 457
Cash and cash equivalents at 01.01		13 069	9 612
Cash and cash equivalents at 31.12	**(Note 15)**	**10 700**	**13 069**

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 31.12.11	9,2829	5,9927	7,7540
Per 31.12.12	8,9958	5,5664	7,3410

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 2012:
In June 2012 the company acquired shares in Ocean Solstad AS and Ocean Solstad Operation AS. Ownership in the two companies is 8% and 30%.
In July 2012 the company acquired shares in Normand Oceanic AS and Normand Oceanic Chartering AS. Ownership in the two companies is 50%.

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.

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

	2012	**2011**
Wages	4 472	4 957
Employer's National Insurance	732	811
Pension costs	193	299
Other benefits	424	340
Travelling costs, courses and other personnel costs	237	470
Total employee costs	**6 058**	**6 877**
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:				
2012	12	3 719	217	193
2011	12	4 168	177	299
Board of Directors:				
Harald Eikesdal, chairman	275			
Toril Eidesvik	150			
Terje Vareberg	150			
Anette Solstad	150			
Ketil Lenning	150			
Per Gunnar Solstad (Deputy)	150			

In 2012, NOK 470,000 is charged as auditors fees and NOK 65,850 and NOK 155,013, 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

Other financial income, totalling NOK 357.1 million includes guarantee commission of NOK 18 million, dividends from Solstad Rederi AS of NOK 331,5 million, realized currency gain of NOK 4 million, income from investments in subsidiaries of NOK 1.4 million, and group contributions of NOK 2.2 million.
Comparative figures for 2011 of 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.

Other financial costs of NOK 18.6 million consist of realized currency loss.
Comparative figures for 2011 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.

NOTE 6 SHARES IN SUBSIDIARIES

31.12.2012	Place of Business	Ownership	Number of Shares	Nominal Value	Share Capital	Cost price/ Book value
Solstad Shipping AS	Skudeneshavn	100 %	10 000	1 000	10 000 000	10 000
Solstad Rederi AS	Skudeneshavn	100 %	71 500	100	7 150 000	2 428 271
Normand Drift AS	Skudeneshavn	100 %	150	1 000	150 000	150
Solstad Offshore UK Ltd	Aberdeen	100 %	11 000 100	GBP 1	GBP 11.000.100	145 284
Solstad Management AS	Skudeneshavn	100 %	2 000	1 000	2 000 000	10 000
Normand Skarven AS	Skudeneshavn	100 %	1	950 000	950 000	1 250
Solstad Brasil AS	Skudeneshavn	100 %	480	1 000	480 000	1 554
Normand Skarven KS	Skudeneshavn	72 %				35 350
Normand Ranger AS	Skudeneshavn	100 %	100	1 000	100 000	120
Solstad Offshore Asia Pacific Ltd	Singapore	100 %	20 000 000 000	(*)	USD 175.877.420	1 025 103
Total						**3 657 082**

31.12.2011	Place of Business	Ownership	Number of Shares	Nominal Value	Share Capital	Cost price/ Book value
Solstad Shipping AS	Skudeneshavn	100 %	10 000	1 000	10 000 000	10 000
Solstad Rederi AS	Skudeneshavn	100 %	71 500	100	7 150 000	2 428 271
Normand Drift AS	Skudeneshavn	100 %	150	1 000	150 000	150
Solstad Offshore UK Ltd	Aberdeen	100 %	11 000 100	GBP 1	GBP 11.000.100	145 284
Solstad Management AS	Skudeneshavn	100 %	2 000	1 000	2 000 000	10 000
Normand Skarven AS	Skudeneshavn	100 %	1	950 000	950 000	1 250
Solstad Brasil AS	Skudeneshavn	100 %	480	1 000	480 000	1 554
Normand Skarven KS	Skudeneshavn	72 %				35 350
Normand Ranger AS	Skudeneshavn	100 %	100	1 000	100 000	120
Solstad Offshore Asia Pacific Ltd	Singapore	100 %	20 000 000 000	(*)	USD 175.877.420	1 025 103
Total						**3 657 082**

