

SEVAN MARINE ASA
REPORT
SECOND QUARTER
2004



REPORT SECOND QUARTER 2004

Main figures¹

Operating revenues for the second quarter came to NOK 0.1 million (NOK 1.0 million). The decrease was primarily due to the expiry of the Company's agency agreement with Frontier Deepwater Drilling Inc.

Operating income came to NOK - 4.3 (NOK - 2.6 million). The operating expenses has increased, primarily as a result of an increase in salary and other personnel expenses due to the hiring of engineering staff in connection with the construction of the SSP300.

Net financial items came to NOK 0.5 million (NOK 0). The increase was due to an increase in interest income on cash and cash equivalents.

Net profit came to NOK - 3.0 million (NOK - 2.1 million).

For the first six months, operating revenues amounted to NOK 1.0 million (NOK 1.8 million). Operating income amounted to NOK - 7.7 million (NOK - 4.9 million), net financial items was NOK 0.6 million (NOK 0.1 million) and net profit was NOK - 5.5 million (NOK - 3.9 million).

As at June 30, 2004, total assets amounted to NOK 184.7 million, of which NOK 45.9 million had been capitalized as construction in progress on the SSP 300 FSO. In the second quarter, the Company carried out a private placement in order to part-finance the construction of the SSP300, with gross proceeds of NOK 143 million. As at June 30, the equity ratio was 85%. The Company did not have any interest-bearing debt.

Accounting policies

The financial data have been prepared in accordance with Norwegian GAAP. The accounts for 2003, H1 2003, Q2 2003 and Q1 2004 are pro forma accounts, and has been prepared in connection with the transformation of the Company from a private company to a public company, which took place on June 18, 2004.

The Company expects its first interim report in 2005 to be in compliance with IFRS standards. In general, IFRS requires more detailed disclosures than Norwegian GAAP. However, the Company does not expect to have many significant changes in accounting principles as a result of the transition to IFRS. IAS 38 requires development costs to be capitalized if certain criteria are fulfilled. The Company currently expenses both research and development costs when incurred. The Company aims to quantify the effects of the implementation of IFRS in its annual accounts for 2004.

Business activities

Petrobras agreement. The Company has entered into a cooperation agreement with Petroleo Brasileiro S.A. (Petrobras), for the purpose of exchanging experience and knowledge on the technology related to the construction of mono-column hulls and for Petrobras to follow the fabrication process of the SSP 300 in China.

Construction project. The construction of the SSP 300 FSO at the Yantai Raffles Shipyard in China proceeds according to plan. The unit shall be delivered to the Company in the summer of 2005. The construction contract was executed in the second quarter. The Company has entered into purchase contracts with various suppliers for the delivery of Owner Furnished Equipment (OFE) to be installed on Vessel at the shipyard.

¹ Figures in brackets refer to the same period last year.

Project status. The clients' reaction to the Company's decision to order the first SSP at Yantai-Raffles Shipyard has been positive. The Company is working on several projects where the SSP is suitable. Some of these projects would involve the addition of a process plant onto the SSP. In such case the SSP would be operated as a floating production, storage and offloading unit. The project opportunities are located in the major offshore markets, including Brasil, North Sea and South-East Asia. During the first six months, the Company has strengthened its staff by the hiring of new engineers. In order to meet a high activity level, it may be necessary to strengthen the staff further. The manning now totals 14 persons.

Other

The work related to the Oslo Stock Exchange listing is proceeding according to plan.

Outlook

Fundamentally, the market outlook for floating production units is good, primarily caused by a sustainable, high oil price and a steady flow of new projects. The Company focuses on the market niches where the SSP's competitive advantages may be utilized. In Brasil, several projects that have been delayed in the last 12 months, are now about to come to the market. In the North Sea, there is an increasing focus on the development of medium-sized and marginal fields. In this segment, there is little available capacity in terms of floating production units. In SE Asia, several projects are under consideration. The Board is optimistic with regards to the possibilities to secure a contract for the SSP 300.

Tananger, August 31, 2004
The board of directors
Sevan Marine ASA



Sevan Marine ASA

Income statement

<i>Unaudited figures in NOK million</i>	Q2 04	Q1 04	Q2 03	H1 04	H1 03	2003
Operating revenues	0,1	0,9	1,0	1,0	1,8	3,6
Operating expenses	4,3	4,3	3,5	8,6	6,6	13,1
EBITDA	-4,2	-3,4	-2,5	-7,6	-4,8	-9,5
Depreciation	-0,1	0,0	-0,1	-0,1	-0,1	-0,2
Operating profit	-4,3	-3,4	-2,6	-7,7	-4,9	-9,7
Interest income	0,6	0,1	0,1	0,7	0,2	0,3
Interest expenses	-0,1	0,0	-0,1	-0,1	-0,1	-0,2
Net financial items	0,5	0,1	0,0	0,6	0,1	0,1
Profit before tax	-3,8	-3,3	-2,6	-7,1	-4,8	-9,6
Tax	0,8	0,8	0,5	1,6	0,9	1,9
Net profit	-3,0	-2,5	-2,1	-5,5	-3,9	-7,7

