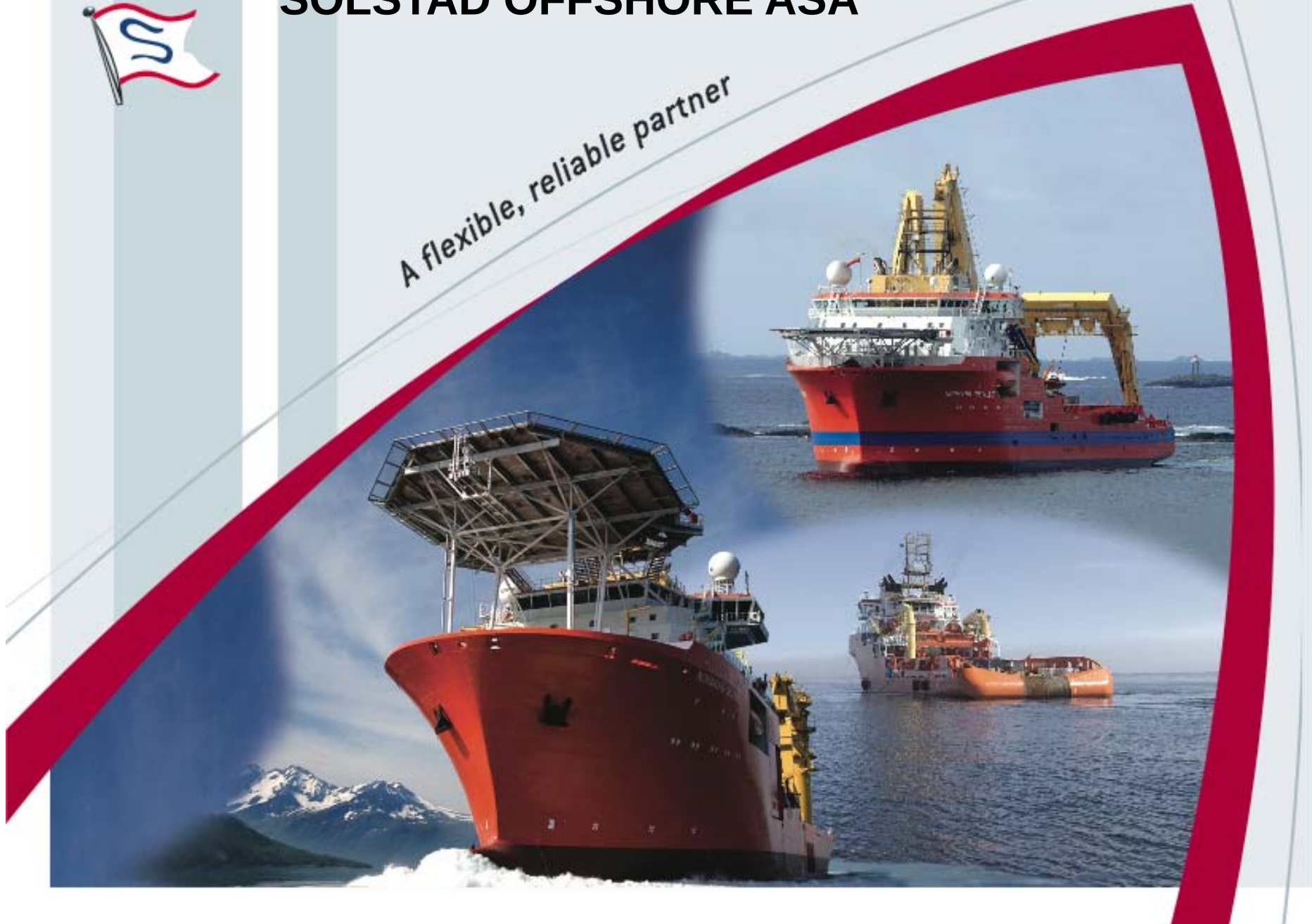




# SOLSTAD OFFSHORE ASA

*A flexible, reliable partner*





# SOLSTAD OFFSHORE ASA

## 2Q 2012



1. Solstad Offshore in brief
2. Highlights YTD
3. Financials
4. Vessels and markets
5. Outlook



# SOLSTAD OFFSHORE IN BRIEF

- Founded in 1964. Head-office in Skudeneshavn, Norway.
- Operations worldwide – The North Sea, Brazil, US Gulf, West Africa, Asia etc.
- Listed on Oslo Stock Exchange (Ticker: SOFF).
- A fleet of 50 vessels operated from main office in Skudeneshavn and branch office in Aberdeen, Rio de Janeiro and Singapore
- Total 1,650 onshore and offshore personnel

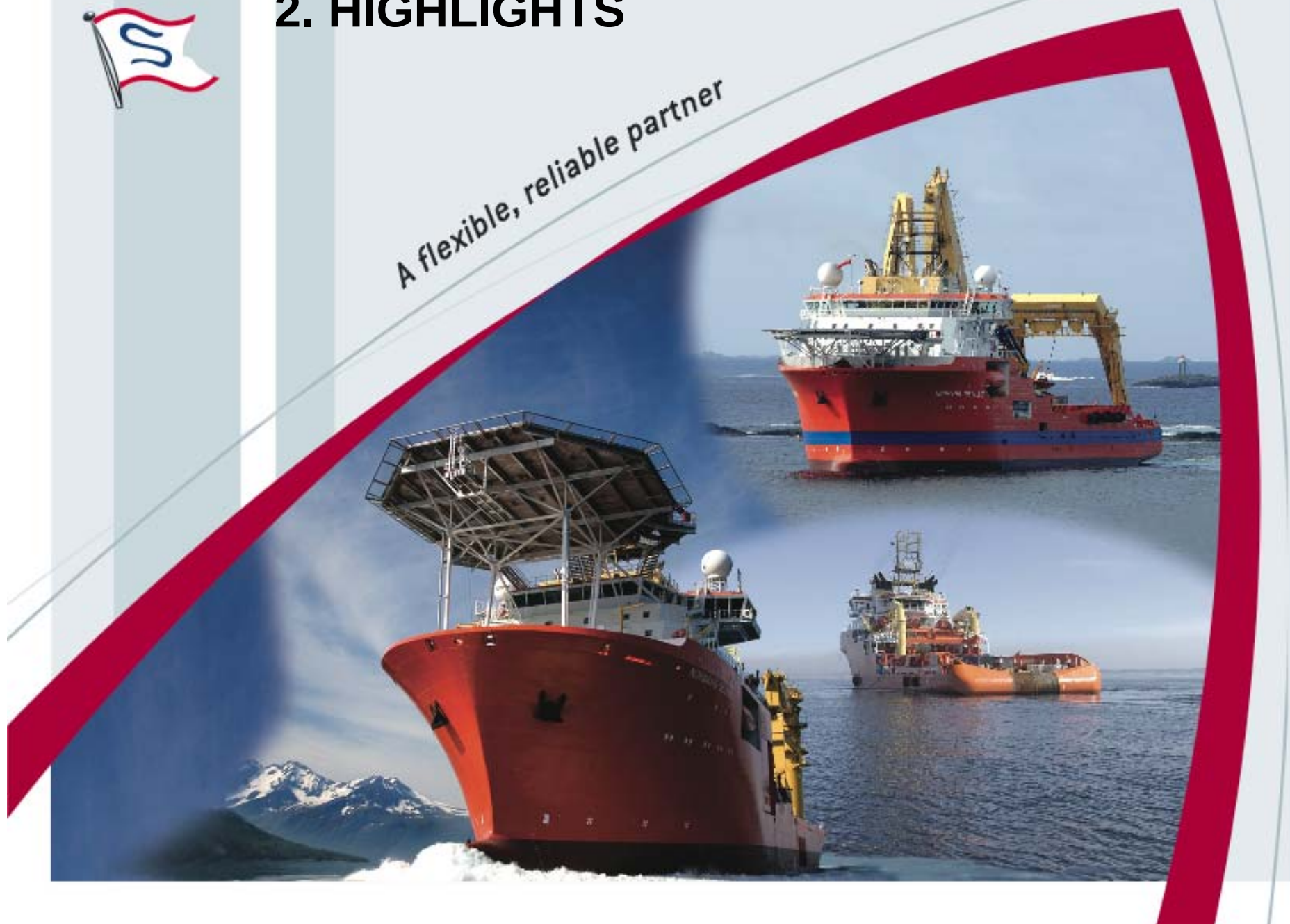
| Segments                                       | Current Fleet | Newbuildings | Weighted Average Age* |
|------------------------------------------------|---------------|--------------|-----------------------|
| PSV (Platform Support Vessel)                  | 9             |              | 7.0                   |
| Large AHTS (Anchor Handling Tug Supply Vessel) | 10            |              | 8.0                   |
| Small & Medium AHTS                            | 12            |              | 11.1                  |
| CSV (Construction Service Vessel)              | 18            | 1            | 6.6                   |
| DLB (Derrick Lay Barge)                        | 1             |              | 1.4                   |
| <b>Sum:</b>                                    | <b>51</b>     | <b>0</b>     | <b>7.0</b>            |