(*) 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	Ownership	Number of Shares	Nominal Value	Equity 31.12.11 (100%)	Result 2011 (100%)
ADSI Inc. (FKV)	Marly (Sveits)	50 %	250 050	1 337	-42 336	-8 501
NISA Inc. (FKV)	Marly (Sveits)	50 %	501	295	16 141	9 578
Normand Edda AS (FKV)	Haugesund	50 %	75	75	161	
Normand Oceanic AS (FKV)	Karmøy	50 %	112 134 346	173 808	59 848	2 730
Normand Oceanic Chartering AS (FKV)	Karmøy	50 %	15 000	23	163	158
Total				**175 538**	**33 978**	**3 966**
Deep Well AS (TS)	Haugesund	39 %	94 817	19 367	34 039	5 901
Ocean Solstad AS (TS)	Stavanger	8% (*)	166 004	9 911	126 694	-282
Ocean Solstad Operation AS (TS)	Stavanger	30 %	1 483	89	270	-28
Total				**29 367**	**161 003**	**5 591**

(*) The company is deemed to be an associated company even though owner share is only 8%, based on representation in Board of Directors and future options for shares.

NOTES

NOTE 8 OTHER LONG TERM ASSETS

Other long term assets include:

	31.12.2012	31.12.2011	Interest
Shareholders loan ADSI Inc	25 855	88 681	2,20 %
Shareholders loan Normand Oceanic AS	7 089		4,15 %
Loan to DeepWell AS	6 074	5 724	6% - fast
Posted financial cost	10 621	14 871	
Total	**49 639**	**109 276**	

The loans are convertible subordinated loans.

NOTE 9 INTER COMPANY GROUP

Solstad Offshore ASA had the following receivables/debt from companies in the Group:	31.12.2012	31.12.2011	Interest
Solstad Cable (UK) Ltd	38 888	40 160	2,24 %
Solstad Offshore (UK) Ltd	175 849	205 938	2,73 %
Normand Ranger AS	234 452	136 084	6mnt NIBOR + 5%
Normand Drift AS	3 465	3 316	6 mnt NIBOR + 1,5%
Solstad Brasil AS	53 826	50 432	6 mnt NIBOR + 5,75%
Nor Sun AS		16 584	5,71 %
Solstad Offshore Asia Pacific Ltd	60 386	61 964	5,00 %
Norce Offshore LTD	82 890	52 704	5,00 %
Inter company loans	**649 756**	**567 182**	
Solstad Shipping AS	81 506	125 569	
Solstad Management AS	2 242	1 190	
Other current assets	**83 748**	**126 759**	
Solstad Management AS	-12 299	-7 008	
Trade account payable	**-12 299**	**-7 008**	

Group receivables, due more than one year after expiry of the financial year, are around NOK 650 million.

NOTE 10 TAX

	2012	2011
Taxable income		
Result before tax	242 500	412 740
Changes in temporary differences	2 821	3 595
Permanent differences	385	445
Share of result in limited partnerships	6 095	-1 968
Dividends / repayments from limited partnerships	-1 383	-2 765
Dividend received- (participation exemption method)	-331 462	-450 000
3% taxable dividend		13 500
Loss sale of shares	2	
Taxable income	**-81 041**	**-24 453**
Change in deferred taxes	-20 695	-7 853
Tax on ordinary result	**-20 695**	**-7 853**
Shares/ownership (current assets)	290	3 111
Long term receivables	-2 000	-2 000
Unrecovered loss carried forward	-229 098	-148 056
Total temporary differences	**-230 807**	**-146 945**
Calculated deferred tax asset	64 626	41 145
Unrecognized part of deferred tax asset	-2 786	
Booked deferred tax asset	**61 840**	**41 145**
Analysis of effective tax rate:		
28% of Profit before Tax	67 902	115 567
Tax effect of dividends and gain/ loss sale of shares	-88 705	-123 545
Tax effect of permanent differences	108	125
Estimated tax	**-20 695**	**-7 853**

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	Share premium reserve	Other paid-in Equity	Other Equity	Total Equity
Equity 31.12.2011	77 375	-51	112 367	111 648	2 573 276	2 874 615
Sale of treasury shares (20.000)		40			1 804	1 844
Unallocated dividend on treasury shares					38	38
Annual result					263 195	263 195
Allocated dividend					-96 718	-96 718
Equity 31.12.2012	**77 375**	**-11**	**112 367**	**111 648**	**2 741 594**	**3 042 973**