Balance sheet

<i>Unaudited figures in NOK million</i>	30.06.04	31.03.04	31.12.03	30.06.03
Deferred tax	8,1	7,3	6,5	5,6
Construction in progress	45,9	4,1	-	-
Other fixed assets	0,8	0,8	0,7	0,6
Total long-term assets	54,8	12,2	7,2	6,2
Current receivables	4,0	6,0	4,7	4,9
Cash and cash equivalents	125,9	15,9	2,5	5,8
Total current assets	129,9	21,9	7,2	10,7
Total assets	184,7	34,1	14,4	16,9
Share capital	12,4	4,9	3,9	3,9
Share premium reserve	144,5	21,5	8,0	11,2
Other equity	0,2	-	0,2	0,7
Total shareholders' equity	157,1	26,4	12,1	15,8
Pension obligations	0,4	-	-	-
Total long-term debt	0,4	-	-	-
Current liabilities	27,3	7,8	2,3	1,1
Total current liabilities	27,3	7,7	2,3	1,1
Total shareholders' equity and liabilities	184,7	34,1	14,4	16,9

Cash flow

<i>Unaudited figures in NOK million</i>	Q2 04	Q1 04	Q2 03	H1 04	H1 03	2003
Cash flow from operations	17,9	0,9	-2,2	18,8	-3,8	-7,2
Cash flow from investments	-41,9	-4,3	0,0	-46,2	-0,1	-0,3
Cash flow from financing	134,0	16,8	0,3	150,8	7,9	8,1
Net cash flow	110,0	13,4	-1,9	123,4	4,0	0,6
Cash balance at beginning of period	15,9	2,5	7,7	2,5	1,8	1,8
Cash balance at end of period	125,9	15,9	5,8	125,9	5,8	2,5

Key figures

<i>Unaudited figures</i>	Note	Q2 04	Q1 04	Q2 03	H1 04	H1 03	2003
Earnings per share (NOK)	1	-0,05	-0,10	-0,11	-0,13	-0,21	-0,41
Earnings per share fully diluted (NOK)	2	-0,05	-0,10	-0,11	-0,13	-0,21	-0,41
Cash flow per share (NOK)	3	0,29	0,04	-0,11	0,44	-0,21	-0,38
Cash flow per share fully diluted (NOK)	4	0,29	0,04	-0,11	0,44	-0,21	-0,38
Operating margin	5	-	-	-	-	-	-
Equity ratio	6	85 %	77 %	93 %	85 %	93 %	84 %
Return on equity	7	-	-	-	-	-	-
Return on capital employed	8	-	-	-	-	-	-
No. of outstanding shares (1,000)		62 051	24 419	19 488	62 051	19 488	19 488
No. of shares fully diluted (1,000)		65 160	27 528	22 597	65 160	22 597	22 597
Average no. of outstanding shares (1,000)		62 051	23 986	19 488	43 018	18 321	18 905
Average no. of shares fully diluted (1,000)		65 160	27 095	22 597	46 127	21 430	22 014
Share price (NOK)		3,80	3,65	3,00	3,80	3,00	3,00
Market capitalisation (1,000)	9	235 794	89 129	58 464	235 794	58 464	58 464
Number of employees		14	12	9	14	9	10

Notes

- 1 Net profit / average no. of outstanding shares
- 2 Net profit / average no. of shares fully diluted
- 3 Cash flow from ops. / average no. of outst. shares
- 4 Cash flow from ops. / avg. no. of shares fully diluted
- 5 (Operating profit / operating revenues) x 100
- 6 (Total shareholders' equity / total assets) x 100
- 7 (Net profit / average shareh. equity) x 100, annualised
- 8 (Operating profit + interest income) /
(average total assets - average interest free debt),
annualised
- 9 Latest quoted shareprice or share issue price
x no. of outstanding shares

10 largest shareholders as at 23.08.2004

Shareholder	Number of shares	%
Vela AS	9 342 106	15,1 %
Skandinaviska Enskilda Banken	5 263 158	8,5 %
Arne Smedal	3 605 687	5,8 %
KLP Forsikring	2 631 579	4,2 %
MP Pensjon	2 019 737	3,3 %
Terra Vekst	2 006 139	3,2 %
Morgan Stanley and C Clients Safe Custody	1 850 000	3,0 %
State Street Bank & Client Omnibus F	1 847 368	3,0 %
Holberg Norden Verdipapirfondet	1 814 474	2,9 %
Jaco Invest AS	1 732 999	2,8 %
Total	32 113 247	51,7 %
No. of outstanding shares	62 050 921	
Foreign ownership	22,5 %	