\* Weighted average age including newbuildings. Based on broker valuations of the vessels as of 30.06.2012



## 2. HIGHLIGHTS

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# SOFF 1st half 2012 HIGHLIGHTS

## Good earning margins and stable underlying values

- Freight revenues of NOK 878 mill 2<sup>nd</sup> quarter '12 / NOK 1,67 billion 1<sup>st</sup> Half '12
- EBITDA 2<sup>nd</sup> quarter NOK 397 mill (margin of 45%) up from NOK 283 mill 1<sup>st</sup> quarter '12.
- EBITDA margin positively influenced by good operational performance and improved utilization in the CSV segment
- Change of ship registry on several vessels during 2Q '12. Positive cost effect from 3Q '12.
- Book equity ratio ~30% (NOK 4,5 billion) / Value Adjusted Equity ~44% (NOK 9,25 billion)
- Net interest-bearing debt ~ NOK 10,2 billion. Cash and equivalents: ~NOK 600 million

## Strong contract backlog to first class counterparts

- Contract backlog of NOK 5,6 billion (NOK 10,3 billion incl. options) coming 5 years
- Contract coverage for remaining '12 of 70% and 77% including options (inkl DLB)
- Several new charter agreements at improved day rates.
- Total value of contracts entered into YTD ~NOK 2,0 billion

## Key highlights as of 27. August 2012

- Large CSV ordered for delivery 2Q '14. Secured 5 year T/C. Limited capex exposure for SOFF
- In July the agreed sale of 50% of "Normand Oceanic" to SS7 and the refinancing of "Normand Installer" was concluded. ~ NOK 300 mill in positive cash effect (3Q '12)
- Purchase of "Nor Captain" and "Nor Spring" (previosly on BB). Cost price fully financed by bank
- North Sea spot market did not meet SOFF's expectations for 2Q '12



### 3. FINANCIALS

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# PROFIT AND LOSS ACCOUNTS

| (mill NOK)                                          | 2Q<br>2012 | 2Q<br>2011 | 1H<br>2012   | 1H<br>2012   | Total<br>2011 |
|-----------------------------------------------------|------------|------------|--------------|--------------|---------------|
| <b>Total operating income</b>                       | <b>878</b> | <b>683</b> | <b>1 666</b> | <b>1 352</b> | <b>2 980</b>  |
| Operating expenses                                  | -484       | -485       | -989         | -899         | -1 910        |
| Ord. Depreciation <sup>(1)</sup>                    | -114       | -184       | -231         | -361         | -758          |
| Impairment                                          |            |            |              |              | -160          |
| Joint venture & Associated companies <sup>(2)</sup> | 2          | 7          | 15           | 6            | 12            |
| <b>Operating profit</b>                             | <b>281</b> | <b>21</b>  | <b>461</b>   | <b>98</b>    | <b>163</b>    |
| Net agio                                            | -95        | 41         | -8           | 124          | -48           |
| Other fin. Items                                    | -130       | -123       | -275         | -196         | -515          |
| <b>Result before taxes</b>                          | <b>56</b>  | <b>-62</b> | <b>177</b>   | <b>26</b>    | <b>-399</b>   |
| Taxes                                               | -3         | -13        | -5           | -24          | -7            |
| <b>Result after taxes</b>                           | <b>53</b>  | <b>-75</b> | <b>172</b>   | <b>2</b>     | <b>-407</b>   |
| EBITDA                                              | 397        | 210        | 685          | 458          | 1 106         |