At 31.12.12, the Company's share capital represents 38,687,377 shares at NOK 2. The number of shareholders at 31.12.12 was 2,906.
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 31.12.2012:

	Number of shares	Ownership
Soff Holding AS	13 906 506	35,95 %
Ivan II AS	2 358 158	6,10 %
Pareto Aksje Norge	2 286 943	5,91 %
Skagen Vekst	1 938 650	5,01 %
Solstad Invest AS	1 861 604	4,81 %
Fidelity Low-Priced Stock Fund	1 150 000	2,97 %
Odin Offshore	1 055 204	2,73 %
Pareto Aktiv	970 002	2,51 %
Skips AS John	738 757	1,91 %
Solhav Invest X AS	563 080	1,46 %
Vindbalen AS	540 375	1,40 %
MP Pensjon PK	535 355	1,38 %
Pareto Verdi	517 642	1,34 %
RBC Dexia Investor Services BA	470 429	1,22 %
	28 892 705	74,68 %

BOARD OF DIRECTORS AND MANAGING DIRECTORS SHARE INTEREST IN THE COMPANY

In accordance with the definition in corporation law, the Directors had the following holdings at 31.12.12:

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

The Deputy Managing Director Sven Stakkestad owned 2,825 shares at 31.12.2012. The company's auditor does not hold shares in the company.
Pr 31.12.2012 the company has acquired 5,300 treasury shares at a cost price of NOK 0.4 million.

NOTE 12 EARNINGS PER SHARE

In 2012, earnings per share was NOK 6.80. The equivalent value in 2011 was NOK 10.87.
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.
Inter-company debt/receivables are interest-bearing.

NOTE 14 GUARANTEES

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

Solstad Offshore UK Ltd	219	- for purchase of vessels
Solstad Offshore Service Vessel UK Ltd	104	- for purchase of vessels
Trym Titan AS	255	- for purchase of vessels
Solstad Offshore Asia Pacific Ltd	922	- for bare-boat rental and purchase of vessels
ADSI Inc	41	- for financial lease of vessels
Deep Well AS	52	- for financing of fixed assets
Normand Ranger AS	298	- for purchase of vessels
Normand Oceanic AS	417	- 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 31.12.2012**	**Book value 31.12.2011**	**Maturity**
SOFF02	700 000	700 000	12/2014
SOFF03	700 000	700 000	02/2016
	1 400 000	**1 400 000**	

ERNST & YOUNG

State Authorised Public Accountants
Ernst & Young AS

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Member of the Norwegian Institute of Public Accountants

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 2012, 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 2012, the statements of comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer 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 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 accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

ERNST & YOUNG

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 at 31 December 2012 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 at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with 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 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 International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Managing Director have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 15. april 2013
ERNST & YOUNG AS

Josten Johannessen
State Authorised Public Accountant (Norway)

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

A SNAPSHOT
OF OUR YEAR

JANUARY
The company took delivery of the new build "Normand Arctic", a large platform supply vessel (PSV) which can run on LNG, from STX OSV AS, Langsten. A loan of MNOK 326 was drawn to finance the acquisition of the vessel.

FEBRUARY
The company entered contracts for the construction service vessels (CSV's) "Normand Tonjer" with Fugro Subsea Services for a fixed period of 200 days and "Normand Mermaid" with Fugro Geosciences International for a fixed period of 180 days. A contract for "Nor Tigerfish" was entered into with Allied Support Corporation for a fixed period of 120 days and for "Normand Flower" with Visser & Smith Marine Contracting BV for a fixed period of 185 days. In addition, Global Industries declared a 1 year option for "Normand Commander".

The total contract value for the fixed term of these contracts was around MNOK 225.

MARCH
The company signed a contract with Subsea 7 International Contracting Limited under which Subsea 7 will acquire a 50% share in the CSV "Normand Oceanic" through the purchase of shares in a newly incorporated shipping company. It was further agreed that the fixed contract period will be extended to five years.. The transaction gave the company a positive cash effect of approximately MNOK 200.

The company signed a long term contract for CSV "Normand Mermaid" with Ocean Installer AS for a firm duration of five years fixed with five yearly options.

APRIL
Total E&P UK Limited in collaboration with Elf Exploration UK Limited chartered the "Normand Aurora" for a fixed period of five years with two one year options. In addition, a charter agreement was entered into with Statoil Petroleum AS for the rental of "Normand Corona" for a fixed period of six months with a further two six month options. EDT Offshore Egypt S.A.E. signed a one year contract for the "Normand Draupne" with a one year option. The fixed term of these contracts represented a value of approximately MNOK 380.

Solstad entered a bareboat charter for "Nor Spring" with Bibbi Offshore Singapore Pte Ltd for a three year period. The company also signed a contract for the derrick lay barge (DLB) "Norce Endeavour" with TL Offshore Sdn Bhs for fixed 45 days plus a 40 day option and then with PT Timas Suplindo for fixed 40 days plus a 20 day option.

JUNE
The company signed charter agreements with Murphy Sanah/Sarawak Oil Co Ltd for the charter of the AHST "Normand Ivan". The fixed term is for two years with a one year option. The contract value for the fixed term is around MNOK 260.

The company and Ocean Installer signed contracts with STX OSV for the construction of a large advanced CSV. From the handover in the second quarter 2014, the company will have 30% ownership in the vessel, with the option to increase to 50%. This joint venture has entered a five year fixed charter agreement with Ocean Installer AS from delivery, with an additional five yearly options. The contract value for the vessel is BNOK1.5. Included in the total cost is a 150t VLS (vertical laying system) valued at around MNOK 200.

Statoil ASA exercised its option to extend the contract for the AHTS "Normand Ferking" by one year. In addition, the company signed a contract with the coast guard for the AHTS "Normand Jarl" for a fixed period of one year with a further two yearly options. The value of these fixed periods is approximately MNOK 150.

The Group acquired the AHTS's "Nor Captain" and "Nor Spring". The purchase price of these vessels was fully financed through a term loan of MUSD 38.

JULY
The transaction for the sale of 50% of the CSV "Normand Oceanic" was completed and a long-term loan drawn for MUSD 152.5.

AUGUST
The company signed a charter agreement with Leighton Contractors Pty Ltd in Australia for the DLB "Norce Endeavour" for a fixed period of one year. Furthermore, a contract was awarded for the charter of the AHTS "Nor Tigerfish" for a one year fixed period.

SEPTEMBER
A contract was signed with a consortium headed by Indonesia Mitra/Titan Resources for the charter of "Nor Captain" for a fixed period of 8 months and a further 18 month option. The value of the fixed part of the contract is approximately MUSD 4.5.

OCTOBER
The company signed a contract with Saipem Leighton Consortium (SLC) in Australia for charter of the AHTS "Nor Supporter" as a support vessel to the DLB "Norce Endeavour". The vessel will be operating on Barrow Island on the Chevron operated Gorgon Project.

NOVEMBER
The company extended its contract with CSV "Normand Fortress" with Diavaz, Mexico. The charter term is one year with a contract value of around MUSD 17.

DECEMBER
A contract was entered with Gwynt Y Mor Offshore Wind Farm Ltd for CSV "Normand Tonjer". The fixed period is around 17 months. In addition, a charter agreement was signed with Visser & Smith Marine Contracting BV for charter of CSV "Normand Flower" for a fixed term of 230 days with a further three month option.