(1) 2012: Change of estimate for residual value (new accounting principle)

(2) 2012: The joint venture owning "Normand Installer" booked based on the equity method as from 01.01.12. Previously booked based on proportionate consolidation



# OPERATING REVENUE AND EBITDA

(Excl. gain on sale of asset) (MNOK)





## BALANCE 30 June 2012

| (mill NOK)                          | 1H<br>2012    | 1H<br>2011    | Total<br>2011 |
|-------------------------------------|---------------|---------------|---------------|
| Long Term fixed assets              | 14 535        | 14 261        | 14 087        |
| Current Assets                      | 1 495         | 1 703         | 1 587         |
| <b>Total Assets</b>                 | <b>16 031</b> | <b>15 963</b> | <b>15 673</b> |
| Equity                              | 4 502         | 4 767         | 4 416         |
| Long term liabilities               | 9 190         | 9 703         | 9 601         |
| Current Liabilities*                | 2 338         | 1 494         | 1 657         |
| <b>Total equity and liabilities</b> | <b>16 031</b> | <b>15 963</b> | <b>15 673</b> |

Booked equity at 30.06.2012 NOK 116,- pr share

\* NOK 1.627 million of Current Liabilities 30.06.12 is current portion of long term debt



## 4. VESSELS AND MARKETS

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# MARKET

## - Construction Service Vessels (CSV)

- Subsea market driven by solid fundamentals
  - High tendering activity and contract awards
  - Clients are building substantial backlogs
  - Limited availability of modern large CSV's.
  
- SOFF has favourable market exposure
  - 20 CSV's working for all the main players
  - Focus on long- and medium term contracts for the subsea vessels
  - Available capacity in 2013





# MARKET

## - Construction Service Vessels (CSV)

- DLB “Norce Endeavour”, close to full utilization in 2Q ‘12
  - Project with TLO in Malaysia successfully completed
  - Project with PT Timas, Indonesia ongoing to end September-12
- Other vessels from the Asian fleet also engaged in the subsea market
  - N.Tigerfish, ROV support East Africa
  - N.Captain, ROV support Malaysia
  - N.Spring, on bare-boat to Bibby Offshore





## Breakthrough for DLB “Norce Endeavour”

- Signed strong long-term charter in Australia
  - Client: Leighton Contractors Pty Ltd
  - Project: Gorgon LNG Jetty and Marine Structures.
  - Gives 100% utilization from October '12
  - SOFF to provide project management and engineering related to the DLB operation