THE FLEET

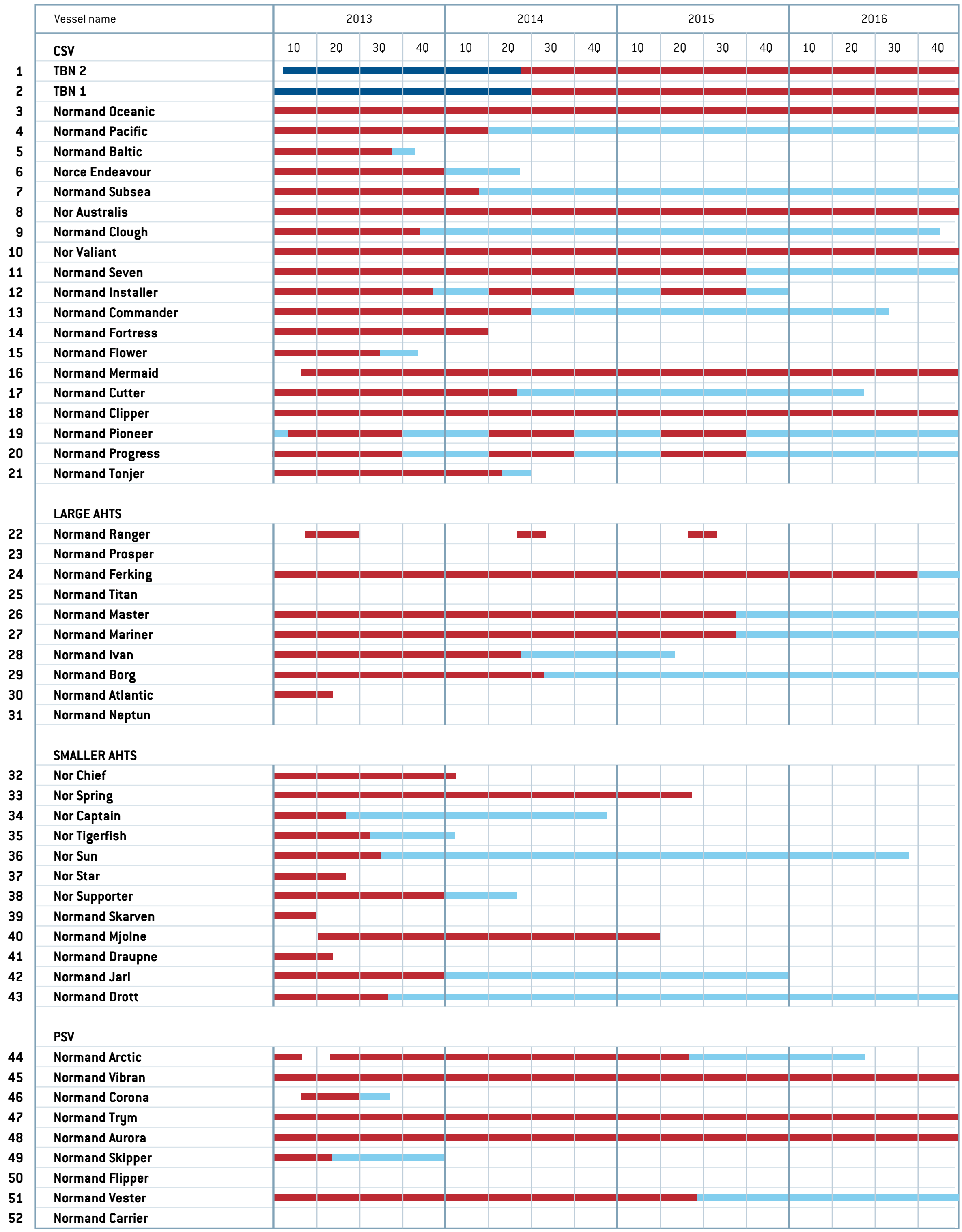
PER 15TH APRIL 2013

		Built year	HP	DWT	Deck m²	Winch power	Bollard pull	A-frame Cap. t.	Constr. crane t.	DP class	Cabin cap.	Dry bulk	Other equipment
	CSV												
1	**TBN 2**	2014	20 944	4 750	1 300				250	3	100		
2	**TBN 1**	2014	28 200	12 000	2 100				400	3	140		
3	**Normand Oceanic**	2011	26 000	11 300	2 100				400	3	140		
4	**Normand Pacific**	2010	20 560	4 500	1 000				200	3	120		
5	**Normand Baltic**	2010	12 000	4 100	1 000				100	2	69		
6	**NorCE Endeavor**	2011	N.A.	18 000	3 300				1100		280		5
7	**Normand Subsea**	2009	21 000	6 100	750				150	2	90		
8	**Nor Australis**	2009	5 500	2 500	780				70	2	120		1,4
9	**Normand Clough**	2008	14 885	6 500	1 300				200	2	121		
10	**Nor Valiant**	2008	5 500	3 100	700				50	2	120		1
11	**Normand Seven**	2007	26 000	10 000	2 000				250	3	100		
12	**Normand Installer**	2006	31 500	8 600	1 300	500	308	350	250	3	102		
13	**Normand Commander**	2006	10 197	4 305	800				100	2	100		
14	**Normand Fortress**	2006	10 197	4 300	800				140	2	100		
15	**Normand Flower**	2002	10 600	4 500	960				150	3	85		2
16	**Normand Mermaid**	2002	11 000	4 000	780				100	3	69		2
17	**Normand Cutter**	2001	22 000	10 000	1 800		120	60	300	2	102		
18	**Normand Clipper**	2001	22 000	10 000	1 800		120	60	250	2	114		
19	**Normand Pioneer**	1999	27 800	5 000	1 000	500	286	150	140	2	75		
20	**Normand Progress**	1999	27 800	5 000	1 000	500	304	250	100	2	70		
21	**Normand Tonjer**	1983	7 200	3 200	573				50	2	60		
	LARGE AHTS												
22	**Normand Ranger**	2010	28 000	4 250	750	500	280			2	60	X	1,2,3
23	**Normand Prosper**	2010	32 000	5 000	800	500	338			2	70		
24	**Normand Ferking**	2007	20 000	5 000	700	500	250			2	32	X	1,2,3
25	**Normand Titan**	2007	16 092	2 600	510	400	187			2	28	X	
26	**Normand Master**	2003	23 500	3 700	600	500	282	150*		2	52		2