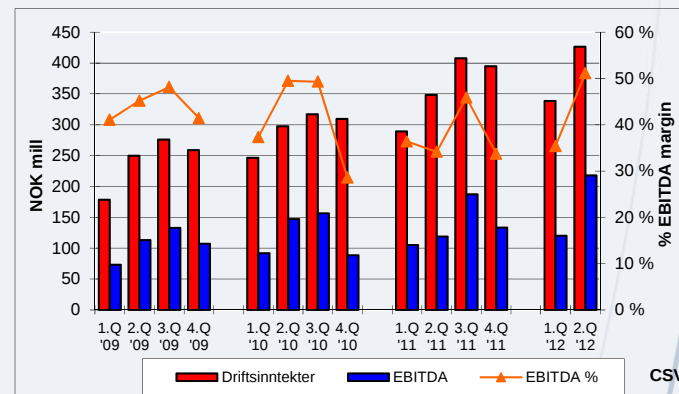


# FLEET

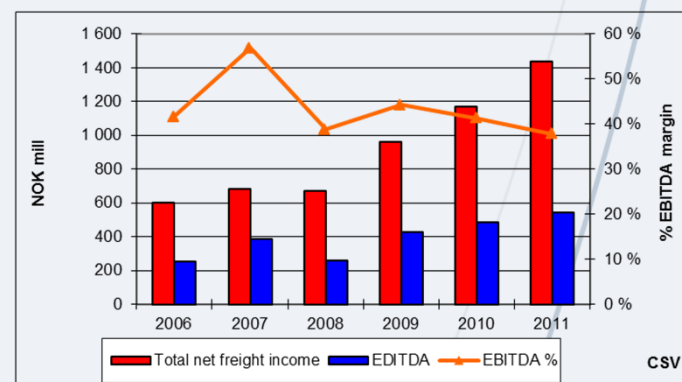
## - Construction Service Vessels (CSV)

- Represents about 50% of SOFF's revenues.
- Improved utilization
  - Good operational performance
  - Margin improvements
- Sale of 50% share of "N. Oceanic" (3Q '12) to Subsea 7
  - Firm charter period extended to 5 years (from 3 years)
  - Positive cash effect ~ NOK 230 mill

### Quarterly development



### Annual development





# New CSV ordered

- Ordered “state of the art” CSV in partnership with Ocean Installer AS.
  - Limited capex exposure for SOFF, but with option to increase ownership to 50%
  - To be delivered from yard STXOSV, Norway, during 2Q '14.
  - 5 year T/C with Ocean Installer from delivery
  - Third vessel on long term contract with Ocean Installer AS.





# MARKET

## - Anchor Handling Tug & Supply Vessels (AHTS)

- Weak North Sea spot market in 2Q, have continued into 3Q.
  - Decent activity, but too many vessels
  - Too many of us wanted to harvest from a promising North Sea market – over supply
- Positive medium to long term outlook
  - Large number of deep water rigs to enter the market in coming years
  - Limited number of larger AHTS's under construction.
  - AHTS Owners to increase international bidding activity



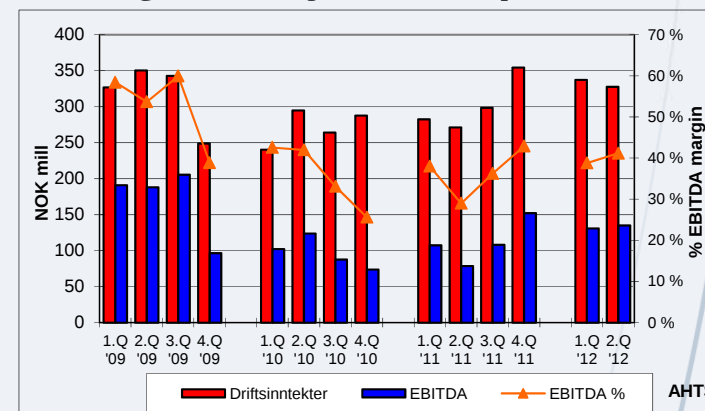


# FLEET

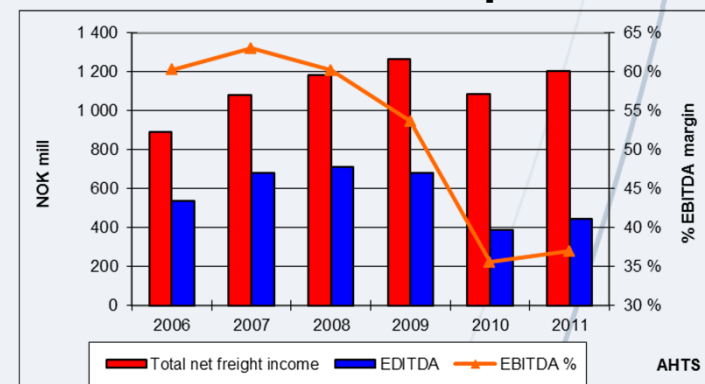
- Anchor Handling Tug & Supply Vessels (AHTS)