27	**Normand Mariner**	2002	23 500	3 700	600	500	282	150*		2	52		2
28	**Normand Ivan**	2002	20 000	4 140	600	500	240	250*		2	52	X	1,2
29	**Normand Borg**	2000	16 800	2 873	570	500	202			1	35	X	2
30	**Normand Atlantic**	1997	19 400	4 200	560	500	220			2	50	X	1,2,3
31	**Normand Neptun**	1996	19 400	4 200	560	500	222			2	40	X	1,2,3
	SMALLER AHTS												
32	**Nor Chief**	2008	10 800	2 100	450	300	140			2	40	X	1
33	**Nor Spring**	2008	8 000	2 600	500	200	111	50	20	2	60	X	1
34	**Nor Captain**	2007	10 880	2 300	450	300	143			2	40	X	1
35	**Nor Tigerfish**	2007	5 500	1 650	475	150	70	50	30	2	60	X	1
36	**Nor Sun**	2006	8 000	1 700	490	200	101			2	54	X	1
37	**Nor Star**	2005	5 500	1 860	475	150	71			2	42	X	1
38	**Nor Supporter**	2005	8 000	1 810	475	200	93			2	42	X	1
39	**Normand Skarven**	1986	13 000	2 500	570	250	156			2	21	X	1,2,3
40	**Normand Mjolne**	1985	18 000	2 500	590	300	170			2	22	X	1,2,3
41	**Normand Draupne**	1985	18 000	2 500	590	300	170			2	16	X	1,2,3
42	**Normand Jarl**	1985	12 000	2 000	536	300	150			1	35	X	1,2,3
43	**Normand Drott**	1984	12 000	2 000	536	300	148			-	30	X	1,2,3
	PSV												
44	**Normand Arctic**	2011	10 500	4 900	1 000					2	28	X	2,3
45	**Normand Vibran**	2008	5 310	3 240	680					2	18	X	
46	**Normand Corona**	2006	8 931	4 100	941					2	24	X	
47	**Normand Trym**	2006	5 310	3 240	680					1	16	X	
48	**Normand Aurora**	2005	10 000	4 900	960					2	25	X	
49	**Normand Skipper**	2005	9 500	6 400	1 220					2	23	X	2,3
50	**Normand Flipper**	2003	9 000	4 500	960					2	17	X	2
51	**Normand Vester**	1998	10 300	4 590	956					2	37	X	2,3
52	**Normand Carrier**	1996	10 300	4 560	956					2	37	X	2,3

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 15TH APRIL 2013



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

Contract

Charters option

Under construction

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