- 22 AHTS's in operation world wide
  - Range from 5.500 to 32.000 bhp.
- Our expectations to a strong AHTS segment did NOT materialize
  - Margins negatively influenced by a volatile North Sea market
  - "Normand Titan" and "Normand Neptun" repositioned to the North Sea spot market during 2Q '12
- Exercised option to purchase "Nor Captain" and "Nor Spring".
  - Cost price fully financed by loan.
- "Nor Tigerfish" secured 1 year firm T/C and "Nor Spring" a 3 year B/B contract. Both on acceptable day rate levels
- Currently 4 large AHTS's trading the spot market
  - 3 vessels in the North Sea and "Normand Atlantic" in Asia

## Quarterly development



## Annual development





# MARKET

## - Platform Supply Vessels (PSV)

- Activity level is high, but too many vessels has entered the market
  - Considerable number of vessels still under construction
  - Put pressure on dayrates
- Demand will continue to rise as new drilling rigs and production units begin their operations



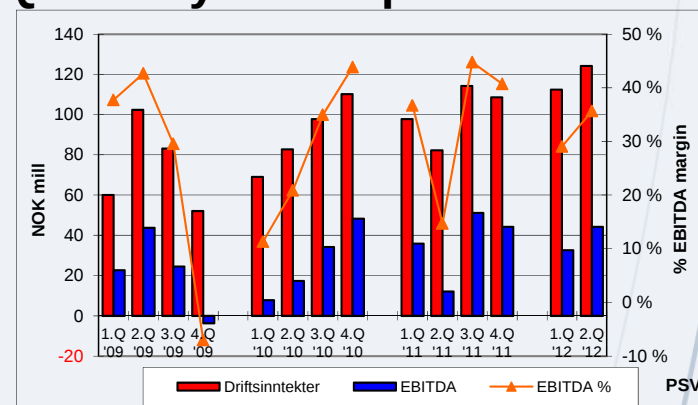


# FLEET

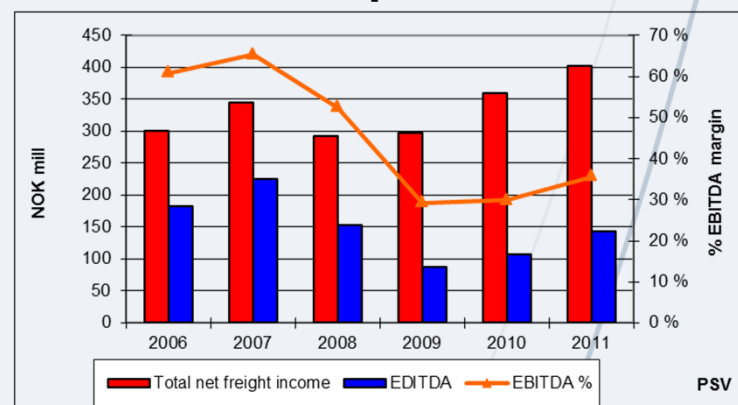
- Platform Supply Vessels (PSV)

- Improved operational performance during 2Q '12
  - As for 1Q '12, close to full utilization during the quarter
  - Improved revenues and EBITDA as a function of increased dayrates and currency effects
  - Change of flag on 3 vessels. Will give positive cost effect from 3Q '12
- Increased exposure to the weak North Sea spot market during 2H '12
  - N. Arctic, N. Skipper, N. Flipper and N. Carrier entering the NS spot from August '12

## Quarterly development



## Annual development





## 5. MARKET/OUTLOOK

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# MARKET OUTLOOK

- A continued high oil price gives E&P budgets on a steady high level.
- Demand for vessels, equipment and people, will continue to grow.
- Demand for Subsea construction vessels will continue to be strong as a consequence of increased activity level and limited orderbook. Coming North Sea winter season still an uncertainty.
- Anchorhandling market will be volatile but can surprise positively already this year.
- PSV market is a long way from market balance in the North Sea. Still possible to get decent rates internationally.

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# THANK YOU!